



## PARABOLIC DRUGS LIMITED

Our Company was incorporated on February 22, 1996 under the Companies Act, 1956, with the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh. For details of change in our Registered Office, see **"History and Certain Corporate Matters"** on page 130.

**Registered Office:** SCO 99 100, Top Floor, Sector 17-B, Chandigarh – 160 017, India. **Tel:** + (91 172) 391 4646 **Fax:** + (91 172) 3914645

There has been no change in the name of our Company since incorporation.

**Company Secretary and Compliance Officer:** Mr. Anil Kumar  
**Email:** pdl.ipo@parabolicdrugs.com; **Website:** www.parabolicdrugs.com

**PROMOTERS OF OUR COMPANY:** Mr. Pranav Gupta, Mr. Vineet Gupta, PNG Trading Private Limited ("PNG") and Parabolic Infrastructure Private Limited ("PIPL")

**PUBLIC ISSUE OF [•] EQUITY SHARES OF FACE VALUE RS. 10 EACH (THE "EQUITY SHARES") OF PARABOLIC DRUGS LIMITED ("OUR COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [•] PER EQUITY SHARE) AGGREGATING TO UP TO RS. 20,000 LACS (THE "ISSUE"). THE ISSUE COMPRISES A NET ISSUE OF UP TO [•] EQUITY SHARES (THE "NET ISSUE") AND A RESERVATION OF 5,00,000 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (AS DEFINED HEREIN) (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE COMPRISES A FRESH ISSUE OF [•] EQUITY SHARES BY OUR COMPANY (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF 20,25,702 EQUITY SHARES ("OFFER FOR SALE") BY BTS INDIA PRIVATE EQUITY FUND LIMITED ("BTS") AND ALDEN GLOBAL (MAURITIUS) LIMITED ("ALDEN") (TOGETHER, THE "SELLING SHAREHOLDERS"). THE ISSUE WILL CONSTITUTE [•] % OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.**

**THE PRICE BAND AND THE MINIMUM BID LOT SIZE FOR THE ISSUE WILL BE DECIDED BY OUR COMPANY AND THE SELLING SHAREHOLDERS, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND THE CO-BOOK RUNNING LEAD MANAGER AND ADVERTISED IN ALL EDITIONS OF FINANCIAL EXPRESS IN ENGLISH LANGUAGE, IN ALL EDITIONS OF JANSATTA IN HINDI LANGUAGE AND IN ALL EDITIONS OF PUNJABI TRIBUNE IN PUNJABI LANGUAGE, AT LEAST TWO WORKING DAYS PRIOR TO THE BID OPENING DATE.**

In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of the Price Band, subject to the Bidding Period not exceeding a total of 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers (the "BRLMs") and the Co-Book Running Lead Manager (the "CBRLM") and at the terminals of the Syndicate.

The Issue is being made through the book building process (the **"Book Building Process"**) wherein up to 50% of the Net Issue will be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs") (the **"QIB Portion"**), provided that our Company may allocate up to 30% of the QIB Portion to Anchor Investors, on a discretionary basis (the **"Anchor Investor Portion"**). For details, see **"Issue Procedure"** on page 271. Further 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 5,00,000 Equity Shares shall be made available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price. Any Bidder may participate in the Issue through the Application Supported by Blocked Amount ("ASBA") process by providing the details of their respective bank accounts in which the corresponding Bid amounts will be blocked by Self Certified Syndicate Banks (the "SCSBs"). For details in this regard, specific attention is invited to **"Issue Procedure"** on page 271.

### RISK IN RELATION TO FIRST ISSUE

This being the first public issue of our Equity Shares, there has been no formal market for our Equity Shares. The face value of our Equity Shares is Rs. 10 per Equity Share and the Floor Price is [•] times the face value and the Cap Price is [•] times the face value. The Issue Price (as determined and justified by our Company and the Selling Shareholders in consultation with the BRLMs and the CBRLM as stated in **"Basis for Issue Price"** on page 83) should not be taken to be indicative of the market price of our Equity Shares after our Equity Shares are listed. No assurance can be given regarding active and / or sustained trading in our Equity Shares or regarding the price at which our Equity Shares will be traded after listing.

### GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of our Company and the Issue, including the risks involved. The Equity Shares issued / offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (the "SEBI"), nor does the SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to **"Risk Factors"** on page 12.

### IPO GRADING

This Issue has been graded by Credit Analysis and Research Limited ("CARE") and Brickwork Ratings India Private Limited ("Brickwork") as 'CARE IPO Grade 2' and 'BWR IPO Grade 3', respectively, indicating below average and average fundamentals, respectively. For more information on the IPO Grading, see **"General Information"** on page 44 and **Annexures I and II**.

### ISSUER'S ABSOLUTE RESPONSIBILITY

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

### LISTING

The Equity Shares issued / offered through this Red Herring Prospectus are proposed to be listed on the BSE and the NSE. We have received in-principle approvals from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated February 11, 2010 and March 22, 2010, respectively. For the purpose of the Issue, the Designated Stock Exchange shall be the BSE.

### BOOK RUNNING LEAD MANAGERS



**AVENDUS CAPITAL PRIVATE LIMITED**  
IL&FS Financial Centre B Quadrant, 5th Floor,  
Bandra Kurla Complex, Bandra (East),  
Mumbai 400 051, Maharashtra, India  
Tel : +91 22 6648 0050  
Fax: +91 22 6648 0040  
Email Id: pdl.ipo@avendus.com  
Investor Grievance e-mail:  
investorgrievance@avendus.com  
Website: www.avendus.com  
Contact Person: Mr. Prashant Kothari  
SEBI Registration Number: INM000011021



**ICICI SECURITIES LIMITED**  
ICICI Centre, H.T. Parekh Marg, Churchgate  
Mumbai 400 020, Maharashtra, India  
Tel: +91 22 2288 2460  
Fax: +91 22 2282 6580  
Email Id: parabolic.ipo@icicisecurities.com  
Investor Grievance e-mail:  
customercare@icicisecurities.com  
Website: www.icicisecurities.com  
Contact Person: Mr. Sumit Pachisia  
SEBI Registration No.: INM000011179



**SPA MERCHANT BANKERS LIMITED**  
25, C- Block, Community Centre, Janak Puri  
New Delhi 110 058, India  
Tel: (91 11) 2551 7371, 4567 5500  
Fax: (91 11) 2553 2644  
E-mail: parabolic.ipo@spagroupindia.com  
Investor Grievance e-mail:  
parabolic.ipo@spagroupindia.com  
Website: www.spacapital.com  
Contact Person: Mr. Nitin Somani/Ms. Ashi Mehra  
SEBI Registration Number: INM000010825



**LINK INTIME INDIA PRIVATE LIMITED**  
(Formerly INTIME SPECTRUM REGISTRY LTD.)  
C-13, Pannalal Silk Mills Compound,  
L.B.S Marg, Bhandup (West)  
Mumbai 400 078, India  
Tel: +(91 22) 2596 0320  
Fax: +(91 22) 2596 0329  
Email: pdl.ipo@linkintime.co.in  
Website: www.linkintime.co.in  
Contact Person: Mr. Sachin Achar  
SEBI Registration No: INR000004058

### BIDDING PROGRAM\*

<b>BID OPENS ON</b>	<b>FOR ALL BIDDERS</b>	<b>JUNE 14, 2010</b>
	<b>FOR QIB BIDDERS</b>	<b>JUNE 16, 2010</b>
<b>BID CLOSING ON</b>	<b>FOR RETAIL AND NON-INSTITUTIONAL BIDDERS (INCLUDING ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION)</b>	<b>JUNE 17, 2010</b>

\* Anchor Investors, if any, shall submit their Bid on the Anchor Investor Bidding Date, which is one Working Day prior to the Bid Opening Date.

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## SECTION I – GENERAL DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or implies, the following terms have the following meanings in this Red Herring Prospectus. References to any statute, regulations or policies shall include amendments thereto, from time to time.

### Company Related Terms

Term	Description
“Parabolic” “the Company” or “our Company” or the “Issuer”	Parabolic Drugs Limited, a public limited company incorporated under the Companies Act, 1956, on a stand alone basis
“we”, “us”, “our”	Parabolic Drugs Limited, and our Subsidiary, Parabolic Research Labs Limited, on a consolidated basis
AoA / Articles of Association	Articles of Association of our Company, as amended
Alden	Alden Global (Mauritius) Limited (formerly Minivet Limited)
Alden SHA	Shareholders’ agreement dated July 31, 2006, by and among our Company, Alden Global (Mauritius) Limited, Mr. Pranav Gupta, Mr. Vineet Gupta, Pranav Gupta Family Trust, Vineet Gupta Family Trust, Mrs. Rama Gupta, PNG and PIPL. See “ <i>History and Certain Corporate Matters</i> ” on page 130
Alden SHA Termination Agreement	Agreement dated January 6, 2010 entered into amongst the parties to the Alden SHA
Audit Committee	Committee of Directors constituted as our Company’s Audit Committee in accordance with Clause 49 of the Equity Listing Agreement to be entered into with the Stock Exchanges
Auditor	Statutory auditors of our Company, S.K. Bansal & Company, Chartered Accountants
Board/ Board of Directors	Board of Directors of our Company
BTS	BTS India Private Equity Fund Limited
BTS SHA	Shareholders’ agreement dated April 15, 2008 by and among our Company, BTS India Private Equity Fund Limited, Mr. Pranav Gupta, Mr. Vineet Gupta, Pranav Gupta Family Trust, Vineet Gupta Family Trust Mrs. Rama Gupta, PNG and PIPL. See “ <i>History and Certain Corporate Matters</i> ” on page 130
BTS SHA Termination Agreement	Agreement dated January 7, 2010 entered into amongst the parties to the BTS SHA
Consortium Agreement	Consortium agreement dated February 11, 2010 by and among our Company and a consortium of nine banks, namely State Bank of India, Union Bank of India, ICICI Bank Limited, Central Bank of India, UCO Bank, Punjab National Bank, IDBI Bank Limited, Bank of Baroda and Canara Bank. See “ <i>Financial Indebtedness</i> ” on page 237
Corporate Office	9AB, Taimoor Nagar, New Friends Colony, New Delhi 110 065, India
Directors	Directors of our Company
Exquisite	Exquisite Result International Limited
Exquisite SHA	Shareholders’ agreement dated November 8, 2006, by and among our Company, Exquisite Result International Limited, Mr. Pranav Gupta, Mr. Vineet Gupta, Pranav Gupta Family Trust, Vineet Gupta Family Trust, Mrs. Rama Gupta, Mr. T.N. Goel, and PNG. See “ <i>History and Certain Corporate Matters</i> ” on page 130
Exquisite SHA Termination Agreement	Agreement dated January 7, 2010 entered into amongst to the parties to the Exquisite SHA
Group Entities	The entities promoted by our Promoters, mentioned in “ <i>Our Promoters and Group Entities</i> ” on page 147
Identified Projects	The projects for which the Net Proceeds are proposed to be utilized. See “ <i>Objects of the Issue</i> ” on page 68
JEPL	Jamboree Education Private Limited
Key Management Personnel	Officers vested with executive powers and the officers at the level immediately below the Board of Directors and including any other person whom our Company may declare as key management personnel. See “ <i>Our Management - Key Management Personnel</i> ” on page 144
MoA/ Memorandum of Association	Memorandum of Association of our Company, as amended
Parabolic Labs/ Subsidiary	Subsidiary of our Company, Parabolic Research Labs Limited. See “ <i>History and Certain Corporate Matters - Our Subsidiary</i> ” on page 130
Preference Shares	Preference shares of our Company of face value Rs. 10

Term	Description
Promoter Group	Includes such persons and entities constituting our promoter group, pursuant to Regulation 2(zb) of the ICDR Regulations.  Our Promoter Group includes the following natural persons (due to their relationship with our Promoters): (a) Mr. Jai Dev Gupta, (b) Ms. Rama Gupta, (c) Mr. Sachin Gupta, (d) Dr. Deepali Gupta, (e) Ms. Akrita Kalra, (f) Mr. Parth Gupta (minor), (g) Mr. Mehul Gupta (minor), (h) Ms. Naima Kalra Gupta (minor), (i) Ms. Keya Kalra Gupta, (j) Mr. Ramesh Kumar Garg, (k) Ms. Swarn Garg, (l) Ms. Ramandeep Kalra and (m) Mr. Surinder Singh Kalra  Our Promoter Group includes the following corporate entities: (a) Jamboree Education Private Limited, (b) Parabolic Estates Private Limited, and (c) Skyview Infotech Private Limited  Our Promoter Group includes the following HUFs and firms: (a) Pranav Gupta (HUF), (b) Vineet Gupta (HUF), (c) Jai Dev Gupta (HUF), (d) Pranav Gupta Family Trust, (e) Vineet Gupta Family Trust and (f) Vineet Packaging Industries
Promoters	Mr. Pranav Gupta, Mr. Vineet Gupta, PNG and PIPL
PEPL	Parabolic Estates Private Limited
PGFT	Pranav Gupta Family Trust
PIPL	Parabolic Infrastructure Private Limited
PNG	PNG Trading Private Limited
Registered Office	Registered office of our Company, presently at S.C.O. 99-100, Top Floor, Sector 17-B, Chandigarh 160 017, India
RoC	Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh
Selling Shareholders	BTS and Alden
Skyview	Skyview Infotech Private Limited
VGFT	Vineet Gupta Family Trust
VPI	Vineet Packaging Industries

#### Issue Related Terms

Term	Description
Allotment or Allot or Allotted	The allotment of Equity Shares to successful Bidders pursuant to this Issue
Allottee	A successful Bidder to whom Equity Shares are Allotted
Anchor Investor	A Qualified Institutional Buyer applying under the Anchor Investor Portion, with a minimum Bid of Rs. 1,000 lacs
Anchor Investor Bid	Bid made by an Anchor Investor
Anchor Investor Bidding Date	The date which is one Working Day prior to the Bid Opening Date, prior to or after which the Syndicate will not accept any Bids from Anchor Investors
Anchor Investor Issue Price	The final price at which Equity Shares will be issued and Allotted in terms of this Red Herring Prospectus and the Prospectus to the Anchor Investors, which will be a price equal to or higher than the Issue Price but not higher than the Cap Price. The Anchor Investor Issue Price will be decided by our Company and the Selling Shareholders, in consultation with the BRLMs and the CBRLM
Anchor Investor Portion	Up to 30% of the QIB Portion to be allocated to Anchor Investors by the Company, in consultation with the BRLM, on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Anchor Investor Bids being received from the domestic Mutual Funds, at or above the price at which allocation will be made to Anchor Investors
ASBA Account	Account maintained by an ASBA Bidder with an SCSB which will be blocked by such SCSB to the extent of the Bid Amount of the ASBA Bidder
ASBA Bid cum Application Form	The form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for purposes of this Red Herring Prospectus and the Prospectus
ASBA Bidder	Any Bidder who intends to apply through ASBA
ASBA / Application Supported by Blocked Amount	The application (whether physical or electronic) used by a Bidder to make a Bid authorizing the SCSB to block the Bid Amount in his/her specified bank account maintained with the SCSB
ASBA Revision Form	The form used by the ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Bid cum Application Forms or any previous revision form(s)
Avendus	Avendus Capital Private Limited
Banker(s) to the Issue / Escrow Collection	The bank(s) which is/ are clearing members and registered with SEBI as Bankers to the Issue with whom the Escrow Account will be opened, in this case being State Bank of India, HDFC

Term	Description
Bank(s)	Bank Limited, UCO Bank, Punjab National Bank and ICICI Bank
Basis of Allotment	The basis on which the Equity Shares will be Allotted, described in “ <b>Issue Procedure- Basis of Allotment</b> ” on page 292
Bid	An indication to make an offer during the Bidding Period by a Bidder (including an ASBA Bidder), or on the Anchor Investor Bidding Date by an Anchor Investor, pursuant to submission of a Bid cum Application Form or ASBA Bid cum Application Form to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by a Bidder on submission of a Bid in the Issue
Bid Closing Date	Except in relation to Anchor Investors, June 16, 2010 (for QIB Bidders) and June 17, 2010 (for Retail and Non-Institutional Bidders (including Eligible Employees Bidding in the Employee Reservation Portion)), the date after which the Syndicate and SCSBs will not accept any Bids, which shall be notified in Financial Express, an English national newspaper, Jansatta, a Hindi national newspaper and Punjabi Tribune, a Punjabi newspaper, each with wide circulation
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares and which shall be considered as the application for the issue of Equity Shares pursuant to the terms of this Red Herring Prospectus and the Prospectus including the ASBA Bid cum Application as may be applicable
Bid Opening Date	Except in relation to Anchor Investors, June 14, 2010, the date on which the Syndicate and SCSBs shall start accepting Bids, which shall be notified in Financial Express, an English national newspaper, Jansatta, a Hindi national newspaper and Punjabi Tribune, a Punjabi newspaper, each with wide circulation
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form, including an ASBA Bidder and Anchor Investor
Bidding Period	The period between the Bid Opening Date and the Bid Closing Date, inclusive of both days during which prospective Bidders (excluding Anchor Investors) can submit their Bids, including any revisions thereof
Book Building Process	Book building process as provided in Schedule XI of the ICDR Regulations in terms of which this Issue is being made
Brickwork	Brickwork Ratings India Private Limited
BRLMs / Book Running Lead Managers	The merchant bankers appointed by our Company to undertake the Book Building Process in respect of the Issue, in this case being Aventus Capital Private Limited and ICICI Securities Limited
CAN / Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the successful Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process, including any revisions thereof  In relation to Anchor Investors, the note or advice or intimation of allocation of Equity Shares sent to the successful Anchor Investors who have been allocated Equity Shares after discovery of the Anchor Investor Issue Price, including any revisions thereof
Cap Price	The higher end of the Price Band, above which the Issue Price and Anchor Investor Issue Price will not be finalized and above which no Bids will be accepted, including any revisions thereof
CARE	Credit Analysis and Research Limited
CBRLM / Co-Book Running Lead Manager	SPA Merchant Bankers Limited
Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate with the BRLMs and the CBRLM, the Registrar to the Issue and the Stock Exchanges
CRISIL	Credit Rating and Information Services of India Limited
Cut-off Price	The Issue Price finalized by our Company and the Selling Shareholders in consultation with the BRLMs and the CBRLM. Only Retail Individual Bidders and Eligible Employees, whose Bid Amount does not exceed Rs. 1,00,000 are entitled to Bid at the Cut-off Price. QIBs (including Anchor Investors) and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum Application Form used by ASBA Bidders and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.html">http://www.sebi.gov.in/pmd/scsb.html</a>
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Public Issue Account or the Refund Account, as appropriate, and the amounts blocked by the SCSBs are transferred from the bank accounts of the ASBA Bidders to the Public Issue Account, as the case may be, after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares to the Allottees
Designated Stock	BSE

Term	Description
Exchange	
DP ID	Depository Participant's Identity
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated January 22, 2010, filed with the SEBI and issued in accordance with Section 60B of the Companies Act, which did not contain complete particulars of the price at which the Equity Shares are offered and the size (in terms of value) of the Issue
Eligible Employees	All or any of the following:  (a) A permanent and full time employee of our Company or our Subsidiary as on the date of filing of this Red Herring Prospectus with the RoC and based, working and present in India as on the date of submission of the Bid cum Application Form; and as(b) A director of our Company, whether a whole time director, part time director or otherwise, except any Promoters or an immediate relative of a Promoter, as on the date of filing of this Red Herring Prospectus with the RoC and based and present in India as on the date of submission of the Bid cum Application Form
Eligible NRI	A Non Resident Indian in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom this Red Herring Prospectus will constitute an invitation to subscribe for the Equity Shares
Employee Reservation Portion	The portion of the Issue, being up to 5,00,000 Equity Shares, available for allocation to Eligible Employees on a proportionate basis, subject to such reservation not exceeding 5% of the Issue size
Equity Shares	Equity Shares of our Company of face value of Rs. 10 each
Escrow Account (s)	Account(s) opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (excluding ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	Agreement dated [●] entered into among our Company, the Registrar, the BRLMs, the CBRLM, the Syndicate Members and the Escrow Collection Banks for collection of the Bid Amounts and remitting refunds, if any of the amounts to the Bidders (excluding ASBA Bidders) on the terms and conditions thereof
First Bidder	Bidder whose name appears first in the Bid cum Application Form or the Revision Form or the ASBA Bid cum Application Form
Floor Price	Lower end of the Price Band, at or above which the Issue Price will be finalized and below which no Bids will be accepted including any revisions thereof
Fresh Issue	Fresh issue of [●] Equity Shares by our Company
I-Sec	ICICI Securities Limited
Issue	This public issue of [●] Equity Shares of Rs. 10 each at the Issue Price, aggregating to up to Rs. 20,000 lacs, comprising a Fresh Issue of [●] Equity Shares of our Company and an Offer for Sale of 20,25,702 Equity Shares by the Selling Shareholders. The Issue comprises a Net Issue of [●] Equity Shares and an Employee Reservation Portion of up to 5,00,000 Equity Shares for subscription by Eligible Employees.
Issue Price	The final price at which Equity Shares will be Allotted to the Bidders, in terms of this Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company and the Selling Shareholders in consultation with the BRLMs and the CBRLM on the Pricing Date
Mutual Fund Portion	5% of the QIB Portion (excluding the Anchor Investor Portion) available for allocation to Mutual Funds only, on a proportionate basis
Mutual Fund(s)	Mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
Net Issue	Issue less the Employee Reservation Portion, consisting of [●] Equity Shares to be Allotted pursuant to this Issue
Net Proceeds	Proceeds of the Issue that are available to our Company, excluding the proceeds of the Offer for Sale and the Issue related expenses
Non-Institutional Bidders	All Bidders that are not QIBs (but not including NRIs other than eligible NRIs) or Retail Individual Bidders and who have Bid for Equity Shares for an amount over Rs. 1,00,000
Non-Institutional Portion	The portion of the Issue being not less than 15% of the Net Issue or [●] Equity Shares at the Issue Price, available for allocation to Non Institutional Bidders
Offer for Sale	15,33,742 and 4,91,960 Equity Shares, being offered by BTS and Alden, respectively, aggregating to 20,25,702 Equity Shares
Pay-in Date	The Bid Closing Date, except with respect to Anchor Investors, which shall be the Anchor Investor Bidding Date or a date not later than two Working Days after the Bid Closing Date, as may be applicable
Pay-in Period	Except with respect to ASBA Bidders, the period commencing on the Bid Opening Date and extending until the Bid Closing Date
Price Band	Price band of a minimum Floor Price of Rs. [●] and a maximum Cap Price of Rs. [●] respectively, including revisions thereof. The Price Band and the minimum Bid lot size for the Issue will be decided by our Company and the Selling Shareholders, in consultation with the

Term	Description
	BRLMs and the CBRLM and advertised in all editions of Financial Express in English language, in all editions of Jansatta in Hindi language and in all editions of Punjabi Tribune in Punjabi Language, at least two Working Days prior to the Bid Opening Date
Pricing Date	Date on which our Company in consultation with the BRLMs and the CBRLM will finalize the Issue Price
Prospectus	Prospectus of our Company to be filed with the RoC in terms of Section 60 of the Companies Act, containing, <i>inter alia</i> , the Issue price that is determined at the end of the Book Building Process, the size of the Issue, including any addenda or corrigenda thereto
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account(s) and from the SCSBs from the bank account of the ASBA Bidders, on the Designated Date
QIB Portion	The portion of the Net Issue being up to 50% of the Net Issue or up to [●] Equity Shares available for allocation to QIBs, including the Anchor Investor Portion
Qualified Institutional Buyer or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FIIs and sub-accounts registered with the SEBI, other than a sub-account which is a foreign corporate or foreign individual, scheduled commercial banks, Mutual Funds registered with the SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 2,500 lacs and pension funds with minimum corpus of Rs. 2,500 lacs and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India, and insurance funds set up and managed by the army, navy or air force of the Union of India
Red Herring Prospectus	This Red Herring Prospectus dated June 4, 2010 to be filed with the RoC in terms of Section 60B of the Companies Act, which will not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue, and which will be filed with the RoC at least three days before the Bid Opening Date and will become a Prospectus after filing with the RoC after the Pricing Date
Refund Account(s)	Account(s) opened with Escrow Collection Bank(s) from which refunds of the whole or part of the Bid Amount (excluding to the ASBA Bidders), if any, shall be made
Refund Bank(s)	Bank(s) which is / are clearing member(s) and registered with the SEBI as Bankers to the Issue, at which the Refund Accounts will be opened, in this case being ICICI Bank
Registrar / Registrar to the Issue	Registrar to the Issue is, Link Intime India Private Limited
Retail Individual Bidder(s)	Individual Bidders (including HUFs and NRIs) other than Eligible Employees submitting Bid under the Employee Reservation Portion, who have Bid for Equity Shares for an amount less than or equal to Rs. 1,00,000 in any of the Bidding options in the Issue
Retail Portion	The portion of the Issue being not less than 35% of the Net Issue or [●] Equity Shares at the Issue Price available for allocation to Retail Bidder(s)
Revision Form	Form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s) including the ASBA Revision Form as may be applicable
Self Certified Syndicate Bank(s) / SCSB(s)	Banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offer services of ASBA, including blocking of bank account, a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.html">http://www.sebi.gov.in/pmd/scsb.html</a>
SPA	SPA Merchant Bankers Limited
Stock Exchanges	The BSE and the NSE
Syndicate	Collectively, the BRLMs, the CBRLM and the Syndicate Members
Syndicate Agreement	Agreement dated [●], 2010, entered into among the Syndicate, our Company in relation to the collection of Bids (excluding Bids from the ASBA Bidders) in this Issue
Syndicate Members	Intermediary appointed by the BRLMs and the CBRLM in respect of the Issue, which is registered with the SEBI or registered as a broker with the BSE or the NSE, and who is permitted to carry on activities as an underwriter, in this case being Avendus Securities Private Limited, SPA Securities Limited, India Infoline Limited and Reliance Securities Limited
TRS / Transaction Registration Slip	Slip or document issued only on demand by the Syndicate or the SCSB to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs, the CBRLM and the Syndicate Members
Underwriting Agreement	Agreement between the Underwriters and our Company to be entered into on or after the Pricing Date
Working Day	All days other than a Sunday or a public holiday (except during the Bidding Period where a working day means all days other than a Saturday, Sunday or a public holiday), on which commercial banks in India are open for business

## Conventional and General Terms

Term	Description
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
Air Act	Air (Prevention and Control of Pollution) Act, 1981
Bajaj Allianz	Bajaj Allianz General Insurance Company Limited
Biologics	Include a wide range of medicinal products such as vaccines, blood and blood components, allergenics, tissues, and recombinant therapeutic proteins etc. created by biological processes (as opposed to chemically)
Boiler Regulations	Indian Boiler Regulations, 1950
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CBI	Central Bureau of Investigation
CCE	Customs and Central Excise
CDSL	Central Depository Services (India) Limited
CEC	Central Excise Commissioner
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
Cenvat Rules	Cenvat Credit Rules, 2004
CIN	Corporate Identification Number
CLRA	Contract Labour (Regulation and Abolition) Act, 1970
Commission	State Consumer Disputes Redressal Commission
Companies Act	Companies Act, 1956, and amendments thereto
Controller of Patents and Designs	Controller of Patents and Designs
CPC	Civil Procedure Code, 1908
Drugs and Cosmetics Act	Drugs and Cosmetics Act, 1940
DCGI	Drugs Controller General of India
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
DP ID	Depository Participant's Identity
DPCO	Drugs (Prices Control) Order, 1995
Draft National Pharmaceutical Policy	Draft National Pharmaceutical Policy, 2006
Drug Policy	Drug Policy, 1986
Drugs Rules	Drugs and Cosmetics Rules, 1945
Greenwich	Greenwich Meridian Logistics India Private Limited
ECA	Essential Commodities Act, 1955
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting
EIA	Environment Impact Assessment
EPA Act	Environment Protection Act, 1986
EPCG	Export Promotion Capital Goods Scheme
EPF Act	Employees (Provident Fund and Miscellaneous Provisions) Act, 1952
EPS	Earnings Per Share i.e., profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares at the end of that fiscal year
ESI Act	Employees State Insurance Act, 1948
Explosives Act	Explosives Act, 1884
Factories Act	Factories Act, 1948
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI
Financial Year / fiscal	Period of 12 months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
Foreign Trade Act	Foreign Trade (Development and Regulation) Act, 1992
FVCI	Foreign Venture Capital Investor registered under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GDP	Gross Domestic Product
GIR No	General index register number
GoI / Government	Government of India



Term	Description
Hazardous Chemicals Rules	Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989
HNI	High net worth individual
HSBC	Hongkong and Shanghai Banking Corporation Limited
HSIIDC	Haryana State Industrial and Infrastructure Development Corporation Limited
HSPCB	Haryana State Pollution Control Board
HUF	Hindu undivided family
HWM Rules	Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008
Haryana VAT Act	Haryana VAT Act, 2003
IEM	Industrial Entrepreneur's Memorandum
I.T. Act	Income Tax Act, 1961
IB	International Bureau
ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
IFSC	Indian Financial System Code
IFRS	International Financial Reporting Standards
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial public offering
LIBOR	London Inter-Bank Offered Rate
Mashelkar Committee	Mashelkar Committee, 1999
Minimum Wages Act	Minimum Wages Act, 1948
MCI	Ministry of Commerce and Industry, GoI
MoEF	Ministry of Environment and Forests, GoI
MoST	Ministry of Science and Technology, GoI
NA	Not applicable
Narcotic Act	Narcotic Drugs and Psychotropic Substances Act, 1985
NAV	Net asset value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit and loss account, divided by number of issued equity shares
NEDL	National Essential Drugs List, 1996
NEFT	National Electronic Fund Transfer
NIA	Negotiable Instruments Act, 1881
NLEM	National List of Essential Medicines, 2003
NOC	No objection certificate
NPP	National Pharmaceutical Policy, 2002
NR	Non Resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB	A company, partnership, 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 Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000. OCBs are not allowed to invest in this Issue.
P / E Ratio	Price / Earnings Ratio
PAN	Permanent Account Number allotted under the Income Tax Act, 1961
Patents Act	Patents Act, 1970
Payment of Bonus Act	Payment of Bonus Act, 1956
Payment of Gratuity Act	Payment of Gratuity Act, 1972
Payment of Wages Act	Payment of Wages Act, 1936
Pharmacopoeia Commission	Indian Pharmacopoeia Commission
Pharmexcil	Pharmaceutical Export Promotion Council
PCT	Patent Cooperation Treaty, 1970
PIO	Persons of Indian Origin

Term	Description
PLR	Prime Lending Rate
Public Liability Act	Public Liability Insurance Act, 1991
QA	Quality Assurance
QC	Quality Control
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934
RoNW	Return on Net Worth
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SBI	State Bank of India
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act 1992
Sec.	Section
State DCA	Drug Control Administration of the State
Standing Orders Act	Industrial Employment (Standing Orders) Act, 1946
Stock Exchange(s)	The BSE and the NSE
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
Trademarks Act	Trade Marks Act, 1999
UIN	Unique Identification Number
US GAAP	Generally Accepted Accounting Principles in the United States of America
US / USA	United States of America
USD / US\$	United States Dollars
WCA	Workmen's Compensation Act, 1923
Weights and Measures Act	Standard of Weights and Measures Act, 1976
Weights and Measures Enforcement Act	Standard of Weights and Measures (Enforcement) Act, 1985
Workmen's Compensation Act	Workmen's Compensation Act, 1923
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization
Water Act	Water (Prevention and Control of Pollution) Act, 1974

#### Technical / Industry Related Terms

Term	Description
ANDA	Abbreviated New Drug Application
API	Active Pharmaceutical Ingredients
BE	Bio-equivalence
CDSCO	Central Drugs Standard Control Organization
cGMP	Current Good Manufacturing Practices
CIP	Clean in place
COPP	Certificate of Pharmaceutical Product
CoS	Certificate of Suitability
CRAMS	Contract Research and Manufacturing Services
CTD	Common Technical Document
DFHW	Director of Family and Health Welfare
DMF	Drug Master File
EDMF	European Drug Master File
EDQM	European Directorate for the Quality of Medicines (and Healthcare), France
GCP	Good Clinical Practice
GLP	Good Laboratory Practice
GMP	Good Manufacturing Practices
GRC	Grievance Redressal Committee
HPLC	High Performance Liquid Chromatography
IEC	Institutional ethics committee
IMPACT	International Medical Products Anti-Counterfeiting Taskforce
INDA	Investigational New Drug Application

Term	Description
LC/MS-MS	Liquid chromatography-mass spectrometry
MA	Marketing Authorization
MAA	Marketing Authorization Application
MoH	Ministry of Health and Family Welfare
NDA	New Drug Application
NDDS	New Drug Delivery System
NPPA	National Pharmaceutical Pricing Authority
NSAID	Non-steroidal anti-inflammatory
PCB	Pollution Control Board
PPCB	Punjab Pollution Control Board
R&D	Research and Development
SIP	Sterilization in place
SSP	Semi synthetic Penicillins
USFDA	United States Food and Drug Administration

## CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION

### Financial Data

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our audited restated financial statements, prepared in accordance with Indian GAAP and the ICDR Regulations, which are included in this Red Herring Prospectus, and set out in *“Financial Statements”* on page 156. Our financial year commences on April 1 and ends on March 31. Our standalone as well as consolidated financial statements have been audited and restated to reflect our adoption of the percentage of completion accounting method.

In this Red Herring Prospectus, any discrepancies in any table, including in *“Capital Structure”* and *“Objects of the Issue”* between the total and the sums of the amounts listed are due to rounding off. All decimals have been rounded off to two decimal points.

There are significant differences between Indian GAAP, US GAAP and IFRS. We urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian GAAP. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

### Currency and Units of Presentation

All references to “Rupees” or “Rs.” are to Indian Rupees, the official currency of the Republic of India. All references to “US\$”, “USD” or “United States Dollars” are to the official currency of the United States of America. Except where specified, in this Red Herring Prospectus, all figures have been expressed in “lacs”.

The word “lac” means “100 thousand”; “10 lacs” means a “million”, and “10,000 lacs” means a “billion”.

### Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Red Herring Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Red Herring Prospectus is reliable, it has not been independently verified. The extent to which the market and industry data used in this Red Herring Prospectus is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data.

### Exchange Rates

The exchange rates for U.S. Dollars are provided below.

Date	1 USD in Rs.
March 31, 2006	44.61
March 31, 2007	43.59
March 31, 2008	39.97
March 31, 2009	50.95
December 31, 2009	46.68
March 31, 2010	45.14

(Source: [www.rbi.org.in](http://www.rbi.org.in))

## FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “contemplate”, “expect”, “estimate”, “future”, “goal”, “intend”, “may”, “objective”, “plan”, “project”, “will”, “will continue”, “will pursue”, “will likely result”, “will seek to”, “seek” or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant statement.

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 industries in India in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India, 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 domestic laws, regulations and taxes and changes in competition in our industry. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- disruptions in our manufacturing facilities;
- disruptions in raw material supply;
- our ability to respond to competitive pressures;
- our exposure to significant liabilities on account of unfavourable judgements/ decisions in relation to legal proceedings involving our Company and/ or our Subsidiary and our Promoters;
- non-receipt of necessary regulatory clearances;
- regulatory changes pertaining to the industry in India in which our Company has its business and our ability to respond to them;
- our ability to successfully implement our strategy, our growth and expansion, technological changes;
- our exposure to market risks, including rising raw materials and personnel costs;
- general economic and political conditions in India and which have an impact on our business activities or investments;
- contingent liabilities that may materialise;
- 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; and
- changes in competition in our industry.

For further discussion of factors that could cause our actual results to differ from our expectations, see “**Risk Factors**”, and “**Management’s Discussion and Analysis of Financial Condition and Results of Operations**” on pages 12 and 218 respectively.

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. We, the BRLMs, the CBRLM, the Syndicate Members or their respective affiliates do not have any obligation to, and do not intend 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, we, the BRLMs and the CBRLM will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

## SECTION II - RISK FACTORS

*An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding you should read this section in conjunction with “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation” on pages 107 and 218 respectively, as well as the other financial and statistical information contained in this Red Herring Prospectus.*

*The risks and uncertainties described in this section are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations and financial condition. If any of the following risks, or other risks that are not currently known or are now deemed immaterial, actually occur, our business, results of operations and financial condition could suffer, the price of our Equity Shares could decline, and you may lose all or part of your investment. In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of the Issue, including the merits and risks involved. This Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Red Herring Prospectus. See “Forward-Looking Statements” on page 11. Unless otherwise stated, the financial information of our Company used in this section is derived from our audited restated consolidated financial statements under Indian GAAP, as restated.*

### **Risks relating to our Business**

- 1. We operate in a competitive business environment, both globally and domestically. Competition from existing players and new entrants and consequent pricing pressures may adversely affect our business, financial condition and results of operations.***

The Active Pharmaceutical Ingredient (“API”) product segment is intensely competitive. Growing competition may subject us to pricing pressures and require us to reduce the prices of our products and services in order to retain or attract customers, which may have a material adverse effect on our revenues and margins. Further, several of our competitors are larger international and national companies and have access to greater resources or may be able to develop or acquire technology or partner with innovators or customers at terms which are not presently feasible for us, due to our current scale of operations. Any failure to keep abreast with technological advancements might place our competitors at an advantageous position in terms of cost, efficiency and timely delivery of final products. While we are focused on research and development (“R&D”) to develop cost and time efficiencies and to broaden our product range, in particular in certain niche segments, in the event our competitors develop better process technology or improved process yield or are able to source raw materials at competitive prices, and are therefore able to create new products or substitutes for our products at competitive prices, we may not be able to maintain our growth rate and revenues and our profitability may decline. Any of these factors may have a material adverse effect on our business and prospects.

- 2. We may face difficulties in executing our strategy including our expansion plans for our manufacturing facilities, and there can be no assurance that our planned capital expenditures will result in growth and / or additional profitability for our Company.***

Our proposed expansion in operations requires significant capital expenditures. For instance, we are presently developing another manufacturing facility at Chachrauli, Punjab, expected to be commissioned in fiscal 2012. Our proposed facility at Chachrauli, for which we intend to raise funds through this Issue, will focus on manufacturing APIs and intermediates in non-antibiotic segments. Further, we may make substantial investments in the future for establishing new manufacturing facilities and upgrading our existing manufacturing facilities so that they comply with the standards set by the USFDA and other regulatory authorities.

Delays in the construction and equipping or expansion of any of our facilities could result in loss or delayed receipt of earnings, increase in financing and construction costs, and our failure to meet profit and earnings budgets may require us to reschedule or reconsider our planned capacity expansions and accordingly would have an adverse effect on our financial condition and results of operations. Further, in case we are unable to utilize fully our expanded manufacturing capacities, our results of operations could be adversely affected. There is no assurance that our present and planned initiatives will yield the expected or desired benefits, in terms of

process efficiencies, product innovation or an expansion in our business, including in respect of our planned expansion into the CRAMS segment.

For further information, see “*Objects of the Issue*” and “*Our Business*” on pages 68 and 107, respectively.

3. ***The pharmaceutical industry is highly regulated and furthermore, the success of our strategy of entering regulated markets is dependent on a number of factors beyond our control. Any failure to obtain or renew required regulatory approvals or any change in the regulatory environment in relation to manufacturing within the country or for marketing our products within and outside the country may significantly impact our business and strategy.***

The pharmaceutical industry is highly regulated, including in relation to quality standards and pricing of drugs and intermediates. Further, entry barriers in many regulated markets in which we currently operate and seek to expand are very high. The research, testing, manufacturing, selling and marketing of pharmaceutical products are subject to extensive regulation by regulatory authorities, and regulations differ from country to country. There is no assurance that the Drug Master Files (“DMFs”) and Certificates of Suitability (“CoS”) applications filed by us with the relevant regulatory authorities will be approved, or that the patent applications filed by us will result in patents registered in our favour. Further, as on the date of this Red Herring Prospectus, we have filed certain applications for renewal of certain required regulatory approvals, in the ordinary course, including the consents to operate under the Air (Prevention and Control of Pollution) Act, 1981 (the “**Air Act**”) and the Water (Prevention and Control of Pollution) Act, 1974 (the “**Water Act**”) from the Punjab Pollution Control Board (“PPCB”), in respect of our facility at Sundhran, Derabassi. There is no assurance that such pending applications will be renewed by the concerned regulatory authorities in a timely manner or at all.

Further, any adverse change in the regulatory policies in terms of margins or prices of formulations sold would affect our customers’ sales and strategy, which would also impact our sales. Further, there is no assurance or guarantee that any government or statutory authority will not ban a bulk drug manufactured by us. In such an event our business and profitability may be affected. In addition, regulatory requirements are still evolving in many emerging markets where we sell or manufacture our products. In these markets, the regulatory requirements and the policies may at times be unclear or inconsistent. As a result, there is increased risk of our inadvertent non-compliance with such regulations, which could lead to withholding or delay in receipt of regulatory approvals for our new products, or regulatory sanctions or increased compliance costs.

4. ***Our Company proposes to utilize a part of the Net Proceeds for investment in our Subsidiary, which has not yet commenced operations, in connection with the establishment of a new custom synthesis and manufacturing site at Panchkula.***

Our Company proposes to make an equity investment out of the Net Proceeds, of Rs. 4,662.36 lacs in our Subsidiary, which has not yet commenced operations, in connection with the establishment of a new custom synthesis and manufacturing site at Panchkula. This project is in initial stages and we have not yet entered into definitive contracts in relation to its implementation. Our estimated costs are therefore subject to change in the light of various factors beyond our control, including delays or increase in quoted prices by identified vendors. Our inability to complete this project as per the stated schedule of implementation may lead to cost overruns and may impact our future profitability. Further, our Company is not assured of dividends from such investment, or profits pursuant to completion of this project.

For further information, see “*Objects of the Issue*” on page 68. For the audited restated standalone financial statements of our Subsidiary, see “*Financial Information – Parabolic Research Labs Limited*” on page 208.

5. ***Conditions and restrictions imposed on us by the agreements governing our indebtedness could adversely affect our ability to conduct our business.***

As at December 31, 2009, as per our audited restated consolidated financial statements, our secured loan funds aggregated to Rs. 30,317.80 lacs, the entire amount of which is at floating rates of interest and therefore exposes us to an interest risk. In addition, unsecured loans taken by us or our Promoter or Group Entities may be recalled by the lenders at any time.

Many of our financing agreements include conditions and restrictive covenants that require us to obtain consent from the respective lenders prior to carrying out certain activities and entering into certain transactions. Specifically, in some of the financing agreements, we must seek, and may be unable to obtain, lenders’ consents

to amend our Memorandum and Articles of Association, incur additional debt, issue new equity securities, change our capital structure, change our management structure or pre-pay our loans. Any failure to service our indebtedness, comply with a requirement to obtain a consent or satisfy any other condition or covenant could lead to a termination of one or more of our financing agreements, default and acceleration of amounts due under the facilities governed by such agreements and cross-default under certain of our other financing agreements, or may affect credit ratings issued to us, any of which may adversely affect our ability to conduct our business and may have an adverse effect on our financial condition and results of operations.

It is also possible that, due to various reasons which may be beyond our control, there may be delays in drawdown of sanctioned loan funds, which may materially and adversely affect our cash flows and may delay or disrupt the fulfillment of our debt and other payment obligations. For instance, during fiscal 2009, our Company had received a BASEL II rating of BBB- from Credit Rating and Information Services of India Limited (“CRISIL”). Subsequently, due to instability in general economic conditions and recessionary trends during this period, resulting in short supply and devaluation of foreign currencies, our lenders were unable to timely release sanctioned loan funds to us, consequently affecting our cash flows. Based on its quarterly review, CRISIL downgraded our rating to “D” in May 2009, on account of temporary delays in meeting our debt and other payment obligations caused by the delayed drawdown of our sanctioned loan funds. For fiscal 2010, we have received a fresh rating of BB from another agency, i.e., CARE, which rating was last reviewed by CARE in December 2009. There is no assurance that we will be able to draw down sanctioned loan funds in a timely manner or that we will be able to maintain or obtain satisfactory credit ratings in any future periods, or that any future downgrading in our credit ratings will not have an adverse effect on our business, results of operation and financial condition.

Additionally, if we decide to incur more debt, our interest payment obligations will increase and we may become subject to additional conditions from lenders. In addition, we could be subject to additional restrictions in operating our business. There can be no assurance that we will be able to raise additional financing. A failure in the future to obtain sufficient financing could result in a lack of cash flow to meet our operating requirements and, therefore, could have an adverse effect on our business, results of operations and financial condition.

Further, we intend to utilize an amount of Rs. 3,883.90 lacs out of the Net Proceeds to pre-pay our outstanding loans to ICICI Bank Limited and UCO Bank. Under the terms and conditions of such loan agreements, repayment / pre-payment of such debt may attract certain pre-payment penalty or premium in certain cases, except at the dates of annual review. If such pre-payment penalty is enforced for any reason, such payment shall be made by our Company out of its internal accruals. For further information, see “*Objects of the Issue*” and “*Financial Indebtedness*” on pages 68 and 237, respectively.

***6. Our sustained growth depends on our ability to attract and retain skilled manpower, particularly for R&D which is a key component of our business model. Failure to attract and retain skilled manpower or to effectively manage our growth could adversely affect our business, and increased employee compensation costs could adversely affect our financial condition.***

As at April 15, 2010 we have a total of 1,023 employees, including a team of 85 scientists, 16 of whom have Ph.Ds. Our ability to sustain our growth depends, in large part, on our ability to attract, train, motivate and retain skilled personnel, particularly for R&D and commercialization functions. It may be particularly difficult to recruit appropriately skilled and qualified employees who would relocate from large metropolitan cities to our facilities at Derabassi, Panchkula or Barwala, where our operations are primarily based at present, or to our proposed facility at Chachrauli. Our inability to recruit skilled employees or to manage attrition for our experienced employees would adversely affect our growth strategy. If some of our key employees were to join a competitor or form a competing company, some of our customers may choose to shift their business to such a competitor. Further, customers seeking to develop in-house capabilities in the API business or the CRAMS segment may seek to hire some of our key employees. In the event we are unable to retain such employees, we may find it difficult to replace or redeploy key employees, and to such extent, our operations may be adversely affected.

Growth will impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees. Our future financial performance and our ability to commercialize our products and to compete effectively will depend, in part, on our ability to manage any growth effectively, and our failure to do so could adversely affect our business, financial condition, results of operations and growth prospects.



Further, while we believe that employee compensation in India has historically been significantly lower than employee compensation in the United States and Western Europe for comparably skilled professionals, increasing employee compensation in India may erode our competitive advantage and reduce our profit margins. We may need to continue to increase the levels of our employee compensation to remain competitive and manage attrition, which may have a material adverse effect on our business and financial condition.

- 7. *Due to our specialization in a limited number of therapeutic categories, our business may be materially and adversely affected if products in these therapeutic categories do not perform as well as expected or if substitute products become available.***

Our revenue is derived from sale of products in limited therapeutic areas which include Semi Synthetic Penicillin (“SSP”) and Cephalosporin range of antibiotics in oral and sterile form. The revenue derived from the sale of products in the antibiotic category was Rs. 37,452.39 lacs for the nine month period ended December 31, 2009, which was 100% of the gross sales of our Company up to December 31, 2009, as per our audited restated consolidated financial statements. As a result of increased competition, fluctuation in demand or supply of other products or introduction of substitute products, our revenue from these products may decline in the future. We seek to expand our product portfolio by entering into API manufacturing in non-antibiotic segments such as hypertensive, gastro-intestinal, psychiatric, pain management, respiratory, retro-viral, dermatological and anti-diabetic segments. Our proposed facility at Chachrauli will focus on manufacturing niche APIs and intermediates in non-antibiotic segments. Our ability to expand in this segment will depend on various factors, including our ability to identify demand and accessible markets for niche products, the success of our R&D initiatives, our ability to commission our Chachrauli facility as scheduled, the demand for, and pricing pressures from competitors regarding, such niche products in the domestic and international markets. Our failure to appropriately identify and respond to competitive pressures in this segment or successfully introduce new products will adversely affect our strategy and future results of operations.

- 8. *There is no assurance that our proposed expansion into the CRAMS segment will yield the expected or desired benefits.***

We intend to focus on custom synthesis, clinical trial manufacturing and commercial manufacturing for innovator companies in the CRAMS segment. Our customer base in the CRAMS segment would be limited to the companies / innovators with whom we enter into contractual relationships to manufacture and supply specified products, as required by the customers. Obtaining regulatory approvals is a time consuming and costly process and due to this, companies may not be able to change their suppliers after having entered into long-term contracts with them. Expansion of our customer base in the CRAMS segment may require prior written consent of our existing customers, in the absence of which we may have a restricted market reach for our products, therefore failing to meet our expected growth rates. Moreover, any material breach of contracts entered into by our Company may lead to loss of our exclusive rights in our products and the other contracting party may acquire specific exclusive rights over our products. Going forward, as we seek to expand our CRAMS business, there is no assurance that we will be able to leverage and sustain our relationships with existing customers over a longer period of time, or broaden our customer base by establishing long term research and manufacturing contracts with other customers.

- 9. *The name and logo of ‘Parabolic’ are not registered trademarks in the name of our Company.***

The name and logo of ‘Parabolic’ are not registered trademarks in the name of our Company. In the event the intellectual property rights in respect of our Company’s trademarks and associated logos either infringe the intellectual property rights of another person or any application to register such intellectual property rights is contested or refused, our Company’s ability to use our intellectual property rights may be restricted or lost. Any such restriction could have an adverse effect on our business, financial condition and results of operations.

- 10. *We have not yet entered into definitive agreements to utilize the Net Proceeds of the Fresh Issue.***

The projects intended to be financed from the Net Proceeds of the Fresh Issue are currently in initial stages of implementation. We have not entered into any definitive contracts or placed any orders for such projects. Whilst the quotations obtained by us for certain equipment, installations or civil works in connection with such projects are described in “*Objects of the Issue*” on page 68, such costs are subject to change in the light of various factors beyond our control, including delays or increase in quoted prices by identified vendors. Our inability to complete the identified projects as per the stated schedules of implementation may lead to cost overruns and may impact our future profitability.

Further, pending utilization for the identified projects, the Net Proceeds of the Fresh Issue are proposed to be invested in government securities and short-term bank deposits. This deployment may not result in adequate returns for us.

***11. We are susceptible to volatility of prices of our products, including due to competitive products and potential substitutes, in the non-regulated markets primarily.***

Prices of APIs are subject to fluctuation, depending on, among other factors, the number of producers and their production volumes and changes in demand in the markets we serve. Volatility in price realization and loss of customers may adversely affect our profitability. While one of the aims of our R&D initiatives is to develop cost and time efficiencies, there is no assurance that we will be able to maintain our low cost of operations or to further reduce costs or develop new cost effective processes in the future.

***12. Our business and future results of operations depend, to a significant extent, upon our ability to successfully commercialize our R&D efforts by way of cost and time efficiencies or the development of new products.***

To develop our product pipeline, we commit substantial time, efforts, funds and other resources for R&D. The R&D process is often time consuming and costly, and obtaining an approval or patent protection in any one jurisdiction would not ensure approval in other jurisdictions. Our processes and products currently under development, if and when fully developed and tested, may not perform as we expect, necessary regulatory approvals or registrations may not be obtained in a timely manner, if at all, and we may not be able to successfully and profitably produce and utilize such products or processes. Further, even if we are successful in obtaining approval or patent protection for such processes or products, such process or product may become subject to litigation by third parties claiming our process infringes on their patent, or may be otherwise unsuccessful in the market place due to the introduction of superior or more cost effective processes or products by competitors. Therefore, our investments in R&D and new product launches could result in higher costs without a proportionate increase in revenues.

Further, following any regulatory approval of any of our customers' formulations or the approval of our own products or facilities, we will continue to be subject to continuing obligations such as with respect to safety, packaging, storage and adverse event reporting. The terms of any approval may be more restrictive than we desire and could affect the marketability of the product or otherwise reduce the size of the potential market for that product. If any foreign regulator or any of our customers supplying formulations in regulated markets becomes aware of or alleges problems with any of our products or at our facilities, we may be required to incur additional costs for testing our products, implement changes to our processes, or withdraw such products from the market. In addition, any threatened or actual government enforcement action may subject our Company to administrative or judicially imposed sanctions, including civil and criminal penalties, injunctions, product seizure or detention, product recalls, total or partial suspension of production and could also generate adverse publicity and require that we devote substantial resources that could otherwise be used in other aspects of our business. In such event, our revenues may suffer, and we could become the target of lawsuits, including product liability claims or class action suits. Such an event could affect their or our ability to commercialize our products and recoup our research and development costs, or could substantially increase the costs of developing and commercializing such products, and therefore have a material adverse effect on our business, financial condition, results of operations and growth prospects.

***13. We are significantly dependent on imports of raw materials, particularly China, and are to that extent exposed to risks including duties placed on imports from other countries or regulatory or market concerns regarding raw materials sourced from such countries, fluctuations in global commodity prices, and foreign currency exchange fluctuations.***

A significant proportion of the raw materials we consume are imported, particularly from China. In the nine month period ended December 31, 2009 and the financial year ended March 31, 2009, the value of raw material imported by us was Rs. 14,552.27 lacs and Rs. 22,762.22 lacs, respectively, or 51.39% and 61.65%, respectively, of the total raw materials consumed by us. Further, the percentage of raw materials imported from China to the total raw materials consumed for the nine month period ended December 31, 2009 and fiscal 2009 was 26.64% and 22.62%, respectively. While we are not significantly dependent on any single manufacturer of such raw materials, raw material costs are dependent on global commodity prices, which are subject to fluctuation. In the event the prices of such ingredients were to rise substantially or if imports from China were to

be restricted in any manner, we may find it difficult to find alternative suppliers for our raw materials, on terms acceptable to us, and our business, results of operations and financial condition could be adversely affected. Also, in the event of any regulatory restriction or market concerns regarding the quality of such raw materials, we may be required to find alternative suppliers for such raw materials, or to incur additional costs in testing such raw materials or defending any claims for liabilities that may arise against us for the use of such products. There is no assurance that a regulatory investigation would not be initiated against our present suppliers, or regarding the outcome of such an investigation against our present suppliers or in relation to our use of chemicals sourced from such suppliers.

Further, our dependence on imported raw materials exposes us to foreign currency exchange fluctuation risks. Our suppliers may not be able to supply to us our raw materials without interruption, or may not comply with their obligations to us under our purchase arrangements. We may not have adequate remedies for any breach and their failure to supply us could result in a shortage of raw materials. If one of our suppliers fails or refuses to supply us for any reason, it would take a significant amount of time and expense to identify a new supplier or manufacturer. The identification or qualification of new suppliers and manufacturers could potentially delay the manufacture of our products. We may not be able to obtain raw materials from new suppliers on acceptable terms and at reasonable prices, or at all.

***14. Our manufacturing facilities are subject to risks, including disruptions in or lack of basic infrastructure such as our electricity and water supply, which could increase our manufacturing costs or interrupt our operations.***

We currently own and operate two manufacturing facilities at Derabassi, Punjab, and Panchkula, Haryana and an R&D centre and custom synthesis site at Barwala, Haryana and are developing another manufacturing facility at Chachrauli, Punjab, expected to be commissioned in fiscal 2012. As our operations are presently concentrated in the states of Punjab and Haryana in Northern India, we are exposed to risks including disruptions in infrastructural facilities such as electricity and water supply to such units, which could require us to incur additional costs or disrupt our operations to the extent that we would be required to find alternative sources of supply of such infrastructural facilities.

Further, as manufacturers of APIs, we may encounter difficulties including in relation to production costs and yields, product quality (caused by, among other things, process failure, equipment failure, human errors or other unforeseen events during the production cycle) and shortages of qualified personnel, as well as compliance with regulatory requirements, including current Good Manufacturing Practice ("cGMP") requirements. Because of the many steps involved in the production of APIs, any interruption in the manufacturing process could cause delays in the entire production cycle. In addition, material labour problems, such as a work stoppage or mechanical failure or malfunction could likewise lead to delay or suspension of production and may entail unforeseen expenses. Further, if our suppliers fail to deliver necessary manufacturing equipment, raw materials or adequately perform the services outsourced by us to them, production deadlines may not be met. Any such developments could have a material adverse effect on our business, financial condition and results of operations.

***15. The requirements of being a listed company may strain our resources.***

We are not a listed company and have not been subjected to the increased scrutiny of our affairs by shareholders, regulators and the public at large that is associated with being a listed company. As a listed company, we will incur significant legal, accounting, corporate governance and other expenses that we did not incur as an unlisted company. We will be subject to the listing agreements with the Stock Exchanges which require us to file audited annual and unaudited quarterly reports with respect to our business and financial condition. If we experience any delays, we may fail to satisfy our reporting obligations and/or we may not be able to readily determine and accordingly report any changes in our results of operations as timely as other listed companies.

Further, as a listed company, we will need to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, including keeping adequate records of daily transactions to support the existence of effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business, prospects, financial condition and results of operations. In addition, we may need to hire additional

legal and accounting staff with appropriate listed company experience and technical accounting knowledge, but we cannot assure you that we will be able to do so in a timely manner.

***16. We have historically been dependent on a relatively small number of customers for a significant portion of our sales, and there is no assurance that we will be able to broaden our customer base in any future periods.***

In the past, we have been dependent on a relatively small number of customers for a significant portion of our sales. While we are constantly striving to increase our customer base and reduce dependence on any particular customer and the net sales from our top five customers have reduced from 57.59% in fiscal 2007 to 34.84% in fiscal 2009, there is no assurance that we will be able to broaden our customer base in any future periods especially in the event we enter into long term or exclusive contracts with our customers, or that our business or results of operations will not be adversely affected by a reduction in demand or cessation of our relationship with any of our major customers. For further information, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Financial Statements*” on pages 218 and 156, respectively.

***17. We do not currently have long term contracts or exclusive supply arrangements with any of our vendors, and any major disruption to the timely and adequate supplies of our raw materials could adversely affect our business, results of operations and financial condition.***

While we are not significantly dependent on any single supplier, we do not currently have long term contracts or exclusive supply arrangements with any of our vendors. We are therefore dependent on adequate and timely deliveries by our suppliers of necessary raw materials or equipment. In the event of a delay, inadequacy or default in deliveries by any of our vendors, we may not be able to obtain substitutes on an adequate and timely basis or on commercially acceptable terms. Furthermore, it is possible that some of our existing suppliers may choose to discontinue operations, or offer more viable terms or enter into exclusive arrangements with our competitors. A major disruption to the timely and adequate supplies of our raw materials could adversely affect our business, results of operations and financial condition.

***18. We are susceptible to product liability claims that may not be covered by warranties and assurances from our suppliers or by insurance, and which, if successful, could require us to pay substantial sums.***

Any defects in our products, including as a result of defective materials supplied to us, can adversely affect our business and could result in customer claims for damages or require us to undertake product recalls. Defects in our products that arise from defective materials or other inputs supplied by external suppliers may or may not be covered by warranties. An unusual number or amount of warranty claims against a supplier could adversely affect us as we depend on a limited number of suppliers for our materials.

Although we have obtained product liability coverage with respect to some of our products, if any product liability claim sustained against us were to be not covered by insurance or were to exceed the policy limits, it could adversely affect our business and financial condition. In addition, product liability coverage for pharmaceutical companies is becoming more expensive. As a result, we may not be able to obtain the type and amount of coverage we desire at an acceptable price in the future. We also face the risk of loss resulting from, and the adverse publicity associated with, product liability lawsuits. Even unsuccessful product liability claims would likely require us to spend money on litigation, divert management’s time, adversely affect our goodwill and impair the marketability of our products.

***19. We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights.***

A third party may claim that we or our customers are using inventions covered by the third party’s patent rights and may go to court to stop us from engaging in our normal operations and activities, including making or selling our products. Patent infringement lawsuits, especially in certain foreign jurisdictions, are costly and could affect our results of operations and divert the attention of management and development personnel. There is a risk that a court could decide that we are infringing third party patent rights. In the event that we or our partners are found to infringe any valid claim of a patent held by a third party, we may, among other things, be required to:

- pay damages, which may be substantial;
- cease the development, manufacture, use and sale of our products that infringe the patent rights of others through a court-imposed sanction such as an injunction;
- expend significant resources to redesign our products so that they do not infringe others' patent rights, which may not be possible;
- discontinue manufacturing or other processes incorporating infringing technology; or
- obtain licenses to the infringed intellectual property, which may not be available to us on acceptable terms, or at all.

The pharmaceutical industry has produced a proliferation of patents, and it may not always be clear to industry participants, which patents cover various types of products or methods. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If we are sued for patent infringement, we would need to demonstrate that our products or methods do not infringe the patent claims of the relevant patent and / or that the patent claims are invalid or unenforceable and we may not be able to do this. Proving invalidity is difficult since it requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents, in particular, in the United States. Because some patent applications may be maintained in secrecy until the patents are issued, and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for inventions covered by our products. Any such patent application may have priority over our or our licensors' patents or applications and could further require us to obtain rights to issued patents covering such subject matter.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

***20. Changes in technology may render our current technologies obsolete or require us to make substantial capital investments. In particular, any failure to keep abreast with the latest trends in chemical and process technologies may adversely affect our ability to compete and obtain contracts for contract research and contract manufacturing.***

Our industry, in particular in respect of chemical and process technologies, is characterized by rapid changes resulting from technological advances and scientific discoveries. Furthermore, as we seek to develop new non infringing processes and expand our product range, we would be required to keep pace with technological changes in the industry. This results in frequent introduction of new products and significant price competition. Although we strive to keep our technologies, plants and machinery current with international technological standards, the technologies, plants and machinery currently employed by us may become obsolete. The cost of implementing new technologies and upgrading our manufacturing facilities could be significant and could adversely affect our financial condition and results of operations.

***21. Our operations are subject to the risk of loss due to fire as pharmaceutical raw materials are typically highly flammable. We are also subject to the risk of other natural calamities or general disruptions affecting its production facilities and distribution chain.***

We use highly flammable chemicals, such as acetone, ethyl alcohol, methanol, isopropanol and di-isopropyl in our manufacturing processes and our operations are therefore subject to the risk of loss arising from fires. We have had minor incidents of loss due to fire in the past. The risk of fire associated with these materials cannot be eliminated. In addition to fire, natural calamities such as floods, earthquakes, rains and heavy downpours could disrupt our operations and damage our storage facilities. Although we maintain insurance policies to guard against losses caused by fire and other natural calamities, our insurance coverage for damages to properties and disruption of business due to these events may not be sufficient to cover all potential losses. If any manufacturing facilities were to be damaged as a result of fire or other natural calamities, it would temporarily reduce our manufacturing capacities. In addition, unanticipated mechanical and electrical failures may also require shutdowns of production facilities for a significant period, any of which factors could have a material adverse effect on our business, results of operations and financial condition.

***22. If we fail to comply with environmental laws and regulations in India, including due to the improper handling of raw materials, we may face significant damages and our profitability may be adversely affected.***

Our operations are subject to various environmental laws and regulations relating to environmental protection in various locations in India. For example, the discharge or emission of chemicals, dust or other pollutants into the air, soil or water that exceed permitted levels and cause damage may give rise to liabilities towards the government, especially the state pollution control boards and third parties, and may result in expenses to remedy any such discharge or emissions.

Stricter laws and regulations, or stricter interpretation of existing laws and regulations may impose new liabilities or require additional investment in environmental protection equipment, either of which could adversely affect our business, financial condition or results of operation. Our failure to obtain required licenses or renew expired licenses or to otherwise comply with various regulatory requirements may have a material adverse effect on our financial conditions and results of operations.

***23. Our operations are subject to various employee, health and safety laws and regulations.***

Our operations are subject to laws and regulations governing relationships with employees in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and terminating of employees, contract labour and work permits. Further, our business and prospects are contingent upon, among other things, receipt of all required health and safety permits, and our ability to comply with any conditions specified in such permits and registrations, on a continuous basis. Changes or concessions required by regulatory authorities may involve significant compliance costs and also result in delays, prevent completion of construction or opening of a plant or result in the loss of an existing license, which may adversely affect our business and results of operations.

***24. We are still awaiting certain approvals from various statutory agencies and the delay or refusal of the grant of such approvals in future may significantly impact our business and strategy.***

Our Company has the following approvals pending from various statutory agencies and in the event of delay or refusal of the grant of such approvals to our Company may significantly impact our business and strategy:

*Approvals pending for our unit at Sundhran, Derabassi:*

- (a) Application for renewal of approval for in-house R&D unit, by the Ministry of Science and Technology (“**MoST**”), dated March 15, 2010.
- (b) Application dated December 9, 2009 to the PPCB, for renewal of consent to operate an industrial plant, under the Air Act.
- (c) Application dated December 9, 2009 to the PPCB, for renewal of consent for discharge of effluents, under the Water Act.

*Approvals pending for patent applications filed by our Company:*

- (a) Application (no. 934/DEL/2007) dated April 26, 2007, for purification of Cefuroxime acid, before the Controller of Patents and Designs, GoI (the “**Controller of Patents and Designs**”).
- (b) Application (no. 1112/DEL/2007) dated May 23, 2007, for process for preparation of pure Cefuroxime acid, before the Controller of Patents and Designs.
- (c) Application (no. 441/DEL/2008) dated February 21, 2008, for process for preparation of highly pure Cefuroxime Axetil, before the Controller of Patents and Designs.
- (d) Application (no. 1287/DEL/2008) dated May 27, 2008, for improved process for preparation of Cefdinir, before the Controller of Patents and Designs.

- (e) Application (no. 1624/DEL/2008) dated July 7, 2008, for process for preparation of Cefuroxime acid, before the Controller of Patents and Designs.
- (f) Application (no. 2439/DEL/2008) dated October 27, 2008, for process for preparation of Sultamicillin Tosylate, before the Controller of Patents and Designs.
- (g) Application (no. 290/DEL/2009) dated February 13, 2009, for improved process for preparation of Ampicillin Sodium, before the Controller of Patents and Designs.
- (h) Application (no. PCT/IB2008/000983) dated April 22, 2008, under the Patent Cooperation Treaty, 1970 (“PCT”), for purification of Cefuroxime acid, before the Controller of Patents and Designs.
- (i) Application (no. 2264/DEL/2009) dated November 4, 2009 for an improved process for the preparation of Cefditoren Pivoxil, before the Controller of Patents and Designs.
- (j) Application (no. 385/DEL/2010) dated February 22, 2010 for a process for the preparation of Pentosan Polysulfate Sodium, before the Controller of Patents and Designs.

For further information on approvals, see “**Government and other Approvals**” on page 244.

***25. We are involved in certain legal proceedings, and an adverse outcome in any such proceedings may adversely affect our business, financial condition and growth strategy.***

Our Company has received certain show cause notices from central excise authorities alleging wrongful availment of cenvat credit by our Company, as well as notices from income tax authorities. These matters are at various stages of challenge, appeal or remand. Our contingent liability in respect of such central excise duty and income tax matters is Rs. 5.93 lacs and Rs. 242.24 lacs, respectively, as per our audited restated consolidated financial statements as on December 31, 2009. We may be required to expend substantial costs, time and management attention in defending present or any future claims against us, or in instituting any legal or regulatory proceedings against any other parties in respect of our rights or claims. Further, certain of our Promoters, Directors or officers including key management personnel may be impleaded in such proceedings in the ordinary course of our business. There is no assurance that any such proceedings will be determined in our favour. Our business, financial condition and growth strategy may be adversely affected in the event of an adverse judgment in such matters.

For further information on legal and other proceedings involving us, see “**Outstanding Litigation and Other Material Developments**” on page 241.

***26. We have received certain demand notices from the Director General of Foreign Trade (“DGFT”), Ministry of Commerce, Government of India, indicating non-fulfilment of the export obligations of our Company within the stipulated period for certain items.***

We have received certain demand notices from the DGFT, indicating non-fulfillment of the export obligations by us within the stipulated period for certain items. The DGFT has demanded from us an amount equivalent to the customs duty exemptions availed of by our Company along with interest at the rate of 15% per annum on the unutilized duty free import made under the licenses held by our Company. We have requested the Grievance Redressal Committee (“GRC”) set up by the Ministry of Commerce, GoI, by a letter dated June 10, 2009, to extend the export obligation period against the advance licenses obtained by us for certain items for a further period of one year from the date of endorsement, due to a downward trend in price realization per unit of export because of recessionary conditions in the international market. In case the GRC does not grant such extension sought by our Company, we may have to pay an estimated amount of up to Rs. 217 lacs to the DGFT, which has been set forth as part of our contingent liabilities not provided for as at December 31, 2009, as per our audited restated consolidated financial statements. Any such amount payable by us to the DGFT would have an adverse effect on our results of operations and financial condition. For further information, see “**Management’s Discussion and Analysis of Financial Condition and Results of Operations**” on page 218 and “**Financial Statements**” on page 156.

**27. If we fail to accurately project demand for our products, we may encounter problems of inadequate supply or oversupply, which would adversely affect our financial condition and results of operations, as well as damage our goodwill and brand.**

We estimate future demand for our products based on orders received from our customers and our understanding of customer inventory levels. If we overestimate demand in any future periods, we may purchase more raw materials or components than required. If we underestimate demand, our third party suppliers may have inadequate raw material or product component inventories, which could interrupt our manufacturing and delay shipments, and could result in loss of business. If we under-stock one or more of our products, we may not be able to obtain additional units in a timely manner, which could adversely affect our goodwill and results of operations. In addition, if our products do not achieve widespread consumer acceptance or our customers change their procurement preferences, we may be required to take significant inventory markdowns, or we may face difficulties in finding alternative buyers, which would substantially affect our results of operations.

**28. We have certain contingent liabilities, and our financial condition may be adversely affected if such contingent liabilities materialize.**

The table below sets forth our contingent liabilities not provided for as at December 31, 2009, as per our audited restated consolidated financial statements:

<b>Nature of Contingent Liability</b>	<b>Amount (Rs. in lacs)</b>
Letter of Credit (Foreign / Inland)	11,498.23*
Bank Guarantees	97.01
Income Tax dispute pending	242.24**
Central Excise Duty dispute pending	5.93#
Customs Duty	217.00@
<b>Total</b>	<b>12,060.41</b>

\*Out of above material valuing Rs. 9,644.65 lacs has been received by December 31, 2009 and credited to respective creditors account.

\*\* Rs.45.00 lacs have been deposited towards disputed liability. However the case has been decided in favour of the Company at first stage in the month of March 2010.

#Rs.3.36 lacs have been deposited towards disputed liability.

@ The Company has received show cause notices from the DGFT towards the non-fulfilment of export obligation against the Advance Licenses obtained for import of duty free raw material. Though the Company has taken up the matter with the GRC for the extension of export obligation period, in case the extension sought by the Company is not granted the estimated contingent liability is Rs.217 lacs towards the customs duty.

To the extent that any such contingent liabilities materialize, our financial condition may be adversely affected. For further information, see “**Financial Statements**” and “**Outstanding Litigation and Other Material Developments**” on pages 156 and 241, respectively.

**29. There were two qualifications in our Company’s auditors’ report for fiscal 2005.**

Our Company’s auditors’ report for fiscal 2005 contained the following two qualifications:

- Our Company had maintained records showing full particulars including quantitative details and situation of fixed assets but such records are not reconciled with our financial books of accounts; and
- Our Company had not maintained cost records as prescribed by the Central Government under section 209(1) (d) of the Companies Act.

Whilst there was no adjustment required in our financial statements on account of the above, and our auditors’ reports in subsequent years do not contain any audit qualifications, there is no assurance that our auditors’ reports in any future periods will not contain any audit qualifications, or that any such audit qualifications as may be contained in such auditors’ reports will not require an adjustment in our financial statements or otherwise impact our results of operations in future periods.

**30. Our Company is promoted by first generation entrepreneurs and investors in the Equity Shares will be subject to all consequential risk associated with such ventures.**

Our promoters Mr. Pranav Gupta and Mr. Vineet Gupta, who are both professionally qualified and have been managing our Company since inception, are first generation entrepreneurs. Further, while our Promoters and the



members of our senior management team have professional experience and healthcare domain knowledge, our experience in the CRAMS segment and in development and production of certain niche products in particular, is relatively limited at present. As a result, we may not be able to efficiently manage or sustain our growth, as our operations expand.

**31. If our Promoters were to be unable or unwilling for any reason to continue their association with our Company, we may find it difficult to replace them and our future performance would be materially and adversely affected.**

The Promoters of our Company are Mr. Pranav Gupta (who is also our Managing Director), Mr. Vineet Gupta (our Wholtime Director), as well as PNG and PIPL. We are significantly dependent on Mr. Pranav Gupta and Mr. Vineet Gupta, in connection with our current business and planned growth. In the event our Promoters were to be unable or unwilling to continue their association with our Company, we may find it difficult to replace them and our future performance would be materially and adversely affected.

**32. Our Company has, in the past, made preferential allotments to various persons and entities, including our Promoters and Promoter Group, at different prices on the same date.**

In the past, certain of our shareholders have received preferential allotments at different prices, on the same date, pursuant to arrangements arrived at by them respectively, in discussion with our Promoters. The details of these issuances are provided below. On certain dates, as indicated below, certain of our Promoters and Promoter Group, including PNG Trading, PIPL and Dr. Deepali Gupta, received Equity Shares at an issue price lower than that paid by other shareholders on the same dates. No independent valuations were carried out in respect of our Equity Shares, in connection with such preferential allotments.

Date of allotment	S. No.	Name of Allottee	No. of Equity Shares allotted	Issue price per Equity Share (in Rs.)
October 1, 2005	1.	Mr. T.C. Gupta, Ms. Anuradha Kohli, Mr. Rakesh Jaggi, Mr. M.L. Jaggi, Mr. Kamal Jaggi, Mr. T.N. Goel, Mr. Ramesh Kumar Bansal, Mr. Nikhil Goel, Ms. Anuradha Thapar, Dr. R.S. Mehla, Mr. C.H. Goel, Ms. Achla Goel, Ms. Deepika Goel, Ms. Sonali Gupta, Ms. Poonam Gupta, Ms. Amita, Dr. Deepali Gupta and PNG Trading Private Limited	24,10,500	10.00
	2.	Parami Investments Private Limited	10,000	55.00
		<b>Total</b>	<b>24,20,500</b>	
December 30, 2005	1.	Ms. Anuradha Sandhu, Ms. Madhu Goel, Mr. Naveen Jhand and Ms. Meenal Kumar	20,000	10.00
	2.	Ms. Sunita Prashar	1,000	40.00
		<b>Total</b>	<b>21,000</b>	
January 9, 2006	1.	Mr. Ashok Jindal, Mr. Pradeep Kumar Jain, Mr. Anil Kumar Mittal, Mr. Om Prakash Sharma, Mr. Harbans Lal, Mr. Vijay Mehta, Mr. R.K. Singh, Mr. Devendra Sharma, Mr. S.R. Venkatesh, Mr. Deena Nath, Mr. Pardeep Agnihotri, Mr. R.C. Goyal, Mr. C.D. Cheema, Mr. Jaswinder Singh Malhi, Mr. Krishan Lal Nath, Ms. Usha Vig and Mr. Pushpinder Bindra	21,000	10.00
	2.	Emerging Capital Advisors Limited and Mr. Narendranath Jain	1,50,000	55.00
		<b>Total</b>	<b>1,71,000</b>	
March 31, 2008	1.	PNG Trading Private Limited and Parabolic Infrastructure Private Limited	17,93,040	10.00
	2.	Exquisite Result International Limited and Alden Global (Mauritius) Limited	9,00,000	100.00
		<b>Total</b>	<b>26,93,040</b>	
August 11, 2008	1.	Mr. Sachin Gupta	50,000	100.00
	2.	Exquisite Result International Limited and Alden Global (Mauritius) Limited	2,06,960	55.00
		<b>Total</b>	<b>2,56,960</b>	

For further information, see “**Capital Structure**” on page 55. The prices at which these Equity Shares were issued are not indicative of the price at which the Equity Shares may be offered in the Issue, or the price at which they will trade upon listing.

**33. We will continue to be controlled by our Promoter Group following the Issue, for as long as they hold a majority of our Equity Shares.**

Our Promoters, together with our Promoter Group own approximately 63.21% of our paid-up capital. After the completion of the Issue, our Promoter Group will hold a majority of our issued Equity Share capital. As a result, acting together, they will continue to have the ability to exercise significant control over many matters affecting us, including the appointment and removal of directors, our business strategy and policies, any determinations with respect to business alliances, acquisition, restructuring, disposition of assets, dividend pay-out, capital structure and financing, and other significant corporate transactions, regardless of whether such a transaction may be beneficial to our other shareholders.

This control could delay, defer or prevent a change in control of us, impede a merger, consolidation, takeover or other business combination, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, even if that were in our best interests. In addition, sales of a large number of our Equity Shares by our Promoter Group could adversely affect the market price of our Equity Shares. Similarly, the perception that any such primary or secondary sale may occur could adversely affect the market price of our Equity Shares.

So long as our Promoter Group holds a majority of our equity shares, they will be able to control many matters affecting us, including the appointment and removal of directors.

**34. One of our Promoters is authorized under its articles of association to engage in common pursuits.**

One of our Promoters, PNG, is authorized under its articles of association to engage in similar business as ours. Whilst our Promoters and Group Entities, including PNG, are not currently carrying on any business in conflict with our Company, there is no assurance that such a conflict will not arise in future, or that we will be able to suitably resolve such a conflict without an adverse effect on our business or operations.

**35. Both our corporate Promoters have incurred losses in the preceding three years.**

Both our corporate Promoters have incurred losses in the preceding three years. The details of their profits (losses) after tax in such periods are set forth below.

	<i>(Rs. in lacs)</i>		
	<b>Fiscal 2009</b>	<b>Fiscal 2008</b>	<b>Fiscal 2007</b>
PNG Trading Private Limited	(0.73)	(16.72)	(2.12)
Parabolic Infrastructure Private Limited	Nil	Nil	(0.03)

There is no assurance that these companies or any other ventures promoter by our Promoters will not incur losses in any future periods, or that there will not be an adverse effect on our reputation or business as a result of such losses, including in connection with any guarantees that we may provide for such companies in any future periods. For further information see “*Our Promoters and Group Entities*” on page 147.

**36. Our Company has issued Equity Shares during the last one year at a price that may be below the Issue Price.**

In the last one year, our Company has issued Equity Shares at a price that may be lower than the Issue Price. The details of these issuances are provided below.

<b>S. No.</b>	<b>Date of issue</b>	<b>Allottees</b>	<b>Number of Equity Shares</b>	<b>Price (in Rs.)</b>	<b>Reasons for the Issue</b>
1.	October 12, 2009	BTS	15,33,742	163	Conversion of cumulative convertible preference shares of our Company
2.	December 10, 2009	All our existing shareholders	2,45,66,484	NA	Bonus issue in the ratio of 2:1*
3.	January 14, 2010	Kyodo International Private Limited	2,00,000	100	Preferential Allotment
4.	January 14, 2010	Kyodo International Corporation	2,01,323	100	Preferential Allotment

\*Bonus issue made from the capitalization of the share premium account of our Company, resulting from shares allotted at a premium and paid in cash.

The price at which the Equity Shares have been issued in the last one year is not indicative of the price at which Equity Shares may be offered in the Issue or at the price at which they will trade upon listing.

***37. Certain of our premises are leased, and we are in the process of completing conveyance procedures for certain premises at Panchkula. In the event any of our lessors allege breach or delay in performance, we may be required to incur additional costs in resolving such claims or acquiring new facilities.***

Our office premises are leased, and the property at Barwala where we have developed an R&D centre and custom synthesis site, are held by us on a long term lease. Further, we have entered into an agreement dated August 5, 2008 with the HSIIDC for our manufacturing facilities at Panchkula, pursuant to which we would enter into a conveyance deed on completion of the required payment in installments. There is no assurance that we will be able to enter into the conveyance agreement with HSIIDC on the same or similar terms as on which we currently occupy the premises at Panchkula, or that any of our lessors will not allege breach or delay in performance by us on any account. Accordingly, we may be unable to continue operations at such sites, or we may be required to incur additional costs in resolving such claims or in acquiring and equipping new facilities if we are unable to operate at any of our current premises. For further information on our owned and leased properties, see “**Our Business**” on page 107.

***38. We may be bound by contractual arrangements entered into by us presently or in the future, with our customers, for the manufacture and supply of various products, on a contract or job work basis.***

Pursuant to agreements and arrangements entered into by us presently or in the future, for the manufacture and supply of certain APIs and intermediates on contract and job work basis, we may be bound by various covenants and obligations, including provisions in relation to confidentiality and non-disclosure, exclusivity and non-compete (in relation to a period of time and/or for specified products and/or services), or the requirement to obtain prior consent from respective counterparties for various operational actions or issues, including for rework or reprocessing, or sub-contracting our contracted obligations or sub-licensing technology licensed to us thereunder. Such agreements or arrangements may also specify certain events of default for our Company. For instance, in certain cases of breach, termination or failure to meet contracted obligations, we may be required to halt production, withhold products from shipment, replace and pay return freight and shipping charges and pay damages, including liquidated damages or indemnify the respective counter parties in terms of the respective arrangements or agreements entered into with them. Going forward, as our business grows, while we will endeavour to favourably negotiate any such contracts for contract research, manufacturing and supply, there is no assurance that the terms of any such contracts will be finalized to our satisfaction or that we will be adequately able to enforce or defend any of our rights and protections thereunder.

## **Risks relating to India**

***39. Economic developments and volatility in securities markets in the global market, including financial instability in Indian financial markets, may cause the price of our Equity Shares to decline and adversely affect our results of operations and financial condition.***

The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investors’ reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. For instance, the economic downturn globally has adversely affected market prices in the world’s securities markets, including the Indian securities markets. Negative economic developments, such as rising fiscal or trade deficits, or a default on sovereign debt, in other emerging market countries may affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general. Indian financial markets have experienced the contagion effect of the global financial turmoil, evident from substantial fluctuations in the prices of listed securities and a sharp decline in the SENSEX, BSE’s benchmark index. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a decline in the price of our Equity Shares, which may not necessarily be directly or indirectly related to our financial performance.

The global financial crisis and economic downturn that occurred in 2008 or similar financial crisis in the future, especially in the US, Europe or China, and an increase in interest rates or other fiscal or monetary policies implemented by the Government to control the rate of economic recovery and curb inflation, may materially and

adversely impact our business, financial condition, results of operations and prospects in a number of ways, such as, decrease in demand for our exports, delay or deference or cancellation of purchases from us by distributors, non-availability of financing and other sources of liquidity on reasonable terms, reduction of discretionary spending by consumers on formulations, and fall in price of our Equity Shares.

***40. Political, economic and social developments in India could adversely affect our business.***

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Our business, and the market price and liquidity of our Equity Shares, may be affected by changes in the Government's policies, including taxation. Social, political, economic or other developments in or affecting India, acts of war and acts of terrorism could also adversely affect our business.

Since 1991, successive governments have generally pursued policies of economic liberalization and financial sector reforms. However, there can be no assurance that such policies will be continued and any significant change in the Government's policies in the future could affect business and economic conditions in India in general. In addition, any political instability in India or geo-political stability affecting India will adversely affect the Indian economy and the Indian securities markets in general, which could also affect the trading price of our Equity Shares.

Our performance and the growth of our business are necessarily dependent on the performance of the overall Indian economy. India's economy could be adversely affected by a general rise in interest rates, currency exchange rates, and adverse conditions affecting agriculture, commodity and electricity prices or various other factors. Further, conditions outside India, such as slowdowns in the economic growth of other countries could have an impact on the growth of the Indian economy, and government policy may change in response to such conditions. The Government of India (the "GoI") has recently revised its growth projection for Fiscal 2010. A slowdown in the Indian economy could adversely affect our business, including our ability to implement our strategy.

***41. The extent and reliability of Indian infrastructure could adversely affect our results of operations and financial condition.***

India's physical infrastructure is less developed than that of many developed nations. Any congestion or disruption in its port, rail and road networks, electricity grid, communication systems or any other public facility could disrupt our normal business activity. Any deterioration of India's physical infrastructure would harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in India. These problems could interrupt our business operations, which could have an adverse effect on our results of operations and financial condition.

***42. Our failure to successfully adopt IFRS effective April 2011 could have a material adverse effect on the price of our Equity Shares.***

The Institute of Chartered Accountants of India (the "ICAI"), the accounting body that regulates accounting firms in India, has announced a road map for the adoption of, and convergence with, IFRS, pursuant to which all public companies in India, including ours, will be required to prepare their annual and interim financial statements under IFRS beginning with the fiscal period commencing April 1, 2011. Because there is lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice on which to draw in respect of forming judgments regarding the implementation and application of IFRS, we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. There can be no assurance that our financial condition, results of operations, cash flows or changes in shareholder's equity will not appear materially worse under IFRS than under Indian GAAP. As we transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems and internal controls. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that our adoption of IFRS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt IFRS by April 2011 could have a material adverse effect on the price of our Equity Shares.

***43. Our ability to raise foreign capital may be constrained by Indian law. The limitations on foreign debt may have an adverse effect on our business growth, financial condition and results of operations.***

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources and hence could constrain our ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, we cannot assure the investors that the required approvals will be granted to us without onerous conditions, or at all. The limitations on foreign debt may have an adverse effect on our business growth, financial condition and results of operations.

***44. Any downgrading of India's debt rating by a domestic or international rating agency could adversely affect our business.***

Any adverse revisions to India's credit ratings for domestic and international debt by domestic or international rating agencies may adversely affect our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could harm our business and financial performance, ability to obtain financing for capital expenditures and the price of our Equity Shares.

***45. Future dividend declaration and distribution is subject to the discretion of our Directors and consideration of other related factors.***

Any future dividend declaration and distribution by us will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and applicable laws and regulations in India, including, in the case of final dividends, the approval of shareholders.

***46. Indian dividend taxes or surcharges could adversely affect our tax liability.***

The Finance Act, 2009 has fixed the tax on dividends declared, distributed or paid by Indian companies at 15%, and levied a surcharge of 10% on tax and education cess of 3% on tax and surcharge. The dividends are taxable in the hands of the companies at the rates applicable to them. The corporate tax rate presently applied to our income in India is 30% plus a surcharge 10% of such tax and education cess of 3% on tax and surcharge, aggregating to 33.99%. If we declare or distribute a dividend, we are required to pay additional income tax at a rate of 16.995% (including a surcharge of 10% and education cess of 3% on tax and surcharge) on the dividend so declared or distributed. The Finance Bill, 2010, currently pending notification, proposes no increase in these rates. However, any future changes in tax rates in India on income or the imposition of any additional taxes or surcharges could adversely affect our tax liability.

***47. Volatility of the Rupee against foreign currencies may have an adverse effect on our results of operations.***

While all our future income will be denominated in Rupees, volatility of the Rupee against foreign currencies may increase the Rupee cost to us of servicing and repaying our foreign currency payables in future, and increase our exposure under any hedging contracts we may enter into with a view to managing foreign exchange fluctuation risks. For example, the US\$ / Rupee exchange rate was US\$ 1 = Rs. 39.97 as of March 31, 2008 and depreciated to US\$ 1 = Rs. 50.95 as of March 31, 2009. If we are unable to recover the costs of foreign exchange variations through our tariffs, volatility of the Rupee against foreign currencies may adversely affect our results of operations and financial condition.

***48. Terrorist attacks, civil unrests and other acts of violence in India and around the region could adversely affect the financial markets, result in a loss of customer confidence and adversely affect our business, results of operations, financial condition and cash flows.***

Terrorist attacks, civil unrests and other acts of violence or war in India and around the region may adversely affect worldwide financial markets and result in a loss of business confidence and ultimately adversely affect our business, results of operations, financial condition and cash flows. India has, from time to time, experienced instances of civil unrest and political tensions and hostilities among neighbouring countries. Political tensions could create a perception that an investment in Indian companies involves higher degrees of risk and on our business and price of our Equity Shares.

***49. Natural calamities could have a negative effect on the Indian economy and cause our business to suffer.***

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their effect on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded negative growth for that period. The erratic progress of the monsoon in 2004 and 2009 affected sowing operations for certain crops. Further, prolonged spells of below normal rainfall or other natural calamities could have a negative effect on the Indian economy, adversely affecting our business and the price of our Equity Shares.

***50. An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have a material adverse effect on our business and results of operations.***

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concern such as swine or avian influenza around the world could have a negative impact on economies, financial markets and business activities worldwide, which could have a material adverse effect on our business. Although we have not been adversely affected by such outbreaks, we can give no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concern will not have a material adverse effect on our business.

***51. Our business and activities will be regulated by the Competition Act, 2002, as amended (the "Competition Act").***

The Indian Parliament has enacted the Competition Act for the purpose of preventing business practices that have an appreciable adverse effect on competition in India under the auspices of the Competition Commission of India (the "CCI"), which (other than for certain provisions relating to the regulation of combinations) has recently become effective. Under the Competition Act, any arrangement, understanding or action in concert between enterprises or persons, whether or not formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and attracts substantial monetary penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. The effect of the Competition Act and the CCI on the business environment in India is as yet unclear. Any application of the Competition Act to us may be unfavourable and may have a material adverse effect on our business, financial condition and results of operations.

**Risks relating to this Issue**

***52. The projects for which we intend to use the Net Proceeds of the Fresh Issue have not been appraised by any bank or financial institution. Further, no monitoring agency has been appointed in respect of the Objects of the Issue.***

The funds requirement and funding plans are as per our own estimates, and have not been appraised by any bank / financial institution. The deployment of funds in the projects, or pending utilization for such projects, is entirely at our own discretion and will not be monitored by any external agency.

***53. The P/E ratio based on the higher and lower end of the price band of the Company may be above the industry average.***

The price to earnings ratios, based on the higher and lower ends of the Price Band of the Company (as decided by our Company and the Selling Shareholders, in consultation with the Book Running Lead Managers and the Co-Book Running Lead Manager and advertised in all editions of Financial Express in English language, Jansatta in Hindi language and Punjabi Tribune in Punjabi language at least two Working Days prior to the Bid Opening Date), may be above the industry average. Our Equity Shares have not been listed on any stock exchange prior to the Issue, and the Floor Price and Cap Price as well as the price to earnings ratios determined on those bases may not be comparable to those of our peers, and should not be considered as indicative of the price of our Equity Shares and the price to earnings ratio once our Equity Shares commence trading on the Stock Exchanges.

***54. We cannot guarantee the accuracy of certain market and industry data contained in this Red Herring Prospectus.***

Certain statistical data relating to the Indian economy and the Indian pharmaceutical industry have been extracted from reports prepared by independent third parties. Neither the BRLMs nor any of their respective affiliates and advisors nor we or any of our affiliates and advisors have independently verified the accuracy of the data derived from such reports. We make no representation as to the accuracy of such data and you should not place undue reliance on such data as a basis for making an investment in our Equity Shares.

***55. Investors will not be able to sell immediately any of the Equity Shares they purchase in the Issue until the Issue receives the appropriate trading approvals.***

Our Equity Shares will be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two Working Days of the date on which the basis of allotment is approved by the NSE or the BSE. In addition, in accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been Allotted. Approval requires all other relevant documents authorizing the issuance and allotment of the Equity Shares to be submitted. Thereafter, upon receipt of final listing approval from the NSE and the BSE, trading in the Equity Shares is expected to commence within 12 Working Days from the Bid Closing Date on which the basis of allotment is approved by the Designated Stock Exchange. There could be a failure or delay in listing the Equity Shares on the BSE and the NSE. We cannot assure the investors that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, in a timely manner or at all. Any failure or delay in obtaining the approvals would restrict the investor's ability to dispose of their Equity Shares.

***56. After the Issue, the price of our Equity Shares may be volatile, and investors may be unable to resell their Equity Shares at or above the Issue Price, or at all.***

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The market price of the Equity Shares after the Issue may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions specific to the pharmaceutical sector in India, developments relating to India and volatility in the BSE and the NSE and securities markets elsewhere in the world.

***57. Any future issuance of Equity Shares by us may dilute investors' shareholding and adversely affect the trading price of our Equity Shares.***

Any future issuance of Equity Shares by us may lead to the dilution of investors' shareholding in our Company, and adversely affect the trading price of our Equity Shares and our ability to raise capital through an issue of securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Additionally the disposal, pledge or encumbrance of Equity Shares by any of our major shareholders, or the perception that such transactions may occur may affect the trading price of the Equity Shares. There is no assurance that we will not issue Equity Shares or that any major shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

***58. There are restrictions on fluctuations in the prices of listed securities, which may adversely affect the trading price and liquidity of the Equity Shares.***

Subsequent to listing, we will be subject to a daily circuit breaker imposed on listed companies by all stock exchanges in India which does not allow transactions beyond certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by the SEBI on Indian stock exchanges. The percentage limit on our circuit breaker is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges are not required to inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker would effectively limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell the Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

Further, the Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities, and have also imposed restrictions on trading in certain securities, limitations on price movements and margin requirements, and have experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. Further, disputes have occurred on occasions between listed companies and the Indian stock exchanges, and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected.

#### Prominent Notes:

1. Investors may contact the BRLMs and the CBRLM who have submitted the due diligence certificate to the SEBI, for any complaint pertaining to the Issue.
2. The net worth of our Company as of March 31, 2009 and as of December 31, 2009 was Rs. 10,566.45 lacs and Rs. 11,171.13 lacs, respectively, based on the audited restated standalone financial statements included in this Red Herring Prospectus. The net worth of our Company as of December 31, 2009 was Rs. 11,168.78 lacs, based on the audited restated consolidated financial statements included in this Red Herring Prospectus.
3. Issue of [●] Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share of our Company aggregating to up to Rs. 20,000 lacs. The Issue comprises a Fresh Issue of [●] Equity Shares and an Offer for Sale of 20,25,702 Equity Shares by the Selling Shareholders, including an Employee Reservation of 5,00,000 Equity Shares. The Issue shall constitute approximately [●] % of the post-Issue share capital of our Company.
4. The average cost of acquisition of or subscription to Equity Shares by our Promoters, Promoter Group and the Selling Shareholders after adjusting for bonus issue is set forth in the table below:

Name of the Promoter	No. of Equity Shares held	Average price per Equity Share (in Rs.)
Mr. Pranav Gupta	8,24,100	3.50
Mr. Vineet Gupta	7,01,550	3.42
Parabolic Infrastructure Private Limited	58,06,620	3.59
PNG Trading Private Limited	1,35,70,800	3.43
Name of the Promoter Group	No. of Equity Shares held	Average price per Equity Share (in Rs.)
Mr. Sachin Gupta	7,35,000	21.50
J D Gupta (HUF)	3,06,300	2.42
Mr. Parth Gupta	7,500	3.33
Ms. Akrita Kalra	53,400	0.00
Dr. Deepali Gupta	2,34,600	2.31
Mr. J D Gupta	2,22,600	2.19
Ms. Rama Gupta	2,23,650	3.33
Vineet Gupta Family Trust	1,91,700	3.33
Pranav Gupta Family Trust	5,21,700	3.34
Jamboree Education Private Limited	18,900	6.67
Pranav Gupta (HUF)	66,600	3.33
Vineet Gupta (HUF)	60,000	3.33
Name of the Selling Shareholder	No. of Equity Shares held	Average price per Equity Share (in Rs.)
Alden Global (Mauritius) Limited	14,75,880	30.53
BTS India Private Equity Fund Limited	70,01,226	47.71

The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average of the amount paid for the total number of Equity Shares held by them.



5. The book value per share of our Company as of March 31, 2009 and as of December 31, 2009 was Rs. 75.04 and Rs. 30.32 respectively based on the audited restated standalone financial statements included in this Red Herring Prospectus. The book value per share of our Company as of December 31, 2009 was Rs. 30.31 based on the audited restated consolidated financial statements included in this Red Herring Prospectus.
6. None of our Group Entities has any business or other interest in our Company, other than to the extent of Equity Shares held by them and to the extent of the benefits arising out of such shareholding, and as stated in “**Financial Statements- Statement of Related Party Disclosures**” on pages 178 and 206.
7. Our Company has entered into certain related party transactions as disclosed in “**Financial Statements- Statement of Related Party Disclosures**” on pages 178 and 206. Our Company has entered into related party transactions for an aggregate amount of Rs. 292.26 lacs in fiscal 2009 and Rs. 250.58 lacs for the nine month period ended December 31, 2009, respectively, as per our audited restated standalone financial statements. The details of these transactions are set forth below:

(Rs. in lacs)

S. No.	Particulars	Nine month period ended December 31, 2009	Year ended March 31, 2009
1.	Remuneration to key management personnel	72.02	73.89
2.	Issue of shares	195.00	50.00
3.	Rent paid	4.95	6.60
4.	Payment of interest	-	0.44
5.	Purchase of fixed assets	0.95	-
6.	Advance for land purchase	-	16.00
7.	Investment	-	135.30
8.	Purchase of goods	7.61	10.03

8. Our Company was incorporated as ‘Parabolic Drugs Limited’ on February 22, 1996 under the Companies Act. There has been no change in the name of our Company since incorporation.
9. The Promoters, Promoter Group, directors of the Promoters, Directors and their respective relatives have not financed the purchase by any other person of any securities of our Company other than in the ordinary course of their business during the six months preceding the date of this Red Herring Prospectus.

## SECTION III - INTRODUCTION

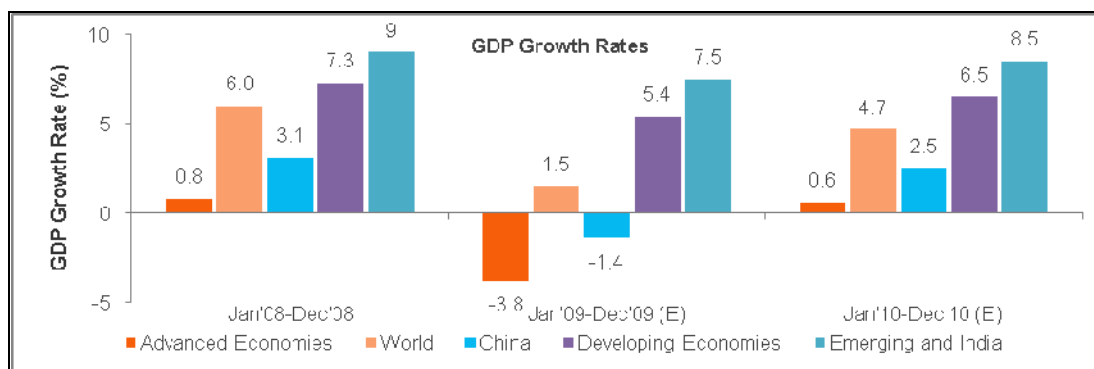
### SUMMARY OF INDUSTRY

*The information in this section has been extracted from the websites of and publicly available documents from various sources, including but not limited to industry websites and publications. The data on global pharmaceutical industry and CRAMS segment is from the OPPI – E&Y Report on “Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry” and the data on the Indian pharmaceutical industry (excluding the domestic CRAMS segment) is from the OPPI – Yes Bank report on “Indian Pharmaceutical Industry: Vision 2015”. The data may have been re-classified by us for the purpose of presentation. Neither we nor any other person connected with the Issue has verified the information provided in this section. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured, and, accordingly, investment decisions should not be based on such information. Industry sources and publications are also prepared based on information as on specific dates and may no longer be current. For further details, see “**Industry Overview**” on page 92.*

### THE INDIAN ECONOMY

India is the world's largest democracy by population size and one of the fastest growing economies in the world. According to the CIA World Factbook, India's estimated population was approximately 1.16 billion people as of July 2009. India had an estimated GDP on a purchasing power parity basis of approximately USD 3,297 billion in 2008, making it the fifth largest economy in the world after the European Union, United States of America, China and Japan. In the past, India has experienced rapid economic growth, with GDP growing at an average growth rate of 8.8% between fiscal 2003 to fiscal 2008, as per the RBI's First Quarter Review, 2009-2010.

Despite the global economic decline in fiscal 2008, India continues to be one of the fastest growing countries in the world and is showing positive signs of recovery following the global financial downturn. India's growth is expected to outperform advanced and developing economies. Recent data suggests that the rate of decline in economic activity is moderating, although this is occurring to varying degrees across different regions, as reflected in the table given below.



Source: International Monetary Fund, World Economic Outlook Update, July 2009 (Calendar Year Growth Rates)

India's ability to recover from the global slowdown (and its own domestic liquidity crunch) has been driven by the country's large domestic savings and corporate retained earnings, which have been used to finance investment. The fiscal policy, primarily in the form of reduced interest rates and Government intervention, has further helped to maintain private demand, liquidity and short-term rates, thereby reducing the risk of loan losses.

### PHARMACEUTICAL MARKETS

The global pharmaceuticals market can be classified into two categories: regulated and unregulated/semi regulated. The regulated markets are primarily governed by stringent government regulations such as intellectual property protection, including product patent recognition. As a result, regulated markets have greater stability for both volumes and prices while a drug is under patent protection. On the other hand,

unregulated/semi-regulated markets have lower entry barriers in terms of regulatory requirements; hence they are highly competitive, with industry players primarily competing on the basis of price.

## **INDIAN PHARMACEUTICAL INDUSTRY**

The Indian pharmaceutical industry can be classified based on products manufactured as ‘bulk’ actives and ‘formulations’. Based on the markets catered, these can be further classified into domestic and exports. Further, exports can be made to regulated or developed markets like US, Europe, Japan etc and semi-regulated/non-regulated or emerging markets like Asia, Africa and Latin America.

Bulk actives are otherwise known as Active Pharmaceutical Ingredients (APIs) or bulk drugs. They comprise medicinally active ingredients that are converted into formulations or dosage forms. APIs are either manufactured in-house by formulation companies or they can be outsourced to third party API manufacturers.

Formulations involve developing a preparation of the drug (from APIs and other ingredients) which is both stable and acceptable to the patient. This usually involves incorporating the drug into a tablet, capsules, injectibles, syrups, etc. The formulations are administered to or taken by the patient and are available either by prescription or over-the-counter. A prescription drug is a licensed medicine that is regulated by legislation to require a prescription (usually from a doctor) before it can be obtained. The term is used to distinguish it from over-the-counter drugs which can be obtained without a prescription.

Strong GDP growth (8.5% in 2007-08, 9.4% in 2006-07 and 9.0% in 2005-06) and significant cost advantages have resulted in the Indian pharmaceutical industry growing significantly by 19.8% from around USD 6.9 billion in 2002-03 to around USD 17.0 billion in 2007-08. Indian participation in the international pharmaceutical market has increased and with more products going generic in developed economies, Indian formulations and bulk drug exports have grown significantly. Also, increasing cost pressures on innovators has resulted in significant growth in contract research business. Driven by the above factors Indian pharmaceutical exports have grown at a CAGR of 27.0% in the last six years to reach USD 8.6 billion in 2007-08.

According to the Ministry of Commerce, Report of the Task Force, December 2008, currently, the Indian pharmaceutical industry is one of the world’s largest and most developed, ranking fourth in volume terms and 13<sup>th</sup> in value terms. In the API segment, India ranks third in the world producing about 500 different APIs. India has emerged as the country with the largest number of USFDA approved plants outside US. According to the Department of Industrial Policy & Promotion, the drugs and pharmaceuticals sector has attracted foreign direct investment (“FDI”) worth USD 121.8 million during the period April-October, 2009. The cumulative FDI inflows in this sector from April 2000 to October 2009 have been USD 1.58 billion.

The Indian pharmaceutical industry is expected to grow at a CAGR of 14.2% to around USD 50 billion in 2015-16. Exports are expected to grow at a CAGR of 16.2% while the domestic market is expected to grow by 12.5%.

API manufacturers in India supply APIs to domestic formulation companies, which cater to domestic and/or export markets, and also export APIs directly to regulated and/or semi regulated/unregulated markets abroad.

## **CONTRACT RESEARCH AND MANUFACTURING SERVICES INDUSTRY**

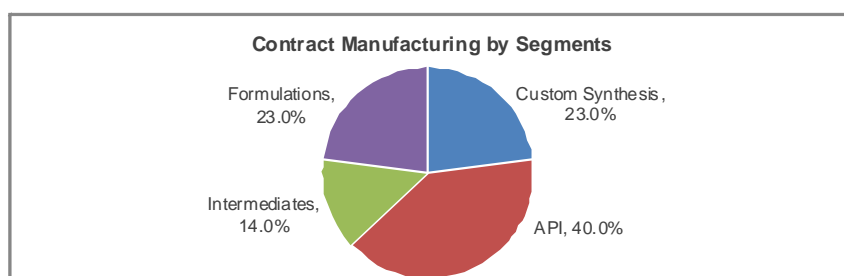
The R&D and manufacturing outsourcing market (CRAMS) has two major segments – contract (custom) manufacturing services and contract research (drug discovery and development) services. Drug discovery and development outsourcing, also known as contract research, spans target identification and lead optimization to Clinical Trial IIa. Contract manufacturing, spans from clinical trial phase IIb to the off-patent stage and includes manufacturing of intermediates, APIs and formulations. Custom Synthesis (“CS”) forms an important business sub-segment of CRAMS. CS entails synthesis of compounds, as per customer specification/requirements. Thus, it involves supplying initial material, reference compounds, derivatives of lead compounds and intermediates, especially for molecules in the development stage or drugs under patent.

### **The Indian CRAMS Industry**

India is emerging as one of the most attractive destinations for outsourcing of global pharmaceutical activities. The Indian CRAMS industry was valued at USD 1.7 billion in 2008. Despite India’s inherent advantages, it accounts for only ~3% share of the USD 51 billion global outsourcing market, indicating significant opportunity for growth in this segment.



Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009



Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009

### Contract Manufacturing

Indian pharmaceutical manufacturing outsourcing was valued at USD1.1 billion in 2008 and is growing at a CAGR of 43% (2007-2012), a rate that is thrice that of the global market.

- India's share of the global manufacturing outsourcing market is estimated to increase from 2.8% in 2007 to 5.5% in 2010
- API/Intermediate outsourcing is more prevalent in India than formulation outsourcing. Around 64% of total outsourcing is in the area of APIs and Intermediates
- Further, most Indian players participate in mid-late lifecycle products and in contributing to the N-2 state of APIs. Indian CMOs do not participate in the production of the final API/formulation sourced for patented product launch / filing for submission.

### Contract Research

India is emerging as a hot spot in drug discovery and development outsourcing, growing at approximately 65%, i.e., at more than three-and-half times the global growth rate. India's pharmaceutical outsourcing landscape is well positioned to provide services in the area of late stage discovery (research chemistry) and drug development services. The country has recognized the need to develop its early stage discovery (research biology) capabilities and has begun investing in this area.

## SUMMARY OF BUSINESS

*Investors should note that 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 Red Herring Prospectus, including the information in “Risk Factors” and our “Financial Information” and related notes on pages 12 and 156, respectively, before deciding to invest in our Equity Shares.*

We were founded in 1996 by our Promoters Mr. Pranav Gupta and Mr. Vineet Gupta, who are professionally qualified first generation entrepreneurs. We are presently engaged in the manufacturing, including contract manufacturing, of APIs and API intermediates for the domestic market as well as for exports to international markets, including regulated markets. APIs, also known as ‘bulk drugs’ or ‘bulk actives’ are the principal ingredient used in making finished dosages in the form of capsules, tablets, liquid, or other forms of dosage, with the addition of other APIs or inactive ingredients. We currently produce the Semi Synthetic Penicillin (“SSP”) and Cephalosporin range of antibiotics in oral and sterile form, along with their intermediates.

We currently own and operate two manufacturing facilities at Derabassi, Punjab, and Panchkula, Haryana. We commenced commercial operations in February 1998 by setting up a unit at Sundhran, Derabassi, to manufacture SSPs. We currently have six units at Sundhran, Derabassi, for manufacturing the oral and sterile range of Cephalosporin APIs and intermediates. The facility at Sundhran, Derabassi, is WHO-GMP and ISO-14001 certified. We started our second facility at Panchkula in fiscal 2005. Currently, the Panchkula facility has two units manufacturing SSPs and API intermediates such as 6-APA. We have also set up a custom synthesis and research and development (“R&D”) centre at Barwala, Haryana, in fiscal 2010, for development and scale-up of new APIs and APIs intermediates in all therapeutic segments, including non-antibiotic products. This facility focuses on providing contract research services to innovator companies. In addition, we are in the process of setting up another manufacturing facility at Chachrauli, Derabassi, to manufacture the non-antibiotic range of APIs, which is expected to commence commercial operations in fiscal 2012.

Our product portfolio presently comprises 44 APIs and seven API intermediates which are marketed domestically and exported. We supply our products to approximately 45 countries, including regulated markets. We have filed 17 dossiers with the relevant regulatory authorities to increase our penetration in the regulated markets. This includes seven DMFs filed with the USFDA, one DMF filed with the Bureau of Pharmaceutical Sciences, Canada and nine dossiers filed with the EDQM, including two for which we have received Certificates of Suitability (“CoS”) from the EDQM, for supplying Amoxicillin and Flucloxacillin Sodium for the European markets. Currently, we supply 6-APA from our Panchkula facility for the US markets conforming to the regulations prescribed by the USFDA.

We have an established R&D setup which comprises chemical and analytical research laboratories at our facility at Sundhran, Derabassi. Our focus is on developing non-infringing processes for new molecules for expansion of our product portfolio, existing process improvements and production cost efficiencies. Our R&D department has led the Company to successfully launch additional sterile and oral products over the years. During fiscal 2010, products such as Ceftazidime, Cefotiam, Ceftizoxime and Cephalothin were launched to further widen our product range. We have made 10 applications for process patents, of which nine patent applications have been filed with the Indian Patent Office, and one international process patent for manufacturing Cefuroxime Axetil filed under the PCT, Switzerland. As at April 15, 2010 our research team comprised 85 scientists, including 16 Ph.Ds. Our dedicated custom synthesis and R&D facility at Barwala is the centre of our research activities. The Barwala facility also houses a custom synthesis site and a pilot manufacturing plant (kilo lab) to provide CRAMS services to innovator companies. Our Company is in compliance with the applicable requirements of the Drugs and Cosmetics Act, 1940, as amended (the “**Drugs and Cosmetics Act**”) and the regulations issued thereunder.

We seek to establish long term relationships with our customers and expand our business opportunities with them. As at December 31, 2009, we catered to 487 customers worldwide, including some of the leading generic companies in the world.

As per our audited restated standalone financial statements, our total income has increased from Rs. 15,056.33 lacs in fiscal 2007 to Rs. 39,693.70 lacs in fiscal 2009, and our profit after tax has increased from Rs. 1,358.98 lacs to Rs. 2,109.20 lacs during this period. Our total income and profit after tax as at December 31, 2009 were Rs. 35,015.50 lacs and Rs. 2,141.28 lacs, respectively. Our net sales have increased at a CAGR of 62.50% from fiscal 2007 to fiscal 2009. Direct exports constituted 27.65% of our net sales in fiscal 2009, and 27.93% as at December 31, 2009. For further information, see “**Our Business**” on page 107.

## **STRENGTHS AND STRATEGIES**

### ***Our Competitive Strengths***

- Robust chemistry capabilities
- Diversified customer base
- Wide product range in the antibiotics segment
- Facilities designed to serve regulated markets and manufacture multiple products
- Dynamic and professional management with healthcare domain knowledge and experience

### ***Key Business Strategies***

- Leverage our existing capabilities to expand in the CRAMS segment
- Increase our penetration into international markets with a focus on regulated markets
- Diversify our product portfolio and expand into the non-antibiotic segment

For further information, see “*Our Business – Strengths and Strategies*” on page 107.

## SUMMARY FINANCIAL INFORMATION

*The following tables set forth our selected historical financial information derived from the audited restated financial information for the nine month period ended December 31, 2009, and years ended March 31, 2009, 2008, 2007, 2006 and 2005. The audited restated summary financial information presented below should be read in conjunction with the audited restated financial information included in this Red Herring Prospectus, the notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 218.*

### RESTATED CONSOLIDATED SUMMARY FINANCIAL INFORMATION OF OUR COMPANY

#### Restated Consolidated Summary Statement of Profit and Loss

(Rs. In lacs)	
Particulars	For Nine Months Ended
	31-Dec-09
<b><u>INCOME</u></b>	
GROSS SALES	37452.39
LESS: EXCISE DUTY	2842.47
NET SALES	<b>34609.92</b>
INCOME FROM JOB WORK	12.05
OTHER INCOME	393.53
	<b>35015.50</b>
<b><u>EXPENDITURE</u></b>	
MATERIAL CONSUMED	24450.32
MANUFACTURING EXPENSES	1376.63
PERSONNEL EXPENSES	1029.04
ADMINISTRATIVE EXPENSES	337.52
SELLING & DISTRIBUTION EXPENSES	660.62
FINANCIAL EXPENSES	2956.62
RESEARCH & DEVELOPMENT W/OFF	431.35
PRELIMINARY EXPENSES W/OFF	12.91
FCM ITEM TRANSLATION DIFFERENCE LOSS	560.55
DEPRECIATION	405.35
	<b>32220.90</b>
PROFIT BEFORE TAX	2794.60
<b><u>LESS: PROVISION FOR TAXATION:</u></b>	
CURRENT YEAR TAX	493.72
DEFERRED TAX	159.60
	653.32
PROFIT AFTER TAX	<b>2141.28</b>

# Restated Consolidated Summary Statement of Assets and Liabilities

(Rs. In lacs)

	As At
	31-Dec-09
<b>FIXED ASSETS</b>	
GROSS BLOCK	16707.77
LESS: DEPRECIATION	1227.35
NET BLOCK	<b>15480.42</b>
<b>INVESTMENTS</b>	<b>2.50</b>
<b>CURRENT ASSETS, LOANS</b>	
<b>AND ADVANCES</b>	
INVENTORIES	23011.40
SUNDRY DEBTORS	15727.10
CASH AND BANK BALANCES	1797.08
LOANS AND ADVANCES	4876.36
	<b>45411.94</b>
<b>TOTAL ASSETS</b>	<b>60894.86</b>
<b>LIABILITIES &amp; PROVISIONS</b>	
<u>LOAN FUNDS</u>	
SECURED LOANS	30317.80
UNSECURED LOANS	6450.39
MINORITY INTEREST	5.00
CURRENT LIABILITIES & PROVISIONS	12265.06
DEFERRED TAX LIABILITY (NET)	687.83
<b>TOTAL LIABILITIES</b>	<b>49726.08</b>
<b>NET WORTH</b>	<b>11168.78</b>
<b>REPRESENTED BY</b>	
SHARE CAPITAL	3684.97
RESERVE & SURPLUS	11144.57
LESS : MISCELLANEOUS EXPENDITURE	3660.76
<b>NET WORTH</b>	<b>11168.78</b>



### Restated Consolidated Summary of Cash Flow Statement

(Rs. In lacs)	
Particulars	For Nine months ended 31-Dec-09
<b>Cash flow from operating activities</b>	
Net Profit (adjusted) before tax and after extraordinary items	2794.60
Depreciation	405.35
Financial Expenses	2956.62
Loss/(Profit) on sale of Fixed Assets	(15.65)
Provision for Tax	(493.86)
Amortization	444.26
<b>Total Operating Cash Flow before Working Capital changes</b>	<b>6091.31</b>
<b>Working Capital Changes</b>	
(Increase)/decrease in inventories	(4283.35)
(Increase)/decrease in receivables	(1140.51)
(Increase)/decrease in other Current Asset	(2268.41)
Increase/(decrease) in payables	662.70
<b>Net (increase)/decrease in Working Capital</b>	<b>(7029.56)</b>
<b>Total cash flow from operations including Working Capital (A)</b>	<b>(938.25)</b>
<b>Cash flow from investing activities</b>	
Purchase of fixed assets	(4088.78)
Sale of Fixed Assets	43.09
Preliminary Expenses	(68.78)
R&D Expenses	(1912.69)
<b>Total cash flow from investing activities (B)</b>	<b>(6027.16)</b>
<b>Cash flow from financing activities</b>	
Proceeds from borrowings	10364.96
Financial Expenses	(2956.62)
<b>Total cash flow from financing activities (C )</b>	<b>7408.34</b>
<b>Net Cash Inflows/(outflows) during the period (A - B +C )</b>	<b>442.93</b>
Cash and cash equivalents at the beginning of the year	1354.16
Cash and cash equivalents at the end of the year	1797.09

# **RESTATED STANDALONE SUMMARY FINANCIAL INFORMATION OF OUR COMPANY**

## **Restated Standalone Summary Statement of Profit and Loss**

(Rs. In lacs)

Particulars	For Nine Month period Ended	For the Year Ended				
	31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
<b>INCOME</b>						
GROSS SALES	37452.39	42967.43	30025.49	16683.39	9806.27	5682.39
LESS: EXCISE DUTY	2842.47	3530.63	2696.01	1748.97	1078.46	673.16
NET SALES	<b>34609.92</b>	<b>39436.80</b>	<b>27329.48</b>	<b>14934.42</b>	<b>8727.81</b>	<b>5009.23</b>
INCOME FROM JOB WORK	12.05	54.95	2.55	79.89	118.12	70.36
OTHER INCOME	393.53	201.95	61.89	42.02	165.98	9.95
	<b>35015.50</b>	<b>39693.70</b>	<b>27393.92</b>	<b>15056.33</b>	<b>9011.91</b>	<b>5089.54</b>
<b>EXPENDITURE</b>						
MATERIAL CONSUMED	24450.32	28996.34	19756.40	11468.91	6917.79	4092.38
MANUFACTURING EXPENSES	1376.63	1727.82	1071.53	660.55	414.09	230.65
PERSONNEL EXPENSES	1029.04	1082.58	607.73	177.87	96.45	58.66
ADMINISTRATIVE EXPENSES	337.52	448.05	313.67	139.23	103.84	63.02
SELLING & DIST. EXPENSES	660.62	664.53	473.98	135.33	65.20	63.75
FINANCIAL EXPENSES	2956.62	2833.55	1192.58	589.20	405.79	160.56
RESEARCH & DEVELOPMENT W/OFF	431.35	424.09	292.60	169.59	28.71	6.75
PRELIMINARY EXPENSES W/OFF	12.91	8.05	6.14	4.16	0.36	0.25
FCM ITEM TRANSLATION DIFFERENCE LOSS	560.55	465.75	18.04	0.00	0.00	0.00
DEPRECIATION	405.35	360.86	182.55	90.27	61.51	38.64
	<b>32220.90</b>	<b>37011.62</b>	<b>23915.22</b>	<b>13435.11</b>	<b>8093.74</b>	<b>4714.66</b>
PROFIT BEFORE TAX	2794.60	2682.08	3478.70	1621.22	918.18	374.88
<b>LESS: <u>PROVISION FOR TAXATION:</u></b>						
CURRENT YEAR TAX	493.72	345.00	367.70	206.37	77.54	28.50
DEFERRED TAX	159.60	219.99	137.89	52.87	16.76	19.23
FRINGE BENEFIT TAX	0.00	7.89	5.67	3.00	2.08	0.00
	653.32	572.88	511.26	262.24	96.39	47.73
PROFIT AFTER TAX	<b>2141.28</b>	<b>2109.20</b>	<b>2967.43</b>	<b>1358.98</b>	<b>821.79</b>	<b>327.15</b>

### Note

The increase in the figures reflecting the sales of the Company from Rs. 16,683.39 lacs on March 31, 2007 to Rs. 42,967.43 on March 31, 2009 is due to increase in the sales of Cephalosporins, Semi-synthetic Penicillins, 6-APA and other by-products of the Company between March 31, 2007 to March 31, 2009. Similarly the reason for increase in profits from Rs. 1,358.98 lacs for the year ended March 31, 2007 to Rs. 2,967.43 lacs for the year ended March 31, 2008 is due to the corresponding increase in sales of the Company from Rs. 16,683.39 lacs for the year ended March 31, 2007 to Rs. 30,025.49 lacs for the year ended March 31, 2008.

# Restated Standalone Summary Statement of Assets and Liabilities

(Rs. In lacs)

	AS AT 31-Dec-09	AS AT 31-Mar-09	AS AT 31-Mar-08	AS AT 31-Mar-07	AS AT 31-Mar-06	AS AT 31-Mar-05
<b>FIXED ASSETS</b>						
GROSS BLOCK	16511.98	12470.04	7846.72	3570.08	1569.45	1078.68
LESS: DEPRECIATION	1227.35	841.41	488.46	305.91	217.14	155.63
NET BLOCK	<b>15284.63</b>	<b>11628.63</b>	<b>7358.26</b>	<b>3264.17</b>	<b>1352.31</b>	<b>923.05</b>
<b>INVESTMENTS</b>	<b>198.12</b>	<b>198.12</b>	<b>62.82</b>	<b>2.50</b>	<b>0.00</b>	<b>0.00</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>						
INVENTORIES	23011.40	18728.06	10209.70	5559.79	2983.56	1598.96
SUNDRY DEBTORS	15727.10	14586.59	8926.70	4486.52	2092.52	1032.01
CASH AND BANK BALANCES	1793.12	1350.61	734.99	307.04	296.36	247.17
LOANS AND ADVANCES	4877.44	2607.96	1265.69	745.41	600.95	606.96
<b>TOTAL</b>	<b>45409.06</b>	<b>37273.21</b>	<b>21137.08</b>	<b>11098.76</b>	<b>5973.39</b>	<b>3485.11</b>
<b>TOTAL ASSETS</b>	<b>60891.81</b>	<b>49099.97</b>	<b>28558.16</b>	<b>14365.43</b>	<b>7325.71</b>	<b>4408.15</b>
<b>LIABILITIES &amp; PROVISIONS</b>						
<b>LOAN FUNDS</b>						
SECURED LOANS	30317.80	21252.53	11651.06	4744.02	2779.24	1146.74
UNSECURED LOANS	6450.08	5150.40	4291.09	2222.23	1354.10	1082.59
CURRENT LIABILITIES & PROVISIONS	12264.97	11602.36	6076.79	3969.93	1613.81	1301.43
DEFERRED TAX LIABILITY (NET)	687.83	528.23	308.24	170.35	117.48	100.72
<b>TOTAL LIABILITIES</b>	<b>49720.68</b>	<b>38533.52</b>	<b>22327.19</b>	<b>11106.54</b>	<b>5864.63</b>	<b>3631.47</b>
<b>NET WORTH</b>	<b>11171.13</b>	<b>10566.45</b>	<b>6230.98</b>	<b>3258.89</b>	<b>1461.08</b>	<b>776.68</b>
<b>REPRESENTED BY</b>						
SHARE CAPITAL	3684.97	3574.95	1099.25	1669.95	769.95	400.00
RESERVE & SURPLUS	11144.57	9113.31	6836.62	2915.79	1556.81	495.22
LESS : MISC.EXPENDITURE	3658.41	2121.82	1704.90	1326.85	865.68	118.54
<b>NET WORTH</b>	<b>11171.13</b>	<b>10566.45</b>	<b>6230.98</b>	<b>3258.89</b>	<b>1461.08</b>	<b>776.68</b>

## Note

The increase in the Company's inventories from as on March 31, 2008 to as on December 31, 2009 was primarily due to the commissioning of two new plants at Derabassi, pursuant to which there was a corresponding increase in net sales in that period. The Company's net sales rose from Rs. 27,329.48 lacs for the year ended March 31, 2008 to Rs. 39,436.80 lacs for the year ended March 31, 2009 and to Rs. 34,609.92 lacs for the nine month period ended December 31, 2009. Correspondingly, the Company's inventories rose from Rs. 10,209.70 lacs as on March 31, 2008 to Rs. 18,728.06 lacs as on March 31, 2009 and to Rs. 23,011.40 lacs as on December 31, 2009.

## Restated Standalone Summary of Cash Flow Statement

### Summary Cash Flow Statement, as restated

(Rs. In lacs)						
Particulars	For the Nine month period ended	For the Year Ended				
	31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
<b>Cash flow from operating activities</b>						
Net Profit (adjusted) before tax and after extraordinary items	2794.60	2682.08	3478.70	1621.22	918.18	374.88
Depreciation	405.35	360.86	182.55	90.27	61.51	38.64
Financial Expenses	2956.62	2833.55	1192.58	589.20	405.79	160.56
Loss/(Profit) on sale of Fixed Assets	(15.65)	2.34	0	4.03	0	0
Provision for Tax	(493.72)	(352.89)	(373.37)	(209.37)	(79.62)	(28.50)
Amortization	444.26	432.14	298.75	173.75	29.06	7.00
<b>Total Operating Cash Flow before Working Capital changes</b>	<b>6091.45</b>	<b>5958.07</b>	<b>4779.20</b>	<b>2269.10</b>	<b>1334.91</b>	<b>552.58</b>
<b>Working Capital Changes</b>						
(Increase)/decrease in Inventories	(4283.35)	(8518.36)	(4649.90)	(2576.23)	(1384.60)	(879.72)
(Increase)/decrease in Receivables	(1140.51)	(5659.89)	(4440.19)	(2393.99)	(1060.52)	(397.08)
(Increase)/decrease in Other Current Assets	(2269.49)	(1342.27)	(520.28)	(144.46)	6.02	(262.05)
Increase/(decrease) in Payables	662.61	5525.57	2106.86	2356.13	312.37	798.40
<b>Net (increase)/decrease in working capital</b>	<b>(7030.73)</b>	<b>(9994.94)</b>	<b>(7503.51)</b>	<b>(2758.56)</b>	<b>(2126.73)</b>	<b>(740.44)</b>
<b>Total cash flow from operations including Working Capital (A)</b>	<b>(939.28)</b>	<b>(4036.87)</b>	<b>(2724.31)</b>	<b>(489.46)</b>	<b>(791.81)</b>	<b>(187.86)</b>
<b>Cash flow from investing activities</b>						
Purchase of Fixed Assets	(4088.78)	(4643.36)	(4276.65)	(2008.87)	(490.77)	(443.70)
Sale of Fixed Assets	43.09	9.79	0	2.72	0	0
Preliminary Expenses	(68.16)	(93.87)	(19.36)	(19.82)	(38.09)	(1.01)
R&D Expenses	(1912.69)	(755.18)	(657.43)	(615.10)	(738.12)	(109.81)
Investment	0	(135.30)	(60.32)	(2.50)	0	0
<b>Total cash flow from investing activities (B)</b>	<b>(6026.54)</b>	<b>(5617.93)</b>	<b>(5013.76)</b>	<b>(2643.57)</b>	<b>(1266.98)</b>	<b>(554.51)</b>
<b>Cash flow from financing activities</b>						
Proceeds from Issue of Share Capital	0	2643.19	382.70	900.00	609.75	198.90
Proceeds from Borrowings	10364.95	10460.78	8975.90	2832.91	1904.02	880.77
Financial Expenses	(2956.62)	(2833.55)	(1192.58)	(589.20)	(405.79)	(160.56)
<b>Total cash flow from financing activities (C)</b>	<b>7408.33</b>	<b>10270.41</b>	<b>8166.03</b>	<b>3143.71</b>	<b>2107.98</b>	<b>919.11</b>
<b>Net Cash Inflows/(outflows) during the period (A - B + C)</b>	<b>442.51</b>	<b>615.61</b>	<b>427.95</b>	<b>10.68</b>	<b>49.19</b>	<b>176.73</b>
Cash and cash equivalents at the beginning of the year	1350.61	734.99	307.04	296.36	247.17	70.44
Cash and cash equivalents at the end of the year	1793.12	1350.61	734.99	307.04	296.36	247.17

## THE ISSUE

Issue	[●] Equity Shares
Of which	
A) Fresh Issue	[●] Equity Shares
B) Offer for Sale	20,25,702 Equity Shares
Of which	
Offer for sale by BTS	15,33,742 Equity Shares
Offer for sale by Alden	4,91,960 Equity Shares
Employee Reservation Portion <sup>(1)</sup>	5,00,000 Equity Shares
<b>Net Issue</b>	[●]
Of which	
C) QIB Portion <sup>(2)</sup>	Up to [●] Equity Shares
Of which	
Available for allocation to Mutual Funds only	[●] Equity Shares <sup>(3)</sup>
Balance available for allocation to all QIBs including Mutual Funds	[●] Equity Shares <sup>(3)</sup>
D) Non-Institutional Portion	Not less than [●] Equity Shares <sup>(3)</sup>
E) Retail Portion	Not less than [●] Equity Shares <sup>(3)</sup>
<b>Pre- and Post Issue Equity Shares</b>	
Equity Shares outstanding prior to the Issue	3,72,51,049 Equity Shares
Equity Shares outstanding after the Issue	[●] Equity Shares
Use of Net Proceeds	See “ <i>Objects of the Issue</i> ” on page 68

<sup>(1)</sup> Subject to such reservation not exceeding 5% of the Issue size.

<sup>(2)</sup> Our Company may allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price in accordance with the ICDR Regulations. For further information, see “*Issue Procedure*” on page 271.

<sup>(3)</sup> Allocation shall be made on a proportionate basis. Under-subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs, the CBRM and the Designated Stock Exchange. On receipt of minimum subscription and in case of under-subscription in the Net Issue, the entire subscription amount would first be adjusted towards the Fresh Issue, before adjustment towards the Offer for Sale. Any under-subscription in the Employee Reservation Portion shall be added to the Net Issue.

## GENERAL INFORMATION

Our Company, Parabolic Drugs Limited, was incorporated on February 22, 1996 under the Companies Act with the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh (the “**RoC**”). There has been no change in the name of our Company since incorporation. For details of change in our Registered Office, see “**History and Certain Corporate Matters**” on page 130.

### Registered Office of our Company

S.C.O. 99-100, Top Floor  
Sector 17-B, Chandigarh 160 017  
India  
Tel: + (91 172) 3914 646 / 3914 647  
Fax: + (91 172) 3914 645

### Corporate Office of our Company

9AB, Taimoor Nagar  
New Friends Colony  
New Delhi 110 065  
India  
Tel: + (91 11) 6517 6840  
Fax: + (91 11) 2633 2660  
Website: www.parabolicdrugs.com

Registration Number	017755
Corporate Identification Number (CIN)	U24231CH1996PLC017755

### Address of the Registrar of Companies

Our Company is registered at the office of:

The Registrar of Companies  
Punjab Himachal Pradesh and Chandigarh  
Corporate Bhawan, Plot No. 4 B  
Sector 27 B, Madhya Marg  
Chandigarh-160026  
India

### Board of Directors

The following table sets out the current details regarding our Board as on the date of filing of this Red Herring Prospectus:

Name, Designation, Occupation and DIN	Age (years)	Address
<b>Mr. Inder Bir Singh Passi</b> <i>Designation:</i> Chairman and Independent Director <i>Term:</i> Liable to retire by rotation <i>Occupation:</i> Professor <i>DIN:</i> 02821291	70	House No. 381, Sector 38 A Chandigarh 160 014 India
<b>Mr. Pranav Gupta</b> <i>Designation:</i> Managing Director <i>Term:</i> Five years with effect from September 1, 2008 <i>Occupation:</i> Business	43	House No. 230, Sector 6 Panchkula 134 109, Haryana India

Name, Designation, Occupation and DIN	Age (years)	Address
<i>DIN: 00914361</i>		
<b>Mr. Vineet Gupta</b> <i>Designation:</i> Whole-time Director <i>Term:</i> Five years with effect from September 1, 2008 <i>Occupation:</i> Business <i>DIN: 01256753</i>	41	A 130, Second Floor New Friends Colony New Delhi 110 065 India
<b>Dr. Ram Kumar</b> <i>Designation:</i> Independent Director <i>Term:</i> Liable to retire by rotation <i>Occupation:</i> Doctor <i>DIN: 00913945</i>	64	House No. 232, Sector 16 A Chandigarh 160 017 India
<b>Mr. Pardeep Diwan</b> <i>Designation:</i> Independent Director <i>Term:</i> Liable to retire by rotation <i>Occupation:</i> Chartered Accountant <i>DIN: 01600566</i>	48	House No. 1048, First Floor Sector 18C, Chandigarh 160 018 India
<b>Mr. Arun Kumar Mathur</b> <i>Designation:</i> Non-executive Director <i>Term:</i> Liable to retire by rotation <i>Occupation:</i> Chemical Engineer <i>DIN: 02074081</i>	61	No. 3227, Sector 15D Chandigarh 160 016 India
<b>Mr. Koppisetty Srinivas</b> <i>Designation:</i> Nominee Director* <i>Term:</i> Liable to retire by rotation <i>Occupation:</i> Service <i>DIN: 00514607</i>	46	Flat no. 304, Building no. 15 Mhada Residential Complex Oshiwara, Andheri (West) Mumbai 400 053, Maharashtra India
<b>Dr. Deepali Gupta</b> <i>Designation:</i> Executive Director <i>Term:</i> Five years with effect from October 1, 2009 <i>Occupation:</i> Dentist <i>DIN: 02772736</i>	40	House no. 230, Sector 6 Panchkula 134 109, Haryana India

\*Nominee Director of *BTS India Private Equity Fund Limited*.

For further details of our Directors, see “*Our Management*” on page 136.

#### Company Secretary and Compliance Officer

**Mr. Anil Kumar**  
Parabolic Drugs Limited

SCO 99-100, Top floor  
Sector 17-B, Chandigarh 160 017  
India  
Tel: + (91 172) 3914646  
Fax: + (91 172) 3914645  
Email: [pdl.ipo@parabolicdrugs.com](mailto:pdl.ipo@parabolicdrugs.com)  
Website: [www.parabolicdrugs.com](http://www.parabolicdrugs.com)

Investors can contact our Company Secretary and Compliance Officer, the BRLMs, the CBRLM or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems, such as non-receipt of letters of Allotment, credit of Allotted Equity Shares in the respective beneficiary account and refund orders.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the concerned SCSB, giving full details such as name, address of the applicant, number of Equity Shares Bid for, amount blocked, ASBA Account number and the Designated Branch of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidder.

#### **Book Running Lead Managers**

***Aventus Capital Private Limited***  
IL&FS Financial Center  
B Quadrant, 5th Floor  
Bandra Kurla Complex  
Bandra (East)  
Mumbai 400 051  
Maharashtra, India  
Tel: + 91 22 6648 0050  
Fax: + 91 22 6648 0040  
Email Id: [pdl.ipo@avendus.com](mailto:pdl.ipo@avendus.com)  
Investor Grievance email:  
[investorgrievance@avendus.com](mailto:investorgrievance@avendus.com)  
Website: [www.avendus.com](http://www.avendus.com)  
Contact Person: Mr. Prashant Kothari  
SEBI Registration Number: INM000011021

***ICICI Securities Limited***  
ICICI Centre  
H.T. Parekh Marg  
Churchgate  
Mumbai 400 020  
Maharashtra, India  
Tel: + 91 22 2288 2460  
Fax: +91 22 2282 6580  
Email Id: [parabolic.ipo@icicisecurities.com](mailto:parabolic.ipo@icicisecurities.com)  
Investor Grievance Email: [customercare@icicisecurities.com](mailto:customercare@icicisecurities.com)  
Website: [www.icicisecurities.com](http://www.icicisecurities.com)  
Contact Person: Mr. Sumit Pachisia  
SEBI Registration No.: INM000011179

#### **Co-Book Running Lead Manager**

***SPA Merchant Bankers Limited***  
25, C- Block, Community Centre  
Janak Puri  
New Delhi 110 058, India  
Tel: +91 11 2551 7371, 4567 5500  
Fax: +91 11 2553 2644  
E-mail: [parabolic.ipo@spagroupindia.com](mailto:parabolic.ipo@spagroupindia.com)  
Investor Grievance e-mail: [parabolic.ipo@spagroupindia.com](mailto:parabolic.ipo@spagroupindia.com)  
Website: [www.spacapital.com](http://www.spacapital.com)  
Contact Person: Mr. Nitin Somani / Ms. Ashi Mehra  
SEBI Registration Number: INM000010825

#### **Syndicate Members**

***Aventus Securities Private Limited***  
IL&FS Financial Centre, 5<sup>th</sup> Floor  
B Quadrant, Bandra Kurla Complex  
Bandra East, Mumbai 400 051  
Maharashtra, India  
Tel: + (91 22) 6684 2828  
Fax: + (91 22) 6684 2878  
Email: [parabolic.ipo@avendus.com](mailto:parabolic.ipo@avendus.com)  
Website: [www.avendus.com](http://www.avendus.com)

***SPA Securities Limited***  
101 – A, 10<sup>th</sup> Floor  
Mittal Court, Nariman Point  
Mumbai 400 021  
Tel: +(91 22) 2280 1240 / 2280 1249  
Fax: +(91 22) 2284 1192  
Email: [parabolic.ipo@spagroupindia.com](mailto:parabolic.ipo@spagroupindia.com)  
Website: [www.spacapital.com](http://www.spacapital.com)  
Contact Person: Mr. Rajesh Gandhi



Contact Person: Mr. Niket Parekh  
Registration Number: INB011292639(BSE) /  
INB231294639 (NSE)

Registration Number: INB011178234 (BSE) /  
INB231178238 (NSE)

***India Infoline Limited***

10<sup>th</sup> Floor, One India Bull Centre  
Jupiter Mill Compound, 841  
S.B. Road, Near Elphinstone Road  
Lower Parel, Mumbai 400 013  
Maharashtra, India  
Tel: +(91 22) 4646 4600  
Fax: +(91 22) 4646 4700  
Email: pdl.ipo@iiflcap.com  
Website: www.iiflcap.com  
Contact Person: Mr. Saurabh Shukla  
SEBI Registration Number: INM000010940  
Registration Number: INB011097533 (BSE) /  
INB231097537 (NSE)

***Reliance Securities Limited***

4<sup>th</sup> Floor, Parijat House  
1076, Off Dr. E. Moses Road  
Manjrekar Lane, Worli Naka  
Mumbai 400 018  
Maharashtra, India  
Tel: +(91 22) 3046 2300  
Fax: +(91 22) 3046 2323  
Email: jithesh.narayanan@relianceada.com  
Website: www.reliancemoney.com  
Contact Person: Mr. Jithesh Narayanan  
Registration Number: INB231234833 (BSE) /  
INB011234839 (NSE)

**Domestic Legal Counsel to the Issue**

***Amarchand & Mangaldas & Suresh A. Shroff & Co.***

216, Amarchand Towers  
Okhla Industrial Estate Phase III  
New Delhi 110 020, India  
Tel: +91 11 2692 0500  
Fax: +91 11 2692 4900

**Registrar to the Issue**

***Link Intime India Private Limited***

C-13, Pannalal Silk Mills Compound  
L.B.S Marg, Bhandup (West)  
Mumbai 400 078, India  
Tel: + (91 22) 2596 0320  
Fax: + (91 22) 2596 0329  
Email: pdl.ipo@linkintime.co.in  
Website: www.linkintime.co.in  
Contact Person: Mr. Sachin Achar  
SEBI Registration No: INR000004058

**Bankers to the Issue and Escrow Collection Banks**

***State Bank of India***

Madame Cama Road, Nariman Point  
Mumbai 400 021  
Maharashtra, India  
Tel: +(91 22) 2681 4802 / 2681 4808 / 2687 4455  
Fax: +(91 22) 2687 5060  
Email: agmmktg.cmp@sbi.co.in  
Website: www.sbi.co.in  
Contact Person: Mr. Sunil Potdar  
SEBI Registration No: INB100000038

***HDFC Bank Limited\****

FIG – OPS Department  
Lodha - I, Think Techno Campus  
O-3 Level, Next to Kanjurmarg Railway Station  
Kanjurmarg (East), Mumbai 400 042  
Maharashtra, India  
Tel: +(91 22) 3075 2928  
Fax: +(91 22) 2579 9801  
Email: deepak.rane@hdfcbank.com  
Website: www.hdfcbank.com  
Contact Person: Mr. Deepak Rane  
SEBI Registration No: INB100000063

**UCO Bank**

S.C.O. 55-57 Bank Square  
Sector 17-B, Chandigarh  
Tel: + (91 172) 270 3833 / 270 4314/ 506 2799  
Fax: + (91 172) 270 6643  
Email: uco17bchng@sify.com  
Website: www.ucobank.com  
Contact Person: Mr. D.K. Verma  
SEBI Registration No: INB100000055

**Punjab National Bank**

Large Corporate Branch  
PNB House, Bank Square  
Sector 17-B, Chandigarh 160 017  
Tel: + (91 172) 272 1574 / 272 7504  
Fax: + (91 172) 272 7505  
Email: bo4207@pnb.co.in  
Website: www.pnbindia.com  
Contact Person: Mr. Viney Kumar Bhandari  
SEBI Registration No: INB100000084

**ICICI Bank**

Capital Markets Division  
30, Mumbai Samachar Marg  
Mumbai 400 001  
Maharashtra, India  
Tel: + (91 22) 6631 0311 / 6631 0312  
Fax: + (91 22) 2261 1138 / 6631 0350  
Email: viral.bharani@icicibank.com  
Website: www.icicibank.com  
Contact Person: Mr. Viral Bharani  
SEBI Registration No: INB100000004

*\*The SEBI registration of HDFC Bank Limited was valid up to January 31, 2010. The application for renewal of the certificate of registration in the prescribed manner has been made by HDFC Bank Limited on October 24, 2009 to the SEBI, three months before the expiry of the period of certificate as required under Regulation 8(1) of the SEBI (Bankers to an Issue) Regulations, 1994. The approval of the SEBI in this regard is presently awaited. No communication has been received from the SEBI rejecting the said application.*

**Refund Bank****ICICI Bank**

Capital Markets Division  
30, Mumbai Samachar Marg  
Mumbai 400 001  
Maharashtra, India  
Tel: + (91 22) 6631 0311 / 6631 0312  
Fax: + (91 22) 2261 1138 / 6631 0350  
Email: viral.bharani@icicibank.com  
Website: www.icicibank.com  
Contact Person: Mr. Viral Bharani  
SEBI Registration No: INB100000004

**Self Certified Syndicate Banks**

The list of banks that have been notified by SEBI to act as SCSBs for the ASBA Process is provided at <http://www.sebi.gov.in/pmd/scsb.html>. For details on designated branches of SCSBs collecting the ASBA Bid cum Application Forms, please refer to the above SEBI link.

**Statutory Auditors to our Company****S.K. Bansal & Company**

Chartered Accountants  
Kothi no. 3193, Sector 28 D  
Chandigarh 160 002  
India  
Tel: + (91 172) 2651578 / 2657202  
Fax: + (91 172) 2652428  
Email Id: skbansal\_co@sify.com  
Contact Person: Mr. S.K. Bansal

Firm Registration Number: 002222N

**Statement of *inter se* allocation of responsibilities among the BRLMs and the CBRLM**

The responsibilities and coordination among the BRLMs and the CBRLM, for various activities in this Issue are as follows:

S. No.	Activity	Responsibility	Coordinator
1.	Capital Structuring with relative components and formalities such as type of instruments, etc.	Avendus, I-Sec, SPA	Avendus
2.	Due-diligence of the Company including its operations/management/business plans/legal, etc. Drafting and design of the Draft RHP and of statutory advertisement including memorandum containing salient features of the Prospectus The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and SEBI, including finalisation of Prospectus and the RoC filing	Avendus, I-Sec, SPA	Avendus
3.	Drafting and approving all statutory advertisements	Avendus, I-Sec, SPA	Avendus
4.	Drafting and approving all non-statutory advertisements including corporate advertisements	Avendus, I-Sec, SPA	Avendus
5.	Appointment of other intermediaries viz., Registrar to the Issue, printers, legal counsel, advertising agency and Bankers to the Issue	Avendus, I-Sec, SPA	Avendus
6.	International institutional marketing strategy, which will cover, <i>inter alia</i> : <ul style="list-style-type: none"> <li>Finalizing the list and division of investors for one to one meetings, in consultation with our Company, and</li> <li>Finalizing the International road show schedule and investor meeting schedules</li> </ul>	Avendus, I-Sec, SPA	I-Sec
7.	Domestic institutions / banks / mutual funds marketing strategy, which will cover, <i>inter alia</i> : <ul style="list-style-type: none"> <li>Finalizing the list and division of investors for one to one meetings, institutional allocation in consultation with our Company;</li> <li>Preparation and finalization of the road-show presentation and FAQs for the road-show team;</li> <li>Finalizing the list and division of investors for one to one meetings, and</li> <li>Finalizing investor meeting schedules</li> </ul>	Avendus, I-Sec, SPA	Avendus
8.	Non-Institutional and retail marketing of the Issue, which will cover, <i>inter alia</i> , <ul style="list-style-type: none"> <li>Formulating marketing strategies, preparation of publicity budget;</li> <li>Finalizing media &amp; PR strategy;</li> <li>Finalizing centers for holding conferences for press and brokers;</li> <li>Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material; and</li> <li>Finalizing collection centers</li> </ul>	Avendus, I-Sec, SPA	I-Sec
9.	Co-ordination with Stock Exchanges for book building software, bidding terminals and mock trading	Avendus, I-Sec, SPA	Avendus
10.	Finalization of pricing, in consultation with our Company	Avendus, I-Sec, SPA	I-Sec
11.	The post bidding activities including management of escrow accounts, co-ordination of non-institutional allocation, intimation of allocation and dispatch of refunds to bidders etc. The post Issue activities for the Issue involving essential follow up steps, which include the finalisation of trading and dealing of instruments and demat of delivery of shares, with the various agencies connected with the work such as the Registrar(s) to the Issue and Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with our Company. In case of under-subscription in the Issue, responsibility for underwriting	Avendus, I-Sec, SPA	SPA

S. No.	Activity	Responsibility	Coordinator
	arrangements, invoking underwriting obligations and ensuring that the notice for devolvement containing the obligations of the underwriters is issued in terms of these regulations		

Even if any of these activities are handled by other intermediaries, the designated BRLMs and the CBRLM shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with our Company.

### **Credit Rating**

As this is an Issue comprising only Equity Shares, credit rating is not required.

### **IPO Grading Agency**

#### ***Credit Analysis and Research Limited***

710, Surya Kiran  
19, Kasturba Gandhi Marg  
New Delhi 110 001  
Tel: + (91 11) 2331 8701  
Email: jyotsna.gadgil@careratings.com  
Website: www.careratings.com  
Contact Person: Ms. Jyotsna Gadgil  
SEBI Registration No.: IN/CRA/004/1999

#### ***Brickwork Ratings India Private Limited***

# 205, Samarpan Complex, 2<sup>nd</sup> Floor  
Andheri-Ghatkopar Link Road, Andheri (E)  
Mumbai 400 099  
Maharashtra, India  
Tel: + (91 22) 2831 1426 / 2831 1439  
Fax: + (91 22) 2838 9144  
Email: kn.suvarna@brickworkratings.com  
Website: www.brickworkratings.com  
Contact Person: Mr. K.N. Suvarna  
SEBI Registration No.: IN/CRA/005/2008

### **IPO Grading**

This Issue has been graded by CARE and Brickwork, both SEBI-registered credit rating agencies, as CARE IPO Grade 2 and BWR IPO Grade 3, respectively, indicating below average and average fundamentals pursuant to Regulation 26(7) and Schedule VIII - Part A (I)(m) and (VI)(10) I(10) of the ICDR Regulations. The IPO Grading is assigned on a five point scale from 1 to 5, with IPO Grade 5/ 5 indicating strong fundamentals and IPO Grade 1/ 5 indicating poor fundamentals. For details in relation to the rationale furnished by CARE and Brickwork, see “**Annexures I and II**”, respectively.

Copies of the reports provided by CARE and Brickwork, furnishing the rationale for their grading, will be annexed to this Red Herring Prospectus and will be made available for inspection at our Registered Office from 10.00 a.m. to 4.00 p.m. on Working Days during the Bidding Period.

### **Experts**

Except for the reports of CARE and Brickwork Ratings India Private Limited in respect of the IPO Grading of this Issue (a copy of which will be annexed to this Red Herring Prospectus as Annexures I and II), furnishing the rationale for their grading which will be provided to the Designated Stock Exchange and the report of our Auditor, S.K. Bansal & Company, Chartered Accountants, dated May 3, 2010, in respect of the information in the section “**Financial Information**” on page 156 and “**Statement of Tax Benefits**” dated May 3, 2010 on page 86, our Company has not obtained any expert opinions.

## **Appraisal**

None of the Objects of the Issue has been appraised by an independent agency.

## **Trustee**

As this is an Issue of Equity Shares, the appointment of trustees is not required.

## **Bankers to our Company**

### ***State Bank of India***

SME Branch, SCO 43-48  
3<sup>rd</sup> floor, Sector 17 B  
Chandigarh 160 017  
India  
Tel: + (91 172) 460 3354 / 3330  
Fax: + (91 172) 460 3345  
Email: sanjiv.khanna@sbi.co.in

### ***IDBI Bank Limited***

SCO 55-57, Madhya Marg  
Sector 8 C, Chandigarh 160 018  
India  
Tel: + (91 172) 505 9720 / 9722  
Fax: + (91 172) 270 3409  
Email: satpal.sangwan@idbi.co.in

### ***Central Bank of India***

SCO 68-69, Bank Square  
Sector 17-B, Chandigarh 160 017  
India  
Tel: + (91 172) 270 2431  
Fax: + (91 172) 270 2266  
Email: cmchan0412@centralbank.co.in

### ***ICICI Bank Limited***

Offshore Banking Unit  
Plot 8, Block 2  
SEEPZ++, SEEPZ SEZ  
Andheri (E), Mumbai 400 096  
Maharashtra, India  
Tel: + (91 22) 2824 9813  
Fax: + (91 22) 2824 9880  
Email: praveenlata.saini@icicibank.com

### ***Bank of Baroda***

S.C.O. 62-63, Bank Square  
Sector 17-B, Chandigarh  
Tel: + (91 172) 270 2116 / 270 2065  
Fax: + (91 172) 270 3450  
Email: sales.sme.chandigarh@bankofbaroda.com

### ***ICICI Bank Limited***

SCO 129-130, Ground floor  
Madhya Marg, Sector 9C  
Chandigarh 160 009  
India  
Tel: + (91 172) 508 7228  
Fax: + (91 172) 507 4609  
Email: vishal.puri@icicibank.com

### ***UCO Bank***

SCO 55-57, Bank Square  
Sector 17 B, Chandigarh 160 017  
Tel: + (91 172) 270 4314 / 3833  
Fax: + (91 172) 270 6643  
Email: uco17bchng@sify.com

### ***Punjab National Bank***

Large Corporate Branch, Bank Square  
Sector 17 B, Chandigarh 160 017  
India  
Tel: + (91 172) 272 1574 / 1504  
Fax: + (91 172) 272 7503  
Email: bo4207@pnb.co.in

### ***Union Bank of India***

4/14-A, Asaf Ali Road  
New Delhi 110 002  
India  
Tel: + (91 11) 2326 7867 / 8551  
Fax: + (91 11) 2328 3741  
Email: cbsasafali@unionbankofindia.com

### ***Canara Bank***

S.C.O. 117-119  
Sector 17-C, Chandigarh  
Tel: + (91 172) 271 5526  
Fax: + (91 172) 270 3450  
Email: managerchd0385@canbank.co.in

## **Book Building Process**

Book Building Process refers to the process of collection of Bids, on the basis of this Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid Closing Date. The principal parties involved in the Book Building Process are:

- (1) The Company;
- (2) The Selling Shareholders;

- (3) The Book Running Lead Managers;
- (4) The Co-Book Running Lead Manager;
- (5) The Syndicate Members who are intermediaries registered with the SEBI or registered as brokers with the BSE / the NSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs and the CBRLM;
- (6) The Registrar to the Issue;
- (7) The Escrow Collection Banks; and
- (8) SCSBs.

The Issue is being made through the Book Building Process wherein up to 50% of the Net Issue will be available for allocation on a proportionate basis to QIBs, provided that our Company may allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis, out of which at least one-third will be available for allocation to Mutual Funds only. In the event of under-subscription in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation to Mutual Funds on a proportionate basis. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for Allotment in the Mutual Fund Portion will be added to the QIB Portion (excluding the Anchor Investor Portion) and allocated proportionately to the QIB Bidders. Further, not less than 15% and 35% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Issue Price. 5,00,000 Equity Shares shall be made available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price and such reservation not exceeding 5% of the Issue size. On receipt of minimum subscription and in case of under-subscription in the Net Issue, the entire subscription amount would first be adjusted towards the Fresh Issue, before adjustment towards the Offer for Sale. Any unsubscribed portion in the Employee Reservation Portion shall be added to the Net Issue.

**QIBs are not allowed to withdraw their Bid(s) after the Bid Closing Date.** Anchor Investors are not allowed to withdraw their Bids after the Anchor Investor Bidding Date. Allocation to the Anchor Investors will be on a discretionary basis. For further details, see “*Issue Structure*” on page 264.

Our Company and the Selling Shareholders shall comply with regulations issued by SEBI for this Issue. In this regard, our Company has appointed Avendus Capital Private Limited and ICICI Securities Limited as the BRLMs and SPA Merchant Bankers Limited as the CBRLM to manage the Issue and to procure subscription to the Issue.

**Illustration of Book Building and Price Discovery Process** *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

Bidders can bid at any price within the Price Band. For instance, assume a price band of Rs. 20 to Rs. 24 per equity share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book below shows the demand for the equity shares of the issuer company at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Amount (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to offer the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the book running lead managers will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 22. All bids at or above this issue price are valid bids and are considered for allocation in the respective categories.

#### **Steps to be taken by the Bidders for Bidding**

1. Check eligibility for making a Bid (For further details see “*Issue Procedure – Who Can Bid*” on page 272).
2. Ensure that you have a demat account and the demat account, the DP ID, Beneficiary Account and PAN details are correctly mentioned in the Bid cum Application Form and the ASBA Bid cum Application Form.
3. Except for Bids on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your Permanent Account Number (“**PAN**”) allotted under the I.T. Act in the Bid cum Application Form and the ASBA Bid cum Application Form (see “*Issue Procedure – ‘PAN’ or ‘GIR’ Number*” on page 286).
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form and the ASBA Bid cum Application Form.
5. Bids by ASBA Bidders will have to be submitted to the designated branches of the SCSBs. ASBA Bidders should ensure that their bank accounts have adequate credit balance at the time of submission to the SCSB to ensure that the ASBA Bid cum Application Form is not rejected.

#### **Withdrawal of the Issue**

Our Company and the Selling Shareholders, in consultation with the BRLMs and the CBRLM, reserve the right not to proceed with the Issue any time after the Bid Opening Date but before Allotment. In such an event, our Company and the Selling Shareholders would issue a public notice in the newspapers in which the pre-Issue advertisements were published, within two Working Days of the Bid Closing Date, providing reasons for not proceeding with the Issue. The BRLMs and the CBRLM, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one Working Day from the day of receipt of such notification. Our Company shall also inform the Stock Exchanges on which the Equity Shares are proposed to be listed.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for only after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the RoC.

#### **Bidding Program\***

<b>BID OPENS ON</b>	<b>FOR ALL BIDDERS</b>	<b>JUNE 14, 2010</b>
	<b>FOR QIB BIDDERS</b>	<b>JUNE 16, 2010</b>
<b>BID CLOSES ON</b>	<b>FOR RETAIL AND NON-INSTITUTIONAL BIDDERS (INCLUDING ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION)</b>	<b>JUNE 17, 2010</b>

\* Anchor Investors, if any, shall submit their Bid on the Anchor Investor Bidding Date, which is one Working Day prior to the Bid Opening Date.

Bids by Anchor Investors may be submitted to the members of Syndicate or their affiliates. The number of Equity Shares allocated to each Anchor Investor and Anchor Investor Issue Price shall be made available in the public domain by the BRLMs and the CBRLM, before the Bid Opening Date.

Bids and any revision in Bids will be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the Bidding centers mentioned in the Bid cum Application Form **except that on the Bid Closing Date, Bids excluding ASBA Bids shall be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders; and (ii) 5.00 p.m. which may be extended up to such time as permitted by the Stock Exchanges in case of Bids by Retail Individual Bidders where the Bid Amount is up to Rs. 1,00,000. Due to limitation of time available for uploading the Bids on the Bid Closing Date, the Bidders are advised to submit their Bids one Working Day prior to the Bid Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid Closing Date, as is typically experienced in IPOs, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for

allocation in the Issue. If such Bids are not uploaded, the Company and the Syndicate shall not be responsible. Bids will be accepted only between Monday and Friday (excluding any public holiday).

On the Bid Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders and Eligible Employees, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid-cum Application Forms and ASBA Forms as stated herein and reported by the BRLMs or the CBRLM to the Stock Exchanges within half an hour of such closure.

Our Company and the Selling Shareholders reserve the right to revise the Price Band during the Bidding Period in accordance with ICDR Regulations. The Cap Price shall be less than or equal to 120% of the Floor Price. Subject to compliance with the immediately preceding sentence, the Floor Price can move up or down to the extent of 20% of the floor price originally disclosed in the RHP and the Cap Price will be revised accordingly.

**In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the web sites of the BRLMs and the CBRLM, and at the terminals of the members of the Syndicate.**

#### **Underwriting Agreement**

After the determination of the Issue Price but prior to the filing of the Prospectus with the RoC, our Company and the Selling Shareholders will enter into an Underwriting Agreement with the Underwriters and the Registrar to the Issue for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs and the CBRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfil their underwriting obligations. The underwriting shall be to the extent of Bids uploaded by the Underwriters including through their respective Syndicate Members / sub-Syndicate Members. The Underwriting Agreement is dated [●]. Pursuant to the terms of the Underwriting Agreement, the obligation of the Underwriters are several and are subject to certain conditions specified therein.

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

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

<b>Name and Address of the Underwriters</b>	<b>Indicative Number of Equity Shares to be Underwritten</b>	<b>Amount Underwritten (Rs. in [●])</b>
[●]	[●]	[●]
[●]	[●]	[●]
<b>Total</b>	[●]	[●]

The abovementioned is indicative underwriting and this would be finalised after the pricing and actual allocation.

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

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



## CAPITAL STRUCTURE

The share capital of our Company as of the date of this Red Herring Prospectus is set forth below.

(in Rs.)

	Aggregate nominal value	Aggregate Value at Issue Price
<b>A. Authorized Capital</b>		
6,20,00,000 Equity Shares of Rs. 10 each	62,00,00,000	
<b>B. Issued, Subscribed and Paid-Up Capital before the Issue</b>		
3,72,51,049 Equity Shares of Rs. 10 each	37,25,10,490	
<b>C. Present Issue in terms of this Red Herring Prospectus</b>		
[●] Equity Shares of Rs. 10 each, comprising:	[●]	[●]
Fresh Issue of [●] Equity Shares of Rs. 10 each	[●]	
Offer for Sale of 20,25,702 Equity Shares of Rs. 10 each	202,57,020	
<i>Of which</i>		
Offer for sale by BTS of 15,33,742 Equity Shares	1,53,37,420	
Offer for sale by Alden of 4,91,960 Equity Shares	49,19,600	
<b>D. Employee Reservation Portion in terms of this Red Herring Prospectus*</b>		
5,00,000 Equity Shares of Rs. 10 each	[●]	[●]
<b>E. Net Issue</b>		
[●] Equity Shares of Rs. 10 each	[●]	[●]
<b>Of Which:</b>		
QIB Portion of up to [●] Equity Shares:	[●]	[●]
Non-Institutional Portion of not less than [●] Equity Shares:	[●]	[●]
Retail Portion of not less than [●] Equity Shares:	[●]	[●]
<b>F. Equity Capital after the Issue</b>		
[●] Equity Shares of Rs. 10 each	[●]	[●]
<b>G. Share Premium Account</b>		
Before the Issue	15,79,09,956	
After the Issue	[●]	[●]

*\*Subject to such reservation not exceeding 5% of the Issue size*

The Issue has been authorized by our Board of Directors at its meeting on January 7, 2010 and our shareholders at their meeting on January 11, 2010.

For details of changes in the authorized share capital of our Company, see “*History and Certain Corporate Matters*” on page 130.

### Offer for Sale by the Selling Shareholders:

The Offer for Sale comprises an offer for sale of 15,33,742 and 4,91,960 Equity Shares, by BTS and Alden, respectively. The Offer for Sale has been authorized by the boards of directors of BTS and Alden pursuant to their board resolutions dated January 6, 2010.

The Equity Shares constituting the Offer for Sale have been held by the Selling Shareholders for a period of more than one year prior to the filing of this Red Herring Prospectus with SEBI.

### Notes to Capital Structure

#### 1. Share capital history of our Company:

##### a) Equity Share capital history of our Company

Date of issue/ allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of allotment	Cumulative Equity Share Capital (Rs.)
February 15, 1997	2,52,350	10.00	10.00	Cash	Subscription to the Memorandum of Association	25,23,500
February 15, 1997	94,000	10.00	NA	Other than cash	Shares issued in consideration of sale of land by Maya Devi and Chiranji Lal Gupta to our Company	34,63,500
April 7, 1997	3,65,800	10.00	10.00	Cash	Preferential allotment to Promoter, Promoter Group and other individuals	71,21,500
August 2, 1997	3,73,500	10.00	10.00	Cash	Preferential allotment to Promoter, Promoter Group and other individuals	1,08,56,500
September 25, 1997	92,900	10.00	10.00	Cash	Preferential allotment to Promoter, Promoter Group and other individuals	1,17,85,500
December 15, 1997	2,41,450	10.00	10.00	Cash	Preferential allotment to Promoter Group, bodies corporate and other individuals	1,42,00,000
April 15, 1998	2,50,000	10.00	10.00	Cash	Preferential allotment to a financial institution	1,67,00,000
March 31, 2000	3,41,000	10.00	10.00	Cash	Preferential allotment to Promoter Group, bodies corporate, HUF, trust and other individuals	2,01,10,000
November 27, 2004	12,38,600	10.00	10.00	Cash	Preferential allotment to Promoter	3,24,96,000
January 17, 2005	4,40,000	10.00	10.00	Cash	Preferential allotment to Promoter	3,68,96,000
January 29, 2005	3,10,400	10.00	10.00	Cash	Preferential allotment to Promoter, bodies corporate, HUF, trust and other individuals	4,00,00,000
August 13, 2005	1,00,000	10.00	10.00	Cash	Preferential allotment to certain individuals	4,10,00,000
September 1, 2005	5,00,000	10.00	30.00	Cash	Preferential allotment to bodies corporate	4,60,00,000
October 1, 2005	10,000	10.00	55.00	Cash	Preferential allotment to bodies corporate	4,61,00,000
October 1, 2005	24,10,500	10.00	10.00	Cash	Preferential allotment to Promoter, Promoter Group, and other individuals	7,02,05,000
October 25, 2005	2,85,000	10.00	10.00	Cash	Preferential allotment to Promoter Group, bodies corporate and trust	7,30,55,000
October 29, 2005	1,50,000	10.00	55.00	Cash	Preferential allotment to bodies corporate	7,45,55,000
November 24, 2005	40,000	10.00	10.00	Cash	Preferential allotment to individuals	7,49,55,000
December 7, 2005	12,000	10.00	10.00	Cash	Preferential allotment to individuals	7,50,75,000
December 30,	20,000	10.00	10.00	Cash	Preferential allotment	7,52,75,000

Date of issue/ allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of allotment	Cumulative Equity Share Capital (Rs.)
2005					to individuals	
December 30, 2005	1,000	10.00	40.00	Cash	Preferential allotment to individuals	7,52,85,000
January 9, 2006	21,000	10.00	10.00	Cash	Preferential allotment to individuals	7,54,95,000
January 9, 2006	1,50,000	10.00	55.00	Cash	Preferential allotment to individuals and bodies corporate	7,69,95,000
July 20, 2007	1,00,000	10.00	150.00	Cash	Preferential allotment to Promoter Group	7,79,95,000
March 31, 2008	9,00,000	10.00	100.00	Cash	Conversion of cumulative optionally convertible preference shares ("OCPS") of our Company*	8,69,95,000
March 31, 2008	17,93,040	10.00	10.00	Cash	Preferential allotment to Promoters	10,49,25,400
August 11, 2008	50,000	10.00	100.00	Cash	Preferential allotment to Promoter Group	10,54,25,400
August 11, 2008	2,06,960	10.00	55.00	Cash	Preferential allotment to bodies corporate incorporated outside India	10,74,95,000
October 12, 2009	15,33,742	10.00	163.00	Cash	Conversion of cumulative compulsorily convertible preference shares ("CCPS") of our Company**	12,28,32,420
December 10, 2009	2,45,66,484	10.00	NA	NA	Bonus issue in the ratio of 2:1***	36,84,97,260
January 14, 2010	4,01,323	10.00	100.00	Cash	Preferential Allotment to bodies corporate incorporated outside India	37,25,10,490
<b>Total</b>	<b>3,72,51,049</b>					<b>37,25,10,490</b>

\*Our Company had allotted 5,00,000 and 4,00,000 OCPS of face value Rs. 100 each to Exquisite Result International Limited ("Exquisite") and Alden, respectively, issued at a price of Rs. 100 each pursuant to shareholders' resolutions dated November 7, 2006 and July 28, 2006 respectively, which were converted into Equity Shares pursuant to a shareholders' resolution dated March 8, 2008. Our Company issued 9,00,000 Equity Shares on March 31, 2008 upon the conversion of such OCPS into Equity Shares at a face value of Rs. 10 and a premium of Rs. 90.

\*\* Our Company had allotted 2,50,00,000 CCPS of face value Rs. 10 each to BTS, issued at a price of Rs. 10 each, pursuant to a shareholders' resolution dated April 7, 2008 which were converted into Equity Shares pursuant to a shareholders' resolution dated September 26, 2009. Our Company issued 15,33,742 Equity Shares on October 12, 2009 upon the conversion of such CCPS into Equity Shares at a face value of Rs. 10 and a premium of Rs. 153.

\*\*\*Bonus issue made from the capitalization of the share premium account of our Company, resulting from shares allotted at a premium and paid in cash.

b) Preference Share capital history of our Company

Date of issue/ allotment of the Preference Shares	No. of Preference Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of allotment	Cumulative Preference Share Capital (Rs.)
September 2, 2006	4,00,000	100.00	100.00	Cash	Preferential allotment	4,00,00,000*
November 27, 2006	5,00,000	100.00	100.00	Cash	Preferential allotment	5,00,00,000*
April 17, 2008	2,50,00,000	10.00	10.00	Cash	Preferential allotment	25,00,00,000**
<b>Total</b>	<b>2,59,00,000</b>					<b>34,00,00,000</b>

\*Our Company had allotted 5,00,000 and 4,00,000 OCPS of face value Rs. 100 each to Exquisite and Alden respectively, issued at a price

of Rs. 100 each pursuant to shareholders' resolutions dated November 7, 2006 and July 28, 2006 respectively, which were converted into Equity Shares pursuant to a shareholders' resolution dated March 8, 2008. Our Company issued 9,00,000 Equity Shares on March 31, 2008 upon the conversion of such OCPS into Equity Shares at a face value of Rs. 10 and a premium of Rs. 90.

\*\* Our Company had allotted 2,50,00,000 CCPS of face value Rs. 10 each to BTS issued at a price of Rs. 10 each, pursuant to a shareholders' resolution dated April 7, 2008 which were converted into Equity Shares pursuant to a shareholders' resolution dated September 26, 2009. Our Company issued 15,33,742 Equity Shares on October 12, 2009 upon the conversion of such CCPS into Equity Shares at a face value of Rs. 10 and a premium of Rs. 153.

c) *Equity Shares issued for consideration other than cash*

Date of issue/ allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of allotment
February 15, 1997	94,000	10	NA	Shares issued in consideration of sale of land by Maya Devi and Chiranji Lal Gupta to our Company
December 10, 2009	2,45,66,484	10	NA	Bonus issue in the ratio of 2:1*

\*Bonus issue made from the capitalization of the share premium account of our Company, resulting from shares allotted at a premium and paid in cash.

2. *Issue of Equity Shares in the preceding one year*

Our Company has issued the following Equity Shares in the preceding one year:

Date of Issue	No. of Equity Shares	Allotment	Face value (Rs.)	Issue price (Rs.)
October 12, 2009	15,33,742	Conversion of CCPS	10.00	163.00
December 10, 2009	2,45,66,484	Bonus issue in the ratio of 2:1*	10.00	N.A.
January 14, 2010	4,01,323	Preferential Allotment	10.00	100.00

\*Bonus issue made from the capitalization of the share premium account of our Company, resulting from shares allotted at a premium and paid in cash.

3. *Build-up of Promoters' shareholding, Promoters' Contribution and Lock-in*

Pursuant to the ICDR Regulations, an aggregate of 20% of the post-Issue Equity Share Capital of our Company shall be locked in by the Promoters for a period of three years from the date of Allotment.

(a) *Details of the build up of our Promoters' shareholding in our Company:*

Name of Promoter	Date of allotment / transfer	Consideration (Cash other than Cash etc.)	Nature of allotment/ acquisition and name of person acquired from	No. of Equity Shares	Face Value (Rs.)	Consideration per Equity Share	Total Consideration (Rs.)
Mr. Pranav Gupta	February 15, 1997	Cash	Subscription to the Memorandum of Association	49,100	10.00	10.00	4,91,000.00
	April 7, 1997	Cash	Preferential allotment	14,500	10.00	10.00	1,45,000.00
	August 2, 1997	Cash	Preferential allotment	5,000	10.00	10.00	50,000.00
	October 1, 2004	Cash	Acquired from Mr. Jagdish Singh Garg	2,500	10.00	10.00	25,000.00
	January 29, 2005	Cash	Preferential allotment	34,900	10.00	10.00	3,49,000.00
	June 22, 2005	Cash	Acquired from Vineet Thermopack Private Limited	13,700	10.00	2.00	27,400.00
	December 14, 2005	NA	Transmitted due to demise of the previous holder (Late. Smt. Maya Devi)	47,000	10.00	-	-
	November 20, 2006	Cash	Acquired from Ms. Madhu Singhal,	41,500	10.00	10.00	4,15,000.00

Name of Promoter	Date of allotment / transfer	Consideration (Cash other than Cash etc.)	Nature of allotment/ acquisition and name of person acquired from	No. of Equity Shares	Face Value (Rs.)	Consideration per Equity Share	Total Consideration (Rs.)
			Ms. Promila Bansal and Mr. Kamlesh Mittal				
	November 20, 2006	Cash	Acquired from Mr. Sanjay Singhal and Mr. S.K. Singhal	21,000	10.00	20.00	4,20,000.00
	January 31, 2008	Cash	Acquired from Mr. Pushpinder Bindra and Mr. Ravinder Bindra	5,000	10.00	10.00	50,000.00
	February 9, 2008	Cash	Acquired from Mr. C.D. Cheema	5,000	10.00	10.00	50,000.00
	February 9, 2008	Cash	Acquired from Ms. Yचना Kohli	1,500	10.00	15.00	22,500.00
	December 1, 2009	Cash	Acquired from Mr. Jaswant Rai Gupta	9,000	10.00	10.00	90,000.00
	December 10, 2009	NA	Bonus issue in the ratio of 2:1*	4,99,400	10.00	-	-
	January 14, 2010	Cash	Acquired from Ms. Nirmal Bansal and Ramesh Bansal (HUF)	75,000	10.00	10.00	7,50,000.00
<b>Total (A)</b>				<b>8,24,100</b>			
Mr. Vineet Gupta	February 15, 1997	Cash	Subscription to the Memorandum of Association	30,450	10.00	10.00	3,04,500.00
	April 7, 1997	Cash	Preferential allotment	38,000	10.00	10.00	3,80,000.00
	August 2, 1997	Cash	Preferential allotment	10,000	10.00	10.00	1,00,000.00
	September 25, 1997	Cash	Preferential allotment	3,900	10.00	10.00	39,000.00
	June 22, 2005	Cash	Acquired from Vineet Thermopack Private Limited	13,300	10.00	2.00	26,600.00
	December 14, 2005	NA	Transmitted due to demise of the previous holder (Late Mr. Chiranjil Lal Gupta)	47,000	10.00	-	-
	November 20, 2006	Cash	Acquired from Mr. Sanjay Singhal and Ms. Pooja Singhal	39,700	10.00	10.00	3,97,000.00
	November 20, 2006	Cash	Acquired from Mr. Sanjay Singhal and Mr. S.K. Singhal	20,000	10.00	20.00	4,00,000.00
	October 13, 2007	NA	Transmitted due to demise of the previous holder (Late Mr. Dhan Raj Goel)	6,000	10.00	-	-
	November 2, 2007	Cash	Sale	(1,000)	10.00	20.00	-
	February 9, 2008	Cash	Acquired from Ms. Yचना Kohli	1,500	10.00	15.00	22,500.00
	December 10, 2009	NA	Bonus issue in the ratio of 2:1*	4,17,700	10.00	-	-
	January 14, 2010	Cash	Acquired from Ramesh Bansal (HUF) and Ms. Nirmal Bansal	75,000	10.00	10.00	7,50,000.00

Name of Promoter	Date of allotment / transfer	Consideration (Cash other than Cash etc.)	Nature of allotment/ acquisition and name of person acquired from	No. of Equity Shares	Face Value (Rs.)	Consideration per Equity Share	Total Consideration (Rs.)
<b>Total (B)</b>				<b>7,01,550</b>			
Parabolic Infrastructure Private Limited	December 19, 2005	Cash	Acquired from Jyoti Investment & Finance Co., S.K. Bansal Family Trust, Ms. Bharti Bansal, Dr. Ankush Gupta, M.R. Bansal Family Trust, Mr. Rakesh Mangla, Mangat Rai Bansal & Sons (HUF), Ms. Kiran Agarwal, Ms. Devki Devi, Mr. Santosh Gupta, Mr. Suraj Gupta, Surjit Kumar Bansal (HUF) and Ms. Renu Bansal	4,97,500	10.00	10.00	49,75,000.00
	January 31, 2008	Cash	Acquired from KMB Hospitality Services (P) Limited	4,90,000	10.00	13.00	63,70,000.00
	March 31, 2008	Cash	Preferential allotment	9,48,040	10.00	10.00	94,80,400.00
	December 10, 2009	NA	Bonus issue in the ratio of 2:1*	38,71,080	10.00	-	-
<b>Total (C)</b>				<b>58,06,620</b>			
PNG Trading Private Limited	September 6, 2004	Cash	Acquired from Punjab State Industrial Development Corporation	2,50,000	10.00	15.46	38,65,000.00
	November 27, 2004	Cash	Preferential allotment	12,38,600	10.00	10.00	1,23,86,000.00
	January 17, 2005	Cash	Preferential allotment	4,40,000	10.00	10.00	44,00,000.00
	October 1, 2005	Cash	Preferential allotment	20,00,000	10.00	10.00	200,00,000.00
	December 1, 2005	Cash	Sale	(2,50,000)	10.00	10.00	-
	March 31, 2008	Cash	Preferential allotment	8,45,000	10.00	10.00	84,50,000.00
	December 10, 2009	NA	Bonus issue in the ratio of 2:1*	90,47,200	10.00	-	-
<b>Total (D)</b>				<b>1,35,70,800</b>			
<b>Total (A + B + C + D)</b>				<b>2,09,03,070</b>			

\*Bonus issue made from the capitalization of the share premium account of our Company, resulting from shares allotted at a premium and paid in cash.

(b) Details of Promoter Contribution and Lock-in:

[•] Equity Shares, aggregating to 20% of the post-Issue equity capital of our Company, held by our Promoters shall be locked in for a period of three years from the date of Allotment in the Issue. The contribution of our Promoters has been brought in to the extent of not less than the specified minimum lot and from persons defined as “promoters” under the ICDR Regulations. The Equity Shares that are being locked-in are not ineligible for computation of Promoters contribution under Regulation 33 of the ICDR Regulations. In this connection, as per Regulation 33 of the ICDR Regulations, we confirm the following:

- The Equity shares offered for minimum 20% Promoters’ contribution are not acquired during the preceding three years for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves or reserves without accrual of cash

resources or against shares which are otherwise ineligible for computation of Promoters' contribution;

- The minimum Promoters' contribution does include the Equity Shares acquired during the preceding one year at a price lower than the price at which Equity Shares are being offered to the public in the Issue;
- The Equity shares offered for minimum 20% Promoters' contribution were not issued to the Promoters upon conversion of a partnership firm;
- The Equity Shares held by the Promoters and offered for minimum 20% Promoters' contribution are not subject to any pledge; and
- The minimum Promoters' contribution does not consist of Equity Shares for which specific written consent has not been obtained from the respective Promoters for inclusion of their subscription in the minimum Promoters' contribution subject to lock-in.

The lock-in for Equity Shares towards Promoters' contribution would be created as per applicable law and procedure and details of the same shall also be provided to the Stock Exchanges before listing of the Equity Shares.

PNG has by a written undertaking dated January 14, 2010, granted its consent to include such number of Equity Shares, out of 1,35,70,800 Equity Shares held by it, as may constitute 20% of the post-Issue equity share capital of our Company, to be considered as promoter's contribution and locked-in for a period of three years from the date of Allotment ("Promoters' Contribution"). Pursuant to this undertaking, PNG has, also agreed not to sell or transfer or pledge or otherwise dispose of in any manner, the Promoters' contribution from the date of filing of this Red Herring Prospectus until the commencement of the lock-in period specified above.

The details of Promoters' Contribution and lock-in are as below:

Name of Promoter	Date of allotment/ transfer	Consideration (Cash other than Cash etc.)	Nature of allotment / acquisition	No. of Equity Shares	Face Value (Rs.)	Consideration per Equity Share	No. of Equity Shares locked in	% of Post Issue Paid Up Capital
PNG Trading Private Limited	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
				[●]	[●]		[●]	20%

(c) *Details of Equity Shares locked in for one year*

Other than the above Equity Shares that are locked in for three years as stated above and 20,25,702 Equity Shares which are offered for sale by the Selling Shareholders, the entire pre-Issue share capital of our Company comprising [●] Equity Shares will be locked-in for a period of one year from the date of Allotment of Equity Shares in the Issue in accordance with the ICDR Regulations.

Further, Equity Shares Allotted to Anchor Investors, in the Anchor Investor Portion, shall be locked in for a period of 30 days from the date of Allotment of Equity Shares in the Issue.

(d) *Other requirements in respect of lock-in*

As per Regulation 39 read with Regulation 36 of the ICDR Regulations, the locked in Equity Shares held by the Promoters, as specified above, may be pledged only with scheduled commercial banks or public financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan, provided that if any Equity Shares are locked in as minimum Promoters contribution under Regulation 39(a) of the ICDR Regulations, the same may be pledged, only if, in addition to fulfilling the above requirement, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the Objects of the Issue.

As per Regulation 40 of the ICDR Regulations, the Equity Shares held by persons other than Promoters prior to the Issue may be transferred to any other person holding Equity Shares which are locked-in as per Regulation 37 of the ICDR Regulations, subject to the continuation of the lock-in in the hands of transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

In terms of Regulation 40 of the ICDR Regulations, the Equity Shares held by the Promoters may be transferred inter-se or to new promoters or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

#### 4. Build-up of Selling Shareholders

Name of Promoter	Date of allotment / transfer	Consideration (Cash other than Cash etc.)	Nature of allotment/ acquisition	No. of Equity Shares	Face Value (Rs.)	Consideration per Equity Share	Total Consideration (Rs.)
BTS India Private Equity Fund Limited	April 17, 2008	Cash	2,50,00,000 CCPS	15,33,742 *	10.00	163.00	25,00,00,000.00
	March 31, 2009	Cash	Acquired from Emerging Capital Advisors Limited, HIM Realty Private Limited and Mr. Narendra Nath Jain	8,00,000	10.00	105.00	8,40,00,000.00
	December 10, 2009	NA	Bonus issue in the ratio of 2:1**	46,67,484	10.00	-	-
	<b>Total</b>			<b>70,01,226</b>			
Alden Global (Mauritius) Limited	September 2, 2006	Cash	4,00,000 OCPS	4,00,000 <sup>#</sup>	10.00	100.00	4,00,00,000.00
	August 11, 2008	Cash	Preferential Allotment	91,960	10.00	55.00	50,57,800.00
	December 10, 2009	NA	Bonus issue in the ratio of 2:1**	9,83,920	10.00	-	-
	<b>Total</b>			<b>14,75,880</b>			

\* Our Company had allotted 2,50,00,000 CCPS of face value Rs. 10 each to BTS issued at a price of Rs. 10 each, pursuant to a shareholders' resolution dated April 7, 2008 which were converted into Equity Shares pursuant to a shareholders' resolution dated September 26, 2009. Our Company issued 15,33,742 Equity Shares on October 12, 2009 upon the conversion of such CCPS into Equity Shares at a face value of Rs. 10 and a premium of Rs. 153.

\*\* Bonus issue made from the capitalization of the share premium account of our Company, resulting from shares allotted at a premium and paid in cash.

# Our Company had allotted 4,00,000 OCPS of face value Rs. 100 each to Alden, issued at a price of Rs. 100 each pursuant to shareholders' resolution dated July 28, 2006, which were converted into Equity Shares pursuant to a shareholders' resolution dated March 8, 2008. Our Company issued 4,00,000 Equity Shares on March 31, 2008 upon the conversion of such OCPS into Equity Shares at a face value of Rs. 10 and a premium of Rs. 90.

#### 5. Shareholding pattern

The table below presents our Equity shareholding pattern before the proposed Issue and as adjusted for the Issue.

Category code	Category of shareholder	Number of shareholders	Total Number of shares	Total shareholding as a percentage of total number of shares		Total post issue shareholding *		Shares pledged or otherwise encumbered	
				As a percentage of (A+B)	As a percentage of (A+B+C)	Total Number of shares	As a percentage of (A+B+C)	Total number	As a percentage of (A+B+C)
(A)	Promoter and Promoter Group								



Category code	Category of shareholder	Number of shareholders	Total Number of shares	Total shareholding as a percentage of total number of shares		Total post issue shareholding *		Shares pledged or otherwise encumbered	
				As a percentage of (A+B)	As a percentage of (A+B+C)	Total Number of shares	As a percentage of (A+B+C)	Total number	As a percentage of (A+B+C)
(1)	<b>Indian</b>								
	Individuals/ Hindu Undivided Family	10	27,00,300	7.25	7.25	[●]	[●]	N.A	N.A
	Trusts	2	7,13,400	1.92	1.92	[●]	[●]	N.A	N.A
	Bodies Corporate	3	1,93,96,320	52.07	52.07	[●]	[●]	N.A	N.A
	<b>Sub-Total (A)(1)</b>	<b>15</b>	<b>2,28,10,020</b>	<b>61.24</b>	<b>61.24</b>	<b>[●]</b>	<b>[●]</b>		
(2)	<b>Foreign</b>								
	Individuals/ Hindu Undivided Family	1**	7,35,000	1.97	1.97	[●]	[●]	N.A	N.A
	<b>Sub-Total (A)(2)</b>	<b>1**</b>	<b>7,35,000</b>	<b>1.97</b>	<b>1.97</b>	<b>[●]</b>	<b>[●]</b>	N.A	N.A
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>16</b>	<b>2,35,45,020</b>	<b>63.21</b>	<b>63.21</b>	<b>[●]</b>			
(B)	<b>Public Shareholding</b>								
	Individuals -	67	29,52,600	7.93	7.93	[●]	[●]	N.A	N.A
	Bodies Corporate	6	1,07,53,429	28.86	28.86				
	<b>Total Public Shareholding</b>	<b>73</b>	<b>1,37,06,029</b>	<b>36.79</b>	<b>36.79</b>	<b>[●]</b>	<b>[●]</b>	N.A	N.A
	<b>TOTAL (A)+(B)</b>	<b>89</b>	<b>3,72,51,049</b>	<b>100</b>	<b>100</b>	<b>[●]</b>	<b>[●]</b>		
(C)	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>	0	0	0	0	0	0	N.A	N.A
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>89</b>	<b>3,72,51,049</b>	<b>100</b>	<b>100</b>	<b>[●]</b>		N.A	N.A

\* Assuming none of the shareholders participate in the Issue.

\*\* Mr. Sachin Gupta holds 7,35,000 Equity Shares through two separate folios.

## 6. Shareholding of our Promoter and Promoter Group

The table below presents the current shareholding pattern of our Promoter and Promoter Group as per clause 35 of the Equity Listing Agreement.

Sr. No.	Name of the shareholder	Total Shares held		Shares pledged or otherwise encumbered		
		Number	As a % of grand total (A)+ (B)+ (C)	Number	As a percentage	As a % of grand total (A)+ (B)+ (C) of sub clause (I) (a)
(I)	(II)	(III)	(IV)	(V)	(VI)=(V)/(III)*100	(VII)
1.	Mr. Pranav Gupta	8,24,100	2.21	N.A	N.A	N.A
2.	Mr. Vineet Gupta	7,01,550	1.88	N.A	N.A	N.A
3.	M/s. Parabolic Infrastructure Private Limited	58,06,620	15.59	N.A	N.A	N.A

Sr. No.	Name of the shareholder	Total Shares held		Shares pledged or otherwise encumbered		
		Number	As a % of grand total (A)+(B)+(C)	Number	As a percentage	As a % of grand total (A)+(B)+(C) of sub clause (I) (a)
(I)	(II)	(III)	(IV)	(V)	(VI)=(V)/(III)*100	(VII)
4.	M/s. PNG Trading Private Limited	1,35,70,800	36.43	N.A	N.A	N.A
5.	Mr. Jai Dev Gupta	2,22,600	0.59	N.A	N.A	N.A
6.	Ms. Rama Gupta	2,23,650	0.60	N.A	N.A	N.A
7.	Dr. Deepali Gupta	2,34,600	0.63	N.A	N.A	N.A
8.	Mr. Parth Gupta	7,500	0.02	N.A	N.A	N.A
9.	Mr. Sachin Gupta*	7,35,000	1.97	N.A	N.A	N.A
10.	Pranav Gupta Family Trust	5,21,700	1.40	N.A	N.A	N.A
11.	Vineet Gupta Family Trust	1,91,700	0.51	N.A	N.A	N.A
12.	Jamboree Education Private Limited	18,900	0.05	N.A	N.A	N.A
13.	Pranav Gupta Karta of Pranav Gupta (HUF)	66,600	0.17	N.A	N.A	N.A
14.	Vineet Gupta Karta of Vineet Gupta (HUF)	60,000	0.16	N.A	N.A	N.A
15.	Ramandeep Kalra	-	-	N.A	N.A	N.A
16.	Akrita Kalra	53,400	0.14	N.A	N.A	N.A
17.	Nayma Gupta	-	-	N.A	N.A	N.A
18.	Keya Gupta	-	-	N.A	N.A	N.A
19.	Ramesh Kumar Garg	-	-	N.A	N.A	N.A
20.	Swarn Garg	-	-	N.A	N.A	N.A
21.	Surinder Singh Kalra	-	-	N.A	N.A	N.A
22.	Parabolic Estates Private Limited	-	-	N.A	N.A	N.A
23.	Sky view Infotech Private Limited	-	-	N.A	N.A	N.A
24.	Jai Dev Gupta (HUF)	3,06,300	0.82	N.A	N.A	N.A
25.	Vineet Packaging Industries	-	-	N.A	N.A	N.A
	<b>TOTAL</b>	<b>2,35,45,020</b>	<b>63.21</b>			

\*Mr. Sachin Gupta holds 7,35,000 Equity Shares through two separate folios.

**7. Shareholding of persons belonging to the category 'Public' and holding more than 1% of our Equity Shares**

The table below presents the current shareholding pattern of persons belonging to the category 'Public' and holding more than 1% of our Equity Shares, as per clause 35 of the Equity Listing Agreement.

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Mr. T.N.Goel	5,70,000	1.53%
2.	BTS India Private Equity Fund Limited	70,01,226	18.79%
3.	Exquisite Result International Limited	18,45,000	4.95%
4.	Alden Global Mauritius Limited (Formerly Known as Minivet Limited)	14,75,880	3.96%

8. The list of shareholders of our Company and the number of Equity Shares held by them as on the date of filing, 10 days before the date and two years prior to the filing of this Red Herring Prospectus is as follows:

- (a) Our top 10 shareholders as on the date of filing of this Red Herring Prospectus and 10 days prior to the filing of this Red Herring Prospectus are as follows:

S. No.	Name of Shareholders	Number of Equity Shares	Shareholding (%)
1.	PNG Trading Private Limited	1,35,70,800	36.43
2.	BTS India Private Equity Fund Limited	70,01,226	18.79
3.	Parabolic Infrastructure Private Limited	58,06,620	15.59
4.	Exquisite Result International Limited	18,45,000	4.95
5.	Alden Global (Mauritius) Limited	14,75,880	3.96
6.	Mr. Pranav Gupta	8,24,100	2.21
7.	Mr. Sachin Gupta*	7,35,000	1.97
8.	Mr. Vineet Gupta	7,01,550	1.88
9.	Pranav Gupta Family Trust	5,21,700	1.40
10.	Mr. T.N. Goel	5,70,000	1.53
	<b>Total</b>	<b>3,30,51,876</b>	<b>88.71</b>

\*Mr. Sachin Gupta holds 7,35,000 Equity Shares through two separate folios.

- (b) Our top 10 shareholders two years prior to the filing of this Red Herring Prospectus, i.e., June 4, 2008 are as follows:

S.No.	Name of Shareholders	Number of Equity Shares	Shareholding (%)
1.	PNG Trading Private Limited	45,23,600	43.11
2.	Parabolic Infrastructure Private Limited	19,35,540	18.45
3.	Emerging Capital Advisors Limited	5,75,000	5.48
4.	Exquisite Result International Limited	5,00,000	4.77
5.	Minivet Limited	4,00,000	3.81
6.	Mr. Pranav Gupta	2,40,700	2.29
7.	Mr. Vineet Gupta	2,08,850	1.99
8.	Mr. T.N.Goel	1,90,000	1.81
9.	Pranav Gupta Family Trust	1,73,900	1.66
10.	Him Realty Private Limited	1,50,000	1.43
	<b>Total</b>	<b>88,97,590</b>	<b>84.80</b>

9. Any unsubscribed portion in any reserved category shall be added to the Net Issue to the public. On receipt of minimum subscription and in case of under-subscription in the Net Issue, the entire subscription amount would first be adjusted towards the Fresh Issue, before adjustment towards the Offer for Sale. Any unsubscribed portion in the Employee Reservation Portion shall be added to the Net Issue.
10. Over-subscription to the extent of 10% of the Issue to the public can be retained for the purpose of rounding off to the nearer multiple of the minimum allotment lot.
11. All Equity Shares offered through this Issue are fully paid up.
12. The average cost of acquisition of or subscription to Equity Shares by our Promoters, Promoter Group and the Selling Shareholders after adjusting for bonus issue is set forth in the table below:

Name of the Promoter	No. of Equity Shares held	Average price per Equity Share (in Rs.)
Mr. Pranav Gupta	8,24,100	3.50
Mr. Vineet Gupta	7,01,550	3.42
Parabolic Infrastructure Private Limited	58,06,620	3.59
PNG Trading Private Limited	1,35,70,800	3.43
Name of the Promoter Group	No. of Equity Shares held	Average price per Equity Share (in Rs.)
Mr. Sachin Gupta	7,35,000	21.50
J D Gupta (HUF)	3,06,300	2.42
Mr. Parth Gupta	7,500	3.33
Ms. Akrita Kalra	53,400	0.00
Dr. Deepali Gupta	2,34,600	2.31
Mr. J D Gupta	2,22,600	2.19
Ms. Rama Gupta	2,23,650	3.33
Vineet Gupta Family Trust	1,91,700	3.33
Pranav Gupta Family Trust	5,21,700	3.34
Jamboree Education Private Limited	18,900	6.67
Pranav Gupta (HUF)	66,600	3.33
Vineet Gupta (HUF)	60,000	3.33
Name of the Selling Shareholder	No. of Equity Shares held	Average price per Equity Share (in Rs.)
Alden Global (Mauritius) Limited	14,75,880	30.53
BTS India Private Equity Fund Limited	70,01,226	47.71

The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average of the amount paid for the total number of Equity Shares held by them.

13. As of the date of the filing of this Red Herring Prospectus, the total number of holders of our Equity Shares is 89.
14. We have not issued any Equity Shares out of revaluation reserves.
15. We have not allotted any shares in terms of any scheme under Sections 391-394 of the Companies Act.
16. Except as disclosed below, we have not issued any Equity Shares for consideration other than cash at any point of time since our incorporation. Further, we have not allotted any shares in terms of any scheme approved under Sections 391-394 of the Companies Act.

Date of issue	Allottees	Reasons for Issue	Benefits accrued to our Company
February 15, 1997	Maya Devi and Chiranji Lal Gupta	Shares issued in consideration of sale of land by Maya Devi and Chiranji Lal Gupta to our Company	Title of the land transferred to our Company
December 10, 2009	Existing shareholders of our Company	Bonus issue in the ratio of 2:1*	N.A.

\*Bonus issue made from the capitalization of the share premium account of our Company, resulting from shares allotted at a premium and paid in cash.

17. Our Promoters, our Company, our Directors, the BRLMs and the CBRLM have not entered into any buy-back or standby arrangements for purchase of Equity Shares from any person.
18. The BRLMs and the CBRLM and their associates currently do not hold any Equity Shares in our Company.
19. Except as disclosed in “**-Build-up of Promoters’ shareholding, Promoters’ Contribution and Lock-in - Details of the build up of our Promoters’ shareholding in our Company**” on page 58 of this section, neither the members of our Promoter Group nor our Promoters nor the directors of our corporate Promoters nor our Directors and their immediate relatives have purchased or sold any Equity Shares or financed the purchase of Equity Shares by any other person, other than in the normal course of the business, within the six months preceding the date of filing of this Red Herring Prospectus with SEBI.

20. Except as disclosed in “***Our Management***” on page 136, none of our Directors and key management employees currently holds any Equity Shares in our Company.
21. We presently do not intend or propose any further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment and rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares have been listed on the Stock Exchanges.
22. We presently do not intend or propose to alter our capital structure for a period of six months from the Bid Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except if we enter into acquisitions, joint ventures or other arrangements, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
23. In compliance with Regulation 26(5) of the ICDR Regulations and as stated in “***Other Regulatory and Statutory Disclosures***” on page 254, our Company has no outstanding convertible securities and has not provided any right which would entitle any person any option to receive Equity Shares after the initial public offer, which may restrict it from issuing securities.
24. We shall ensure that transactions in the Equity Shares by the Promoters and members of the Promoter Group between the date of registering this Red Herring Prospectus with the RoC and the Bid Closing Date shall be reported to the Stock Exchanges within 24 hours of such transaction.
25. No Equity Shares held by our Promoters are subject to any pledge.
26. Our Promoters and members of the Promoter Group will not participate in this Issue.
27. None of our sundry debtors is related to our Directors or Promoters or us.
28. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by the SEBI from time to time.
29. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
30. Our Company has not raised any bridge loan against the proceeds of the Issue. For details on the use of proceeds, see “***Objects of the Issue***” on page 68.

## OBJECTS OF THE ISSUE

The Issue consists of a Fresh Issue by our Company and an Offer for Sale by the Selling Shareholders.

### The Offer for Sale

We will not receive any proceeds from the Offer for Sale by the Selling Shareholders.

### The Fresh Issue

The proceeds of the Issue, after deducting the proceeds of the Offer for Sale and Issue related expenses (the “**Net Proceeds of the Fresh Issue**”), are estimated to be approximately Rs. [●] lacs. The Net Proceeds of the Fresh Issue are proposed to be utilized by us for financing the following objects:

1. Multi-purpose block III at Derabassi;
2. Sterile cephalosporin plant at Derabassi;
3. Establishment of Chachrauli plant;
4. Investment in our Subsidiary;
5. Repayment / prepayment of identified loan facilities; and
6. General corporate purposes.

(collectively, the “**Objects**”).

The main objects clause and objects incidental to the main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised by us through this Issue. Further, we confirm that the activities we have been carrying on until now are in accordance with the objects clause of our Memorandum of Association.

### Issue Proceeds, Issue Related Expenses and Net Proceeds

The details of proceeds of the Issue are summarized in the following table:

*(Amount in Rs. lacs)*

S. No	Description	Amount
1.	Gross proceeds of the Issue	20,000
2.	Issue related expenses*	[●]
4.	Offer for sale portion*	[●]
3.	Net Proceeds of the Fresh Issue*	[●]

*\*To be finalized upon determination of Issue Price.*

Other than listing fees, which will be paid by our Company, all expenses with respect to the Issue will be shared between our Company and the Selling Shareholders, in proportion to the Equity Shares contributed to the Issue.

### Utilization of Net Proceeds of the Fresh Issue

We intend to utilize the Net Proceeds of the Fresh Issue of Rs. [●] for financing the objects as set forth below:

*(Amount in Rs. lacs)*

S. No.	Object	Total Estimated Cost
1.	Multi-purpose block III at Derabassi	2,032.08
2.	Sterile cephalosporin plant at Derabassi	3,255.25
3.	Establishment of Chachrauli plant	1,603.78
4.	Investment in our Subsidiary	4,662.36
5.	Repayment / prepayment of identified loan facilities	3,883.90
6.	General corporate purposes*	[●]
	<b>Total*</b>	[●]

*\*To be finalized upon determination of Issue Price.*

## Estimated Schedule of Implementation and Deployment of Funds

(Amount in Rs. lacs)

S. No.	Object	Estimated schedule of deployment of funds		Total
		Fiscal 2011	Fiscal 2012	
1.	Multi-purpose block III at Derabassi	1,219.25	812.83	2,032.08
2.	Sterile cephalosporin plant at Derabassi	1,953.15	1,302.10	3,255.25
3.	Establishment of Chachrauli plant	NA	1,603.78	1,603.78
4.	Investment in our Subsidiary	839.22	3,823.14	4,662.36
5.	Repayment / prepayment of identified loan facilities	3,883.90	NA	3,883.90
	<b>Total</b>	<b>7,895.52</b>	<b>7,541.85</b>	<b>15,437.37</b>

Any expenditure incurred towards the Objects would be recouped from the Net Proceeds of the Fresh Issue. In the event estimated utilization out of the Net Proceeds of the Fresh Issue in any given fiscal is not completely met, the same shall be utilized in the next fiscal.

### Details of Means of Finance

No funds have been deployed by us towards the Objects as of March 31, 2010. We propose to meet the entire requirement of funds for the Objects entirely from the Net Proceeds of the Fresh Issue and the amount raised towards the Offer for Sale and Issue expenses would not exceed Rs. 4,562.63 lacs. Accordingly, the requirement under Regulation 4 (2) (g) of the ICDR Regulations of firm arrangements of finance through verifiable means for 75% of the stated means of finance excluding the Issue Proceeds does not arise.

Our funding requirements are dependent on a number of factors which may not be in the control of our management, including variations in interest rate structures, changes in our financial condition and current commercial conditions. Such factors may entail rescheduling and / or revising the planned expenditure and funding requirement and increasing or decreasing the expenditure for a particular purpose from the planned expenditure, at the discretion of our management

### Details of the Objects

#### 1. *Multi-purpose block III at Derabassi*

We propose to utilize Rs. 2,032.08 lacs out of the Net Proceeds of the Fresh Issue, for the establishment of a third multipurpose block in Derabassi (MP III), expected to be commissioned in fiscal 2012. This facility is intended to be built to international cGMP specifications for manufacturing of the latest range of niche oral Cephalosporins, and to carry out the non-sterile steps for sterile products in order to augment our Cephalosporin production. Orders received by us contract manufacturing of latest generation Cephalosporin molecules are also intended to be serviced out of this facility. This facility is proposed to be located over a built-up area of approximately 21,000 sq. ft., spread over three floors, including a dedicated powder processing area, quarantine, dyke storage and packing sections.

The breakdown of proposed investment for the setting up of the multi-purpose block III at Derabassi is as follows:

S. No.	Description	Quotation / Vendor	Value (in Rs. lacs)*
(A)	Equipment		
	Reactor with anchor, dip pipe, mech seal, GMP auto variator, column condenser, receiver, CF ML tank, storage tanks for solvents, storage tanks and ML tank (SS 316), DM water tank (SS 304), auto variator, column condenser, receiver, reactor with anchor (SS 316), dip pipe (SS 316), mech seal, auto variator, column condenser, receiver (SS 316), tank, ML tank, ML storage, vacuum system (SS 316), charging vessels (SS 316)	CPK Eng Private Limited	214.08
	Purified water system with loop (MSRL)	Neela India Private Limited	144.41
	STD, GMP model, VTD, sparkler, filter, multi mill sifter, multideck blender (SS316)	Precikot Pharma Private Limited	142.04
	Centrifuge GMP (SS 316)	Sukhras Machines	92.90

S. No.	Description	Quotation / Vendor	Value (in Rs. lacs)*
		Private Limited	
	Reactor with anchor, dip pipe, mech seal, GMP (MSGL)	Swiss Glascoat Equipments Limited	43.50
	SS trolley, bowls, scoops, scrapper, furniture (SS316), filter press	Pragati Engineers	10.45
	Scrubber col 1000 CFM, distribution/support pump, blower, packing, ducting and piping	Shivas Reinplast Company of India	5.62
	Micronizer (Air Jet Mill) (SS 316)	Gudhi Engineering	5.04
	PP pumps (Antico make), PP FRP tank for HCL	Soltech Pumps & Equipment Private Limited	1.43
	Process pumps (SS 316)	Jay Dee Enterprises	1.41
	Sub-total		660.86
(B)	Civil works (main plant processing area, main plant powder processing area, utility block, scrubbing area, enclosure for centrifuges, two air locks of powder processing area, IPQC lab, quarantine area, final finishes, packing area, officer for manager with document almirah, one day storage for effluent, epoxy flooring, coving, Kota gap filling, fittings and windows, sanitary works, drainage system, structure for recoveries, dyke storages for ML tanks, dyke storages for recovered solvent, rolling shutters/ windows of utility building, false ceiling, building painting, foundation works, power cables, cable trays, lighting DB, light fittings (flame proof and non flame proof), earthing and arrestor, earth pits, electrical contract, other electrical hardware, area lighting and temporary lighting)	S.D. Sharma & Associates, Architects	272.78
(C)	Utilities (chilled brine system -20 DEG C 30TR, chilled brine tank MS20 KL, chilled brine pumps CS100CMHx30M, EFF pump PP/FRP 30MHx10CMH)	Cooling Systems Inc	38.77
(D)	Electricals (process MCC 1X1, process MCC 2 X1, utility MCC X2, recovery MCC X1)	UPS International	30.93
(E)	Instrumentation (pressure gauges, temperature gauges, temperature controls, control loops, magnehelic gauges, humidity indicators, thermowells, RTD temperature display, vacuum gauges, level gauges, flow meters)	Prism Automation Private Limited	27.95
(F)	EHS Equipment		
	Electronic balance	Mettler Toledo India Private Limited	3.88
	Eye bath and safety shower, fire extinguisher, foam systems, fire hydrants	Chandigarh Fire & Fighting	1.83
	Cartridge filters	Advance Microdevices Private Limited	1.68
	Dehumidifier	Bryair	1.22
	Walk-in coolers	Ruchika Refrigeration	2.27
	Electric hoist	Inder Enterprises & Engineers	14.46
	Sub-total		25.33
(G)	Mechanical and piping, mechanical contract, pipe racks (20), structure, SS cladding of structures piping in SS insulation valves and fittings, SS piping in CS valves and fittings CS process Teflon braided hoses	Globeair Consultants	83.00
(H)	GMP and other requirements (AHU quarantine area (2), AHU with packing area (1), AHU storage area (2), AHU in PP area (2), AHU for driers (1), Fresh air unit for each floor (6), scrubber for AHUs (1), centrifuges area FAU (4))	Snehal AC&R	137.83
(I)	Column based recoveries (Continuous column REC system (SS 316 3 X 600MMx18M), tank farm for recoveries (SS 316))	Fenix	735.23
(J)	Miscellaneous air curtains, steam traps, safety valves, site flow indicators, glass assembly, validation cost, candle filter with SS holder (SS 316), 1.0 micron, online PH meter, process pumps (SS 316)	Company estimates	19.39
	<b>Total</b>		<b>2,032.08</b>

\*Inclusive of packing and forwarding charges, where specified, freight insurance and VAT / excise duty payable.



*Estimated Schedule of Implementation and Deployment of Funds*

(Amount in Rs. lacs)

Object	Estimated schedule of deployment of funds		Total
	Fiscal 2011	Fiscal 2012	
Multi-purpose block III at Derabassi	1,219.25	812.83	2,032.08

**2. Sterile Cephalosporin plant at Derabassi**

We propose to utilize Rs. 3,255.25 lacs out of the Net Proceeds of the Fresh Issue, for the establishment of a Sterile Cephalosporin plant proposed to be set up over a built-up area of approximately 10,000 sq. ft. in Derabassi in fiscal 2012. This facility is proposed to be built to international cGMP specifications, with the installation of BADO make machinery which would be a completely closed processing system, to enhance the sterility assurance through avoidance of contamination. The BADO ANFD and material transfer system has clean in place (“CIP”) and sterilization in place (“SIP”) provisions, meaning that the cleaning and sterilization of the machinery after each batch can be done without dismantling the machinery, by passing high pressure air and steam through its cleaning system.

The breakdown of proposed investment for setting up of the Sterile Cephalosporin plant at Derabassi is as follows:

S. No.	Description	Quotation / Vendor	Value (in Rs. lacs)*
(A)	Equipment		
1.	Solvent storage tank (SS 304)	Precikot Pharma Private Limited	33.16
2.	Mother liquor receiver (SS304)		6.48
3.	Purified water storage tank		16.58
4.	WFI generation plant (multi-column distillation plant)		39.70
5.	WFI storage tank with mirror finish		20.16
6.	Pure steam generator surge tank		6.48
7.	Hot water generation tank and pump (SS 304)		4.64
8.	Recovery columns, complete system continuous (SS 316)	Fenix Process Technologies Private Limited	263.61
9.	Solvent receiver (SS 304 MS)		
10.	Process pumps in SS 316 (SS 316)		
11.	Purified water generation system (DM+RO+EDI+UF)	TSA Process Equipment Private Limited	47.83
12.	Pure steam generator	Machine Fabrik	35.07
13.	High vacuum steam sterilizer		24.16
14.	Dry heat sterilizer		31.17
15.	Reactor (SS 316)	CPK Engineers Private Limited	11.35
16.	Crystallizer with mirror finish inside (SS 316)	BA.DO	249.76
17.	ANFD with loading / unloading system		808.67
18.	Sifter cum blender		362.74
19.	PP equipment		65.24
20.	Sparkler filter (Pharma lab)	Sankalp Corporation	9.36
21.	Canister washing machine (Vikram Engineers)	SS Equipment	1.25
22.	Garment washing machine (IFB)		1.3
23.	Laminar air flow unit (mobile) CRP/CST (S) 4030	RST Clean Air Equipment	13.87
24.	Pass box (Fabtech) (SS 304)	Pragati Engineers	14.87
25.	SS furniture (mirror finish) (SS 304)		5.00
26.	Garments cubical box (SS 304)		1.70
27.	Integrity testing machine (Millpore)	Access Services / Millipore (India) Private Limited	12.66
28.	Filtration train with PLC	Trice Enterprises	44.54
29.	Dehumidifier air cooled air compressor (Bry Air)		14.30
30.	Weighing scale	Mettler Toledo	3.58

S. No.	Description	Quotation / Vendor	Value (in Rs. lacs)*
		India Private Limited	
31.	Water distribution system (purified water and WFI) with coolers at usage point (Neela)	Neela India Private Limited	126.00
32.	AHUs and air conditioning	Snehal AC&R Private Limited	141.79
33.	Miscellaneous equipment (Flame arrestors, safety valves, steam trap assemblies, door interlocking system, air shower, sterile grade filters and housings, canister sealing machine (Tournaire))	Company estimates	29.80
34.	SS ventury for high vacuum for VTD, Nutsche, Sol. Room, SIP Chemprocess	SS Equipment	15.13
	Sub-total		2,461.95
(B)	Utilities / other common facilities		
1.	Cooling tower	Anew Technologies Private Limited	5.36
2.	Cooling tower pumps		
3.	Air compressor with air dryer	Trice Enterprises	7.29
4.	PSA N2 gas plant	PSA Nitrogen Limited	14.44
5.	Walk in coolers	Ruchika Refrigeration	4.23
6.	Chilled brine plant with pumps	Cooling Systems Inc	22.52
	Sub-total		53.84
(C)	Safety apparatus (eye bath and safety shower, fire extinguisher, fire hydrants / hose reels, fire alarm systems, oxygen / LEL analyser, breathing apparatus)	Chandigarh Fire & Safety Equipment	28.51
(D)	Instrumentation		
1.	Temperature indicators, PR gauges, VAC gauges, temperature gauges, toilets automation, temperature loops, PR loops, LIs	Prism Automation Private Limited	4.66
2.	Variable speed drives	Adhunik Automation	0.92
	Sub-total		5.58
(E)	Electrical works	UPS International	38.26
(F)	Pipings and valves (mechanical contract, pipe racks, structure for EQPTS for sterile area, piping in SS, CS, valves in non-sterile area, process Teflon braided hoses, process area SS 316 ball/ diaphragm valves)	Globeair Consultants	92.00
(G)	Civil works (Epoxy, coving and wall connections, special doors, windows, partitions, windows, architect fee, consultancy, toilet blocks, sanitary works, septic tank, drainage system, painting, rolling shutters, windows of utility / MCC building, effluent pit, miscellaneous electrical works including cable, cable trays, light fittings and electrical contact modular panels, sterile area lightings, aluminium doors and windows, insulations.	S.D. Sharma & Associates, Architects	575.10
	<b>Total</b>		<b>3,255.25</b>

\*Inclusive of packing and forwarding charges, where specified, freight insurance and VAT / excise duty payable.

### Estimated Schedule of Implementation and Deployment of Funds

(Amount in Rs. lacs)

Object	Estimated schedule of deployment of funds		Total
	Fiscal 2011	Fiscal 2012	
Sterile cephalosporin plant at Derabassi	1,953.15	1,302.10	3,255.25

### 3. Establishment of Chachrauli plant

We propose to utilize Rs. 1,603.78 lacs out of the Net Proceeds of the Fresh Issue, to finance the establishment of the Chachrauli plant to conform to international cGMP specifications. This facility is proposed to be spread over a built-up area of approximately 3,00,000 sq. ft. and will include setting up additional infrastructure for automation of processes, additional purified water arrangement, super finishing jobs in the plant area with epoxy and special paintwork, dedicated warehouse and utilities setup with cold storage.

This facility is proposed to be commissioned in two phases, with phase I, comprising manufacturing blocks, expected to be commissioned in fiscal 2012.

The breakdown of proposed investment for establishment of the Chachrauli plant is as follows:

S. No.	Description	Quotation / Vendor	Value (in Rs. lacs)*
(A)	Equipment		
1.	Micronizer	Gudhi Engineering	23.91
2.	SS304 grade, mirror finish furniture	Pragati Engineers	19.98
3.	Dynamic pass box		2.48
4.	Fume hood	Scientific Lab	2.19
5.	Glass wares	Shambhoo Scientific Glass Works	13.25
	Sub-total		61.81
(B)	Piping & Valves (Pipe racks / Supporting Structures etc.)	Pragati Engineers	2.32
(C)	Electrical		
1	Synchronization Panel for DG	UPS International	8.03
2	AMF Panel with Battery Charger for power factor maintaining		16.12
	Sub-total		24.15
(D)	Solvent Recovery (Laboratory Equipment for IPQC Lab in SRP) (HPLC)	Waters India Private Limited	26.45
(E)	ETP (Laboratory Equipment for IPQC Lab in ETP) (HPLC)		26.45
(F)	Central utilities		
1.	Purified water generation system	Neela India Private Limited	306.00
2.	Purified water distribution system with 6 point		189.00
	Sub-total		495.00
(G)	Central Warehouse (Racking system, material handling equipment, L. F. for dispensing, 304 grade mirror finish SS furniture , 304 grade mirror finish SS pallet)	Pragati Engineers	41.07
(H)	Central QA/QC and Micro		
1.	Water system	Access Services / Millipore (India) Private Limited	5.81
2.	Balances, TOC analyzer	Mettler Toledo India Private Limited	12.73
3.	Laminar flow micro lab	Chem Pharm Industries (India) Private Limited	8.09
4.	Compactor for document	MaxiMaa Systems Limited	8.34
5.	Training room with furniture and training equipment like projector, LCD screen, motorized screen, sound system , etc	Company estimates	4.30
	Sub-total		39.27
(I)	HVAC ventilation system (intermediate block, hazardous block, FG block 1, pilot plant, QA/QC/ Regulated area, WH, ventilation system for boiler, utility, workshop, drum area, security etc.), HVAC supporting equipment, filter cleaning drying & storage, dust extraction system, dust Collector system with SS hood and piping dampers	Snehal AC&R Private Limited	140.92
(J)	E.H.S. (Fire hydrant system with pump house)	Chandigarh Fire and Safety Equipments Private Limited	25.62
(K)	Civil work (super finishing like epoxy flooring, covings and PU painting in PP & semi-finish area) for intermediate block, hazardous block, FG block 1, pilot plant, QA/QC/ Regulated area, WH, cylinder storage yard, liquid N2 storage yard, civil works for ETP, painting of MS & civil structures ETP, painting of MS & civil structures solvent recovery, recarpeting of roads, kerbs, land development, gardening, fountain , zebra crossing, etc., borewell as a stand by source of water, mechanical piping MS for utility, insulation, process piping (SS304/316 and HDPE/PPE/FRB), instrumentation, technical consultancy	SD Sharma and Associates, Architects	692.55
(L)	Miscellaneous (fire extinguishers, chemical storage tank (acid and	Company estimates	28.20

S. No.	Description	Quotation / Vendor	Value (in Rs. lacs)*
	caustic), HDPE pallet , vacuum pumps)		
	<b>Total</b>		<b>1,603.78</b>

\*Inclusive of packing and forwarding charges, where specified, freight insurance and VAT / excise duty payable.

#### Estimated Schedule of Implementation and Deployment of Funds

(Amount in Rs. lacs)

Object	Estimated schedule of deployment of funds		Total
	Fiscal 2011	Fiscal 2012	
Establishment of Chachrauli plant	NA	1,603.78	1,603.78

#### 4. Investment in our Subsidiary

We propose to make an equity investment of Rs. 4,662.36 lacs out of the Net Proceeds of the Fresh Issue, in our Subsidiary, Parabolic Research Labs Limited (“**Parabolic Labs**”), for the establishment of a new custom synthesis and manufacturing site at IT Park, Panchkula, over a built-up area of approximately 1,25,000 sq. ft. Although our Company is not assured of dividends from such investment, or profits pursuant to completion of this project, we believe such investment will be beneficial to our business and prospects. For the audited restated standalone financial statements of our Subsidiary, see “**Financial Information – Parabolic Research Labs Limited**” on page 208.

The new facility would include a custom synthesis site with two dedicated kilo laboratories and 10 laboratories (including two HPLC laboratories, six synthesis laboratories and two analytical laboratories), an in-house documentation center, and intellectual property rights and regulatory affairs set ups. This site is intended to be completely cGMP & cGLP compliant. The range of services from this site would include mainly the following:

- Process research;
- Contract Research;
- Collaborative research in process chemistry;
- Multi dimensional synthetic skills in the area of non-antibiotic chemistry; and
- Expertise to scale up processes from few grams to hundreds of kgs.

Pursuant to our equity investment in our Subsidiary, the breakdown of the proposed use of funds for setting up of the custom synthesis site at IT Park, Panchkula is as follows:

S. No.	Description	Quotation / Vendor	Value (in Rs. lacs)*
I.(A)	Civil works for ground to fourth floors, basement for parking 100% metering room, VCB room, false ceiling + under deck insulation, building painting, exterior aluminium composite glazing, water storage tanks, effluent treatment plant, aluminium doors and windows, security gate and time office boundary wall, area development, front lawn, fountain, consultancy, fire fighting and detection work, internal / external electrical works including statutory fees, transformer, AC work, upper floors ventilation, basement	S.D. Sharma & Associates, Architects	2,377.31
(B)	Miscellaneous		
1.	Air curtains 3	N.S.C Electronics	1.54
2.	Passenger lift	Beacon Elevator Company	20.81
3.	Goods hoist	Inder Enterprises	2.10
4.	Cold room	Ruchika Refrigeration	8.46
5.	Document compactor	MaxiMaa Systems Limited	25.02
6.	Fume hoods	Scientific Labs	78.76
7.	Canteen equipment and furniture, lab and office furniture	SD Sharma & Associates, Architects	58.00
8.	Eye bath & safety shower	Chandigarh Fire & Safety Equipments	1.39
	Sub-total		196.08

S. No.	Description	Quotation / Vendor	Value (in Rs. lacs)*
(C)	Mechanical piping and insulation	Globeair Consultants	156.50
(D)	Utilities		
1.	Nitrogen generation plant	Gastek Engineering (Private) Limited	22.10
2.	DM plant with accessories	Trice Enterprises	5.96
	Sub-total		28.06
	Sub-total I		2,757.94
II.	Analytical Lab		
1.	HPLC, HPLC – PDA, HPLC -ELSD (Shimadzu /Waters)	Waters India Private Limited	289.38
2.	RI Detector (Shimadzu /Waters)	Spinco Biotech	5.19
3.	Prep. HPLC (Agilent), LC-MS/MS (SCIEX (Applied Biosystem)	Agilent Tech. Singapore Pte Limited	138.32
4.	GC-MS/HS (Perkin Elmer)	Perkin Elmer (India) Private Limited	96.96
5.	FTIR with accessory	Shimadzu	8.49
6.	UV spectrophotometer (Perkin Elmer)	Perkin Elmer (India) Private Limited	5.61
7.	Polarimeter (Autopol/Jasco)	Rudolph Research Analyticals	22.66
8.	Karl Fischer titrator (Metrohm)	Lab India Instruments Private Limited	7.34
9.	Stability chambers (Thermolab)	Structural Solutions Private Limited	72.91
10.	IR moisture balance (Mettler)	Mettler Toledo India Private Limited	1.74
11.	Photo stability Chamber Thermolab	Structural Solutions Private Limited	19.31
12.	pH Meter with electrode Mettler/Lab India	Medispectra	1.66
13.	Analytical Balance Mettler/Sartorius	Mettler Toledo India Private Limited	24.73
14.	GC Perkin Elmer	Perkin Elmer (India) Private Limited	33.78
15.	UPS (30 KVA+ 20 KVA)	Pranav Energy	34.30
16.	Magnetic Stirrer Deepali	Biolab	0.92
17.	Vacuum Oven	Inkarp Instruments Private Limited	6.91
18.	Computer	Computer Tech	5.06
19.	Printer	Fore Solutions	2.11
20.	Gas Panels & Fittings along with Cylinder	Raj Analytical Services	4.40
21.	Water purification System Millipore	Millipore India Private Limited	9.54
22.	Melting Point Apparatus Mettler/Lab India	Lab India Instruments Private Limited	3.93
23.	Micro balance	Mettler Toledo India Private Limited	24.85
24.	Rotovap (Bucchi), ion chromatograph	Shimadzu	133.78
25.	Server	Fore Solutions	9.25

S. No.	Description	Quotation / Vendor	Value (in Rs. lacs)*
	Sub-total II		963.13
III.	Synthesis lab		
1.	LR moisture and analytical balance	Mettler	19.97
2.	Magnetic stirrer (Deepali)	Biolab	2.01
3.	Vacuum oven (Sintex)	Inkarp Instruments Private Limited	17.27
4.	Computers	Computer Tech	4.05
5.	Vacuum pump diaphragm	Sanbiz Impex Private Limited	25.29
6.	Rotavapor (Goel / Super)	Genser Scientific Works Private Limited	10.10
7.	Ph meter with electrode (Henna)	Medispectra	4.99
8.	Jacks SS	Vee Ess Sales Corporation	2.02
9.	Deep freezer	Blue Star	3.71
10.	Melting point apparatus	Lab India Instruments Private Limited	31.40
11.	Pressure vessel	Intop Projects	2.32
12.	Gas panel	Raj Analytical Services	1.76
13.	Pressure valve	PCi Analytics Private Limited	2.14
14.	Pressure vessel	Intop Projects	1.35
15.	Gas panel	Raj Analytical Services	0.88
16.	Pressure valve	PCi Analytics Private Limited	1.07
17.	Pressure vessel	Intop Projects	3.37
18.	Gas panel	Raj Analytical Services	1.76
19.	Pressure valve	PCi Analytics Private Limited	2.89
20.	Pressure vessel	Intop Projects	2.32
21.	Gas panel	Raj Analytical Services	0.88
22.	Pressure valve	PCi Analytics Private Limited	1.93
23.	Ice making machines	Mittal International Private Limited	5.43
24.	Printers	Fore Solutions	2.11
	Sub-total III		151.02
IV	1- 5 Kilo Lab		
1.	Rotavapor 20 ltrs.	Genser Scientific Instruments	35.10
2.	pH meter with electrode	Medispectra	0.83
3.	Reaction vessel complete glass assembly with column, condenser and receiver	Super Scientific Works (Private) Limited	7.58
4.	Hydrogenator SS 316 (Amar Engineering)	CPK Engineers Private Limited	5.46
5.	Hydrogenator accessories ( double PRY station)	Company estimates	11.36
6.	Scrubbing system for reaction vessels	EPP Composites Private Limited	5.49
7.	Lutz pump for metered transfer of materials FLP	Soltech	13.54
8.	8 X 8 SS Jacks	Vee Ess Sales Corporation	0.34
9.	Magnetic stirrer (Deepali )	Biolab	0.34
10.	Deep freezer	Blue Star	1.86

S. No.	Description	Quotation / Vendor	Value (in Rs. lacs)*
11.	Computer	Computer Plus	0.40
12.	Vacuum pump (diaphragm)	Sanbiz Impex Private Limited	6.32
13.	STD 10 Tray Nutsche GMP model	Sankalp Corporation	20.06
14.	VTD 10 Tray	Grovers Private Limited	13.04
15.	Glass ware	Shambhoo Scientific Glass Works	26.50
16.	Printer	Fore Solutions	0.53
17.	Centrifuge	MSI Equipments	7.73
18.	Sparkler filters	Oleya Equipments	8.90
19.	Balances 5KG+ 50 KG (Mettler / Sartorius), cartridge filters	Sartorius Biotech (India) Private Limited	13.28
20.	GMP Partitions	Company estimates	25.00
21.	FBD	Mevish Pharma Machineries (India) Private Limited	5.30
22.	VTD 10 tray GMP model, Multimill	Grovers Private Limited	15.37
23.	Centrifuge	NSI Equipments Private Limited	30.95
24.	Blender, sifter	Chemi Plant Engineering Company	7.08
25.	RCVD	Bifriends Engineering works	10.92
26.	Document compactor	MaxiMaa Systems Limited	22.52
27.	Oscillating granulator	Chemi Plant Engineering	31.92
28.	Skid mounted reaction vessel assembly with double mechanical seal and bottom flush valve with temp sensor, replaceable stirrer (anchor/turbine/propeller/gate), baffles, min stirrable volume, planetary g. box with FLP motor, with jacket and limpet SS304, with hot/cold insulation (SS316), column, horizontal conds, charging vessel, receivers (SS316) with interconnecting piping/valves/ mirror polishskid, all nozzles with static jumper, double earthing	Laxmi Engineering Works	34.38
29.	Micronizer, skid mounted reaction vessel assembly with double mechanical seal and bottom flush valve with temp sensor, baffles, min stirrable volume, planetary G. box with FLP motor, with jacket, with Teflon lined dip pipe, column, horizontal conds, charging vessel, receivers (glass), with interconnecting piping/valves/ mirror polishskid, all nozzles with static jumper, double earthing	Gudhi Engineering	208.83
	Sub-total IV		570.92
	Utilities and miscellaneous		
1.	Electric boiler	Hemkund Enterprises	4.43
2.	Chilled water system with pumps/tanks, chilled brine system with pumps/tanks	Cooling Systems Inc.	21.92
3.	FRP cooling tower with pumps	Advance Cooling System	4.57
4.	Electric thermic fluid heater	Hemkund Enterprises	7.61
5.	Purified water system	Neela India Private Limited	90.00
6.	Centrifugal process pumps	Jay Dee Enterprises	1.88

S. No.	Description	Quotation / Vendor	Value (in Rs. lacs)*
	Sub-total		130.41
	Other miscellaneous items	Company estimates	88.93
	<b>Total</b>		<b>4,662.36</b>

\*Inclusive of packing and forwarding charges, where specified, freight insurance and VAT / excise duty payable.

*Estimated Schedule of Implementation and Deployment of Funds*

(Amount in Rs. lacs)

Object	Estimated schedule of deployment of funds		Total
	Fiscal 2011	Fiscal 2012	
Investment in our Subsidiary	839.22	3,823.14	4,662.36

For the summary audited restated standalone financial statements of Parabolic Labs, please see below:

**RESTATED AUDITED STANDALONE FINANCIAL STATEMENTS OF PARABOLIC RESEARCH LABS LIMITED**

**Restated Standalone Summary of Assets and Liabilities of Parabolic Research Labs Limited**

(Rs. in lacs)

	AS AT 31-Dec-09	AS AT 31-Mar-09	AS AT 31-Mar-08
<b>FIXED ASSETS</b>			
CAPITAL WORK IN PROGRESS	195.80	195.80	60.33
NET BLOCK	<b>195.80</b>	<b>195.80</b>	<b>60.33</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
CASH AND BANK BALANCES	3.96	3.55	5.09
TOTAL	<b>3.96</b>	<b>3.55</b>	<b>5.09</b>
<b>TOTAL ASSETS</b>	<b>199.76</b>	<b>199.35</b>	<b>65.42</b>
<b>LIABILITIES &amp; PROVISIONS</b>			
<b>LOAN FUNDS</b>			
UNSECURED LOANS	0.31	0.31	0.31
CURRENT LIABILITIES & PROVISIONS	1.18	0.16	0.00
SHARE APPLICATION MONEY PENDING ALLOTMENT	<b>0.62</b>	<b>195.62</b>	<b>60.32</b>
<b>TOTAL LIABILITIES</b>	<b>2.11</b>	<b>196.09</b>	<b>60.63</b>
<b>NET WORTH</b>	<b>197.65</b>	<b>3.26</b>	<b>4.79</b>
<b>REPRESENTED BY</b>			
SHARE CAPITAL	200.00	5.00	5.00
LESS : MISCELLANEOUS EXPENDITURE	2.35	1.74	0.21
<b>NET WORTH</b>	<b>197.65</b>	<b>3.26</b>	<b>4.79</b>



## Restated Standalone Summary of Cash Flow Statement of Parabolic Research Labs Limited

(Rs. in lacs)

Particulars	For the Nine month period ended	For the Year Ended	
		31-Mar-09	31-Mar-08
<b>Cash flow from operating activities</b>			
Net Profit (adjusted) before tax and after extraordinary items	0.00	0.00	0.00
<b>Total Operating Cash Flow before working capital changes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Working Capital Changes</b>			
(Increase) in payables	(1.03)	(0.16)	0.00
<b>Net (increase)/decrease in working capital</b>	<b>(1.03)</b>	<b>(0.16)</b>	<b>0.00</b>
<b>Total cash flow from operations including working capital changes (A)</b>	<b>1.03</b>	<b>0.16</b>	<b>0.00</b>
<b>Cash flow from investing activities</b>			
Purchase of fixed assets	0.00	135.47	60.33
Preliminary Expenses	0.62	1.53	0.21
<b>Total cash flow from investing activities (B)</b>	<b>0.62</b>	<b>137.00</b>	<b>60.54</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of share capital/share application money	0.00	135.30	65.32
Unsecured Loans	0.00	0.00	0.31
<b>Total cash flow from financing activities (C )</b>	<b>0.00</b>	<b>135.30</b>	<b>65.63</b>
<b>Net Cash Inflows/(outflows) during the period (A - B +C )</b>	<b>0.41</b>	<b>(1.54)</b>	<b>5.09</b>
Cash and cash equivalents at the beginning of the year	3.55	5.09	0.00
Cash and cash equivalents at the end of the year	3.96	3.55	5.09

### 5. *Repayment/Pre-payment of term loans*

In order to meet a portion of the funds required for our activities and operations, we have obtained certain loan facilities from ICICI Bank Limited and UCO Bank for investments in our projects and to meet our working capital requirements. We propose to utilize Rs. 3,883.90 lacs out of the Net Proceeds of the Fresh Issue to repay / prepay outstanding loans to ICICI Bank Limited and UCO Bank. Repayment / pre-payment of the said loan facilities will reduce our debt to equity ratio and enhance our debt leveraging capacity to fund our future projects.

Brief details of the said loan facilities proposed to be repaid / prepaid from the Net Proceeds of the Fresh Issue, as certified by DAV & Associates, on May 3, 2010, are provided below:

(Rs. in lacs)

Lender	Facility / Source	Purpose	Rate of Interest / Security#	Sanction	Amount Outstanding / Utilized as at April 15, 2010	Prepayment Penalty (%)
ICICI Bank Limited	Sanction letter dated October 12, 2007, loan Agreement dated October 13, 2007, and sanction letter dated January 23, 2008*	Capital expenditure towards expansion in production capacity at Derabassi	Benchmark prime lending rate ("BPLR") less 3.75%	1,480.00	1,183.90	0.00
	Sanction letter dated January 23, 2008, and loan agreement dated February 13, 2008	Capital expenditure towards expansion in production capacity at Derabassi	BPLR less 3.75%	520.00	390.00	1.00**
UCO Bank	Sanction letter dated October 10, 2009	Capital expenditure towards construction of a new cephalosporin module MP II	BPLR	2,310.00	2,310.00	0.00
<b>Total</b>				<b>4,310.00</b>	<b>3,883.90</b>	

# Security on each of the loans mentioned in the table above comprises a first pari passu charge on all existing and future fixed assets of the Company and second pari passu charge on all current assets of the Company, pari passu charge on the immovable collateral properties of Promoters, J.D. Gupta (HUF), Ms. Rama Gupta, Ms. Nirmal Bansal and Mr. T.N. Goyal, corporate guarantee by PNG and PIPL and personal guarantees by Mr. Pranav Gupta, Mr. Vineet Gupta, J.D. Gupta (HUF), Ms. Rama Gupta, Ms. Nirmal Bansal and Mr. T.N. Goyal.

\* ECB sanctioned on October 12, 2007, subsequently changed to INR loan on January 23, 2008.

\*\* Prepayment penalty may be incurred in certain circumstances, unless such prepayment is at the date of annual review.

We presently intend to utilize the entire sum of Rs. 3,883.90 lacs towards prepayment of the above loans, during fiscal 2011. As indicated above in respect of the loan facility for Rs. 520.00 lacs, repayment / pre-payment of such debt, in part or whole, may attract certain pre-payment penalty, unless paid at the date of annual review. Whilst we propose to prepay the said loan at the time of annual review, in the event we are unable to do so for any reason, we shall pay any such prepayment penalty as may be incurred, out of our internal accruals. For further information, see "**Risk Factors**" and "**Financial Indebtedness**" on pages 12 and 237, respectively.

#### *Estimated Schedule of Implementation and Deployment of Funds*

(Amount in Rs. lacs)

Object	Estimated schedule of deployment of funds		Total
	Fiscal 2011	Fiscal 2012	
Repayment / prepayment of identified loan facilities	3,883.90	NA	3,883.90

Copies of the above loan agreements / sanction letters entered into with ICICI Bank Limited and UCO Bank, and intended to be prepaid out of the Net Proceeds of the Fresh Issue will be made available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days from the date of filing of this Red Herring Prospectus with the RoC until the Bid Closing Date.

#### **6. Fund expenditure for general corporate purposes**

We propose to use the balance amount of the Net Proceeds of the Fresh Issue, approximately Rs. [●] lacs, towards general corporate purposes including funding cost overruns of our projects (if any), strategic initiatives, acquisitions, joint ventures, brand building exercises, strengthening of our marketing capabilities and meeting exigencies which we may face in the ordinary course of our business. Our management, in accordance with the competitive and dynamic nature of our business and the policies of the Board, will have the flexibility to revise its business plan from time to time and in utilizing the sum earmarked for general corporate purposes and any surplus amounts from the Net Proceeds of the Fresh Issue.

## Issue Related Expenses

The total expenses of the Issue are estimated to be approximately Rs. [●] lacs. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. Other than listing fees, which will be paid by us, all expenses with respect to the Issue shall be shared between the Selling Shareholders and us in proportion to the Equity Shares offered in the Issue.

The estimated Issue expenses are as follows:

S. No.	Activity Expense	Amount (Rs. lacs)	Percentage of Total Issue Expenses	Percentage of Total Issue Size
1.	Lead management fees*			
2.	Underwriting and selling commission*(including commission to SCSBs for ASBA Applications *)	[●]	[●]	[●]
3.	Registrar's fees*	[●]	[●]	[●]
4.	Advertisement and marketing expenses*	[●]	[●]	[●]
5.	Printing and distribution expenses*	[●]	[●]	[●]
6.	IPO Grading expenses*	[●]	[●]	[●]
7.	Advisors*	[●]	[●]	[●]
8.	Bankers to the Issue*	[●]	[●]	[●]
9.	Others (SEBI filing fees, bidding software expenses, depository charges, listing fees, etc.) *	[●]	[●]	[●]

*\*Will be incorporated after finalisation of the Issue Price.*

## Second hand Machinery

We do not intend to utilize the Net Proceeds of the Fresh Issue for any purchases of second hand machinery or equipment.

## Working Capital Requirement

The Net Proceeds of the Fresh Issue will not be used to meet our working capital requirements as we expect to have internal accruals, avail debt and / or drawdown from our existing or new lines of credit to meet our working capital requirements.

## Interim use of funds

Our management, in accordance with the policies established by our Board from time to time, will have flexibility in deploying the Net Proceeds of the Fresh Issue. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest / dividend bearing liquid instruments including investments in mutual funds, deposits with banks and other investment grade interest bearing securities. Such investments would be in accordance with investment policies approved by our Board from time to time. Pending utilization of the Net Proceeds of the Fresh Issue we shall not use the funds for any investments in the equity markets.

## Bridge Financing Facilities

We have not raised any bridge loan against the Net Proceeds of the Fresh Issue.

## Shortfall of Net Proceeds

In case of any shortfall of the Net Proceeds of the Fresh Issue for the Objects, we may explore a range of options including utilizing our internal accruals, seeking additional debt from existing and future lenders, or raising equity capital, subject to necessary consents and approvals. Further, we may choose not to prepay the loans identified in this chapter in the event of any shortfall of the Net Proceeds of the Fresh Issue.

**Appraisal**

The fund requirements and deployment of the funds mentioned above are based on internal management estimates and have not been appraised by any bank or financial institution or any other independent third party organization.

**Monitoring Utilization of Funds**

As this is an Issue of less than Rs. 50,000.00 lacs, there is no requirement for the appointment of a monitoring agency, in terms of Regulation 16(1) of the ICDR Regulations.

We will disclose the details of the utilization of the Net Proceeds, including interim use, under a separate head in our financial statements specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our equity listing agreements with the Stock Exchanges. As per the requirements of Clause 49 of the Equity Listing Agreement, we will disclose to the Audit Committee the uses/applications of funds on a quarterly basis as part of our quarterly declaration of results. Further, on an annual basis, we shall prepare a statement of funds utilized for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee. The said disclosure shall be made until such time that the full proceeds raised through the Fresh Issue have been fully spent. The statement shall be certified by our statutory auditors. Further, in terms of Clause 43A of the Equity Listing Agreement, we will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of proceeds from the Objects stated in this Red Herring Prospectus. Further, this information shall be furnished to the Stock Exchanges along with the interim or annual financial results submitted under Clause 41 of the Equity Listing Agreement and published in the newspapers simultaneously with the interim or annual financial results, after placing it before the Audit Committee in terms of Clause 49 of the Equity Listing Agreement.

There are no material existing or anticipated transactions in relation to the utilization of the Net Proceeds of the Fresh Issue or estimated cost as above with the Promoter, the Directors, the Company's key management personnel or companies promoted by the Promoter. Further, no part of the proceeds of the Fresh Issue will be paid by us as consideration to our Promoters, Directors, key management personnel, associates or Group Companies except in the usual course of business.

## BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLMs and the CBRM on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is [●] times the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band. Investors should also refer to the section “**Risk Factors**” on page 12 and “**Financial Statements**” on page 156 to get more informed view before making an investment decision.

### Qualitative Factors:

Some of the qualitative factors which form the basis for computing the issue price are:

1. Robust chemistry capabilities
2. Diversified customer base
3. Wide product range in the antibiotics segment
4. Facilities designed to serve regulated markets and manufacture multiple products
5. Dynamic and professional management with healthcare domain knowledge and experience.

For details, please refer to “**Our Business – Our Competitive Strengths**” beginning on page 107 of this Red Herring Prospectus.

### Quantitative Factors:

Information presented in this section is derived from our audited restated standalone financial statements prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for deciding the price, are as follows:

1. Earnings per Share (Basic & Diluted EPS) (Post-Bonus issue on December 10, 2009)

Year	Basic EPS (Rs.)	Weights	Diluted EPS (Rs.)	Weights
Fiscal 2009	6.60	3	5.80	3
Fiscal 2008	12.70	2	11.39	2
Fiscal 2007	5.88	1	5.59	1
Weighted Average	8.51		7.63	

- Earnings per share calculations are done in accordance with Accounting Standard 20 “Earnings Per Share”
- The Basic and Diluted EPS (Un-annualized) on a standalone basis for the nine month period ended December 31, 2009 was Rs.6.37.
- The Basic and Diluted EPS (Un-annualized) on a consolidated basis for the nine month period ended December 31, 2009 was Rs.6.37.

2. **Price/Earning (P/E) ratio in relation to Issue Price of Rs. [●]**

- a. Based on fiscal 2009 Diluted EPS (post-bonus) of Rs.5.80, P/E is [●]

3. **P/E for Pharmaceuticals – Indian – Bulk Drugs**

Particulars	Industry P/E*
Highest	29.2
Lowest	6.2
Average	23.1

\*Price as on April 23, 2010 & EPS for trailing twelve month period ended December 31, 2009

Source: Capital Market May 03, 2010 – May 16, 2010 edition

#### 4. Return on Net Worth (RoNW)

Year	RoNW (%)	Weights
Fiscal 2009	19.96	3
Fiscal 2008	47.62	2
Fiscal 2007	41.70	1
<b>Weighted Average</b>	<b>32.81</b>	

- The RoNW (Unannualized) on a standalone basis for the nine month period ended December 31, 2009 was 19.17%
- The RoNW (Unannualized) on a consolidated basis for the nine month period ended December 31, 2009 was 19.17%

5. Minimum return on increased Net Worth required to maintain pre-Issue Diluted Fiscal 2009 EPS (post-bonus) of Rs.5.80 - [•]

#### 6. Net Asset Value per share (NAV)\*

Particulars	NAV (Rs.)
As at March 31, 2009	75.04
As at December 31, 2009 (on a standalone basis)	30.32
As at December 31, 2009 (on a consolidated basis)	30.31
After Issue at Issue price (on a standalone basis)	[•]
After Issue at Issue price (on a consolidated basis)	[•]
Issue Price per Equity Share	[•]

\*NAV on Equity Share of Face Value of Rs.10/-

Issue Price per Equity Share will be determined on conclusion of book building process.

#### 7. Comparison with industry peers

We have drawn comparison with the listed companies mentioned hereunder based on the sector our Company operates in:

Name of the Company	Face Value of Equity Shares (Rs.)	Market Price as on April 23, 2010 (Rs.)	Fiscal 2009	TTM (ending December 31, 2009)	Fiscal 2009	
			EPS (Rs.)	P/E Ratio	RONW (%)	NAV (Rs.)
<b>Parabolic Drugs Limited (Fiscal 2009)**</b>	<b>10</b>	<b>-</b>	<b>5.80</b>	<b>-</b>	<b>19.96%</b>	<b>28.67</b>
Dishman Pharma	2	228	11.2	27.0	18.4	68.4
Nectar Lifesciences	1	40	2.5	11.1	18.6	17.8
Neuland Laboratories	10	101	21.2	-	16.7	136.7
Shilpa Medicare	2	338	3.4	18.9	12.3	30.8

RONW, NAV and EPS are based on last audited financial results for the period ending March 31, 2009

Source: Capital Market May 03, 2010 – May 16, 2010 edition

\*\* Fully diluted EPS after bonus issue & NAV per share considering conversion of cumulative convertible preference shares and bonus issue

8. The Issue Price of Rs. [●] is [●] times of the face value at the lower end of the price band and [●] times of the face value at the higher end of the price band. The Issue Price of Rs. [●] has been determined by us and the Selling Shareholders in consultation with the BRLMs and the CBRLM on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors.
9. The BRLMs and the CBRLM believe that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. See the chapter titled “**Risk Factors**” beginning on page 12 of this Red Herring Prospectus and the financials of our Company including important profitability and return ratios, as set out in the Auditors’ Report in the “**Financial Statements**” on page 156 of this Red Herring Prospectus to have a more informed view.

## STATEMENT OF TAX BENEFITS

To,  
The Board of Directors  
Parabolic Drugs Limited  
SCO 99-100 Sector-17-B  
Chandigarh

Dear Sirs,

**Subject: - Statement of Possible Tax Benefits available to the Company and its shareholders**

We hereby report that the enclosed statement as per “**Annexure-A**” states the possible tax benefits available to the Company under the Income-tax Act, 1961 presently in force in India and to the shareholders of the Company under the Income tax Act, 1961 and other Direct Tax Laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

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

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

- i. The Company or its shareholders will continue to obtain these benefits in future; or
- ii. The conditions prescribed for availing the benefits have been / would be met with.

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

Our views expressed herein are based on the facts and assumptions indicated to us. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. The views are exclusively for the use of Parabolic Drugs Limited. We shall not be liable to Parabolic Drugs Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

Thanking You  
**For S.K. Bansal & Company**  
**Chartered Accountants**

**(S.K. Bansal)**  
**Partner**  
**M.No.013147**  
**Address: Kothi No.3193**  
**Sector-28-D**  
**Chandigarh-160002**

**Encl: As above**  
**Annexure-A**



**STATEMENT OF TAX BENEFITS**  
**M/S. PARABOLIC DRUGS LIMITED**

As per current provisions of the Income Tax Act, 1961 and the existing laws for the time being in force, the following benefits, inter-alia, will be available to the Company and its members:

Statement of Special Tax benefits: -

**(A) DIRECT TAXES:**

**1. Deduction under Section 35 of the Income Tax Act 1961**

The company is an integrated research led pharmaceutical company with two in-house R & D centers one located at Derabassi which is already approved from Department of Science & Industrial Research (DSIR) and for other center located at Barwala, the application for approval has already been submitted with DSIR.

Under Section 35(2AB) of the Income Tax Act 1961, the company would be entitled to weighted deduction of a sum equal to one and one half times of any expenditure incurred (other than the expenditure incurred on the acquisition of any land or building) for scientific research related to the business of the company, to the extent of expenditure incurred on approved in-house research and development facilities.

Company is eligible for deduction under section 35(1) (i)/35(1) (iv), if the expenditure is incurred for an R & D center which is not approved by DSIR.

Statement of General Tax benefits: -

These are the general tax benefits available to all companies and shareholders, subject to compliance with relevant provisions.

**A. Under the Income Tax Act, 1961**

**1. Benefits available to the company**

1. As per section 10(34) of the Income Tax Act 1961 , any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid by domestic companies) received on the shares of any company is exempt from tax
2. Under Section 32 of the Act, the Company is entitled to claim depreciation on tangible and intangible assets as explained in the said section. Further company is entitled depreciation @20% under clause (1)(ia), as additional depreciation on new plants and machinery acquired and installed after 31<sup>st</sup> March 2005,subject to conditions specified therein.
3. The Company is eligible for amortization of preliminary expenses being the expenditure on public issue of share under Section 35D (2) (c) (iv) of the Act, subject to limits specified in sub section (3).
4. Under section 54 EC of the Income Tax Act, 1961, and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act), arising on the transfer of shares of the Company will be exempt from Capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by

**1. National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988.**

**2. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.**

5. Under the Provisions of Section 48 of the Income Tax Act, 1961 if the company's shares are sold after being held for not less than twelve months, the 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.

6. Under Section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, Long Term Capital Gains (i.e. shares are held for a period exceeding 12 months) (in case not covered under section 10(36) of the Act), arising on transfer of shares in the Company, shall be taxed at the rate of 20% (Plus applicable surcharge) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge) without indexation, at the option to the shareholder, if the transfer is made after listing of shares.
7. Under Section 111A of the Income Tax Act 1961 and other relevant provision of the Act, short term capital gains, (i.e., if shares are held for a period of less than 12 months) (in case not covered under section 10(38) of the Act), arising on transfer of shares of the company shall be taxed at a rate of 15% (plus applicable education cess) subject to conditions specified therein.
8. As per the provisions of Section 10(38) of the Income Tax Act, as inserted by Finance (No.2) Act, 2004, any income arising from the transfer of a long term capital asset being an equity share in a Company or a Unit of an Equity Oriented Fund (held for more than 12 months) where the sale transaction is chargeable to securities transaction tax, is exempt from tax.
9. The company is entitled to a deduction under section 80 G of the Income tax Act in respect of amounts contributed as donations to various charitable institutions and funds covered under that section. subject to fulfilment of conditions prescribed therein.
10. Under section 115JAA (1A) of the Income tax Act, credit is allowed in respect of any Minimum Alternate Tax (MAT) paid under section 115JB of the Income Tax Act for any assessment year commencing on or after April 1, 2006 .Tax credit eligible to be carried forward will be the difference between Mat paid and the tax computed as per the normal provisions of the Income Tax Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes up to 7 years succeeding the year in which the MAT credit is allowable.

## **2 Benefits available to Resident Shareholders**

1. Under section 10(34) of the Income Tax Act, dividend on or after April, 2004 is exempted in the hands of individual and HUF and As per section 115(O) of the Income Tax Act any amount declared, distributed or paid by such company by way of dividend on or after the first day of April, 2003 shall be charged @ 15% by the company.
2. In terms of section 10(23D) of the Income Tax Act all mutual funds setup by public sector bank 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 investments in shares of the company.
3. Under the Provisions of Section 48 of the Income Tax Act, 1961 if the company's shares are sold after being held for not less than twelve months, the 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.
4. In accordance with and subject to the conditions and to the extent specified in Section 54 EC of the Income Tax Act, 1961, the Shareholders would be entitled to exemption from long Term Capital Gains on sale of shares of the company upto investment made out of long Term Capital Gains arising from the sale of such shares in any specified Bonds issued by National Highways Authority of India (NHAI), Rural Electrification Corporation of India (RECI).
5. In case of shareholder, being an individual or Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Income Tax Act, 1961 the shareholders would be entitled to exemption from Long Term Capital Gains on sale of their shares in the company upon investment of Net consideration in purchase/ construction of a residential house.

6. Under Section 111A of the Income Tax Act 1961 and other relevant provision of the Act, short term capital gains, (i.e., if shares are held for a period of less than 12 months) (in case not covered under section 10(38) of the Act), arising on transfer of shares of the company shall be taxed at a rate of 15% (plus applicable education cess) if the following condition are satisfied.
  1. The transaction of sale of such equity share or unit is entered into on or after October 1, 2004.
  2. Such transaction is chargeable to securities transaction tax.
7. As per the provisions of Section 10(38) of the Income Tax Act, as inserted by Finance (No.2) Act, 2004, any income arising from the transfer of a long term capital asset being an equity share in a Company or a Unit of an Equity Oriented Fund (held for more than 12 months) where the sale transaction is chargeable to securities transaction tax, is exempt from tax.

### **3. Benefits available to Non-Resident Indians /Non-Resident Shareholders (other than Foreign Institutional Investors):**

1. Under Section 115-I of the Income Tax Act, a non-resident Indian (i.e. an individual being a citizen of India or a person of Indian Origin who is not a resident may elect not to be governed by the provisions of Chapter XII-A (Sections 115-C to Sections 115-I) for any Assessment Year by declaring in writing in the return. In that case his income for that year shall be computed and tax on such total income shall be charged in accordance with the other provisions of the Income Tax Act.
2. In case of Non-Resident Shareholders, if the shares in the company have been acquired or purchased with, or subscribed to, in convertible foreign currency, the Long Term Capital Gains on Sale of shares in the company (transfer of shares held for more than a period of 12 months) (in case not covered under section 10(36) of the act) shall be concessionally charged to tax at the rate of 10% (Plus Surcharge as applicable) (without indexation benefit but with protection against foreign exchange fluctuation) without aggregating any other income earned in India, which is taxed separately as specified in clause (b) to Section 115E.
3. The long Term Capital Gains on sale of shares (in case not covered under section 10(36) of the Act) in the company shall be exempted from tax upon re-investment of Net consideration in any specified assets as specified in sub section (1) to Section 115F within six months from the date of Transfer of Shares. The amount so exempt from tax shall, however, be chargeable to tax, if the new asset is transferred or converted into money within three years from the date of acquisition of the specified new asset.

### **TAX ON SHORT TERM CAPITAL GAIN:**

As per newly inserted section 111-A by the Finance (No.2) Act of 2004 w.e.f. 1.4.2005 (Assessment Year 2005-2006) where the total income of an assessee includes any income chargeable under the head "Capital Gains", arising from the transfer of a short term capital asset (asset held for less than one year) being an equity share in a Company or a Unit of an equity oriented fund and such sale transaction is chargeable to Securities transaction tax the tax payable on such short term gain shall be charged to tax at the rate of 15%.

Provided that in the case of Individual or HUF being a resident, where the total income as reduced by such short term capital gains is below the maximum amount which is not chargeable to income tax then such short term capital gain shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income tax and the tax on the balance short term capital gains shall be computed @ 15%.

Under Section 115G of the Income Tax Act, a Non-Resident Indian is not obliged to file a Return of Income under section 139(1) of the Income Tax Act, 1961, if his total income consists only of income from investments and/or long term capital gains earned on transfer such investments and tax has been deducted at source from such income under the provision of Chapter XVII-B of the Income Tax Act, 1961.

Under Section 115H of the Income Tax Act, where a Non-Resident Indian becomes assessable to tax in India, in relation to any previous year, as resident in India in respect of his total income of any subsequent year, he may furnish to the Assessing Officer a declaration in writing along with his Return of Income under Section 139 for the assessment year for which he is so assessable, to the effect that the provisions of Chapter XII-A shall

continue to apply to him in relation to the investment income derived from any foreign exchange asset, being asset of the nature referred to in sub clause (ii) to sub clause (v) of the clause (f) of Section 115C of the Income Tax Act, in which case the provisions of Chapter Xii A shall continue to apply to him in relation to such income for that assessment year and for every subsequent assessment year until the transfer or conversion (otherwise than by transfer) into money of such assets.

In terms of section 10(34) of the Income Tax Act, 1961, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received on the shares of the domestic company is exempted from the tax.

Under the provisions of Section 48 of the Income Tax Act, 1961, Capital Gains arising to a Non-Resident from the transfer of Capital Asset being shares in the 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 utilised in the purchase of the shares and the capital gains computed in terms of such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter and sale of shares of the Company.

Under Section 54 EC of the Income Tax Act, 1961, and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act), arising on the transfer of shares of the Company will be exempt from Capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by

- (a) National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988.
- (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

Under Section 54F of the Income Tax Act, 1961 long term capital gains (in cases not covered under section 10(36) of The Act,) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

Under Section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, Long Term Capital Gains (i.e. shares are held for a period exceeding 12 months) (in case not covered under section 10(36) of the Act), arising on transfer of shares in the Company, shall taxed at the rate of 20% (Plus applicable surcharge) after indexation as provided in the second provision to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge) without indexation, at the option to the shareholder, if the transfer is made after listing of shares.

#### **4. Benefits available to Foreign Institutional Investors (FIIs)**

- a. In terms of section 10(34) of the Income Tax Act, 1961, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received on the shares of the company is exempted from the tax.

In our opinion, the equity share under this offer document constitute eligible shares and the benefit, as stated above, would be available provided the above conditions are complied with.

- b. The income by way of short term capital gains or long term capital gains (not covered under section 10(36) of the Act) realized by FIIs on Sales of shares in the company would be taxed at the following rates as per section 115 AD of the Income Tax Act, 1961.
  - Short Term Capital Gains – 30%.
  - Long Term Capital Gains – 10% (Without Cost Indexation and protection against Foreign Exchange Fluctuation (Shares held in a company could be for a period exceeding 12 months).

- c. Under Section 54 EC of the Income Tax Act, 1961, and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act), arising on the transfer of shares of the Company will be exempt from Capital gains tax if the capital gain are invested a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by:
  - a. National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988.
  - b. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.
- d. As per the provisions of Section 10(38) of the Income Tax Act, as inserted by Finance (No.2) Act, 2004, any income arising from the transfer of a long term capital asset being an equity share in a Company or a Unit of an Equity Oriented Fund (held for more than 12 months) where the sale transaction is chargeable to securities transaction tax, is exempt from tax.
- e. Under Section 111A of the Income Tax Act 1961 and other relevant provision of the Act, short term capital gains, (i.e., if shares are held for a period of less than 12 months) (in case not covered under section 10(38) of the Act), arising on transfer of shares of the company shall be taxed at a rate of 15% (plus applicable education cess) if the following condition are satisfied.

The transaction of sale of such equity share or unit is entered into on or after October 1, 2004. and such transaction is chargeable to securities transaction tax.

**B. Benefits available under the Wealth Tax Act, 1957**

The member of the company will not be liable to pay any Wealth Tax in respect of Shares held by them since the same are not covered under the definition of "ASSETS" under section 2(EA) of the Wealth Tax Act, 1957.

**C. Benefits available under the Gift Tax Act, 1958**

**With effect from 1<sup>st</sup> October 1998 no gift tax shall be levied on gift of shares of the Company.**

**NOTES:**

1. All the above benefits are as per the Current Tax Law as amended by the Finance Act, 2009 However Finance Bill 2010 has proposed weighted deduction of two times in respect of any expenditure incurred (other than the expenditure incurred on the acquisition of any land or building) for scientific research related to the business of the company, to the extent of expenditure incurred on approved in-house research and development facilities.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. In respect if Non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Agreements, if any, between India and the Country in which the Non Resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his / her participation in the scheme.

Chandigarh;

**Dated: 3<sup>rd</sup> May 2010**

**FOR S.K. BANSAL & CO.,  
CHARTERED ACCOUNTANTS  
(S.K. Bansal)**

Partner

Membership No: 13147

## SECTION IV- ABOUT THE COMPANY

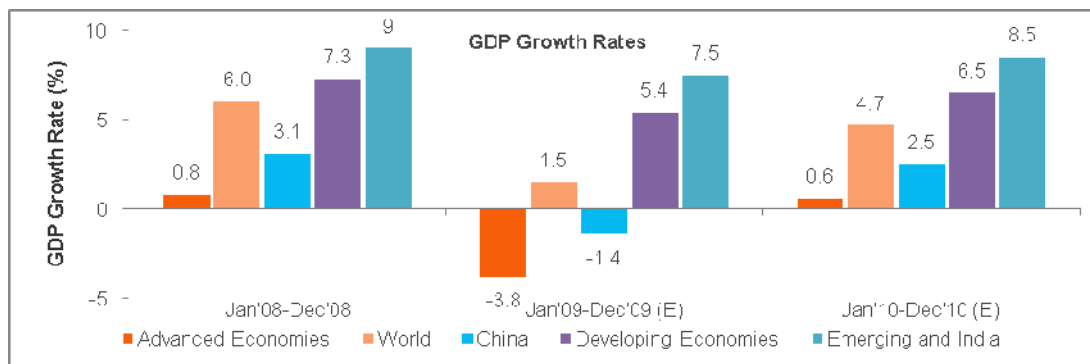
### INDUSTRY OVERVIEW

*The information in this section has been extracted from the websites of and publicly available documents from various sources, including but not limited to industry websites and publications. The data on global pharmaceutical industry and CRAMS segment is from the OPPI – E&Y Report on “Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry” and the data on the Indian pharmaceutical industry (excluding the domestic CRAMS segment) is from the OPPI – Yes Bank report on “Indian Pharmaceutical Industry: Vision 2015”. The data may have been re-classified by us for the purpose of presentation. Neither we nor any other person connected with the Issue has verified the information provided in this section. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured, and, accordingly, investment decisions should not be based on such information. Industry sources and publications are also prepared based on information as on specific dates and may no longer be current.*

### THE INDIAN ECONOMY

India is the world’s largest democracy by population size and one of the fastest growing economies in the world. According to the CIA World Factbook, India’s estimated population was approximately 1.16 billion people as of July 2009. India had an estimated GDP on a purchasing power parity basis of approximately USD 3,297 billion in 2008, making it the fifth largest economy in the world after the European Union, United States of America, China and Japan. In the past, India has experienced rapid economic growth, with GDP growing at an average growth rate of 8.8% between fiscal 2003 to fiscal 2008, as per the RBI’s First Quarter Review, 2009-2010.

Despite the global economic decline in fiscal 2008, India continues to be one of the fastest growing countries in the world and is showing positive signs of recovery following the global financial downturn. India’s growth is expected to outperform advanced and developing economies. Recent data suggests that the rate of decline in economic activity is moderating, although this is occurring to varying degrees across different regions, as reflected in the table given below.



Source: International Monetary Fund, World Economic Outlook Update, July 2009 (Calendar Year Growth Rates)

India’s ability to recover from the global slowdown (and its own domestic liquidity crunch) has been driven by the country’s large domestic savings and corporate retained earnings, which have been used to finance investment. The fiscal policy, primarily in the form of reduced interest rates and Government intervention, has further helped to maintain private demand, liquidity and short-term rates, thereby reducing the risk of loan losses.

### PHARMACEUTICAL MARKETS

The global pharmaceuticals market can be classified into two categories: regulated and unregulated/semi regulated. The regulated markets are primarily governed by stringent government regulations such as intellectual property protection, including product patent recognition. As a result, regulated markets have greater stability for both volumes and prices while a drug is under patent protection. On the other hand,

unregulated/semi-regulated markets have lower entry barriers in terms of regulatory requirements; hence they are highly competitive, with industry players primarily competing on the basis of price.

### **Patented vs. Generic Drugs**

*Patented or Branded drugs:* Pharmaceutical companies which hold patents for their products are given the right to exclude others from using their invented products for any commercial purpose. Pharmaceutical patent holders are allowed a certain exclusive marketing period mainly to earn the corresponding revenue on a product to recover the time and resources they spent in inventing such product. However, despite the exclusivity the patent affords, pharmaceutical companies may nonetheless grant licenses to third parties for manufacturing and/or selling the patented product in return for a fixed royalty fee or some other profit-sharing arrangement.

*Generic drugs:* 'Generic' pharmaceutical drugs are pharmaceutical products that are not protected by patents. These are drugs marketed by different companies but containing the same active ingredients. The costs for generics manufacturers to develop their products and obtain regulatory approval to market and sell such products are considerably lower than for patented drug manufacturers. As a result, such companies can offer the same product at a greatly reduced price. In terms of the entire pharmaceutical market, the introduction of generic drugs offer consumers a choice between patented or branded products and their generic counterparts, resulting in greater competition and generally lower prices for drugs in the market.

### **Intellectual Property Rights as applied to Pharmaceuticals**

Among the various ways in which pharmaceutical products can receive patent protection, two are enumerated below:

#### *Product Patents*

Pharmaceutical product patents in a majority of jurisdictions protect a specific molecular structure, compound, combination, composition, product, formulation, dosage form, kit or the like and prevent others from making, using, offering for sale or selling a pharmaceutical product that represents the patented molecular structure, compound, combination, composition, product, formulation, dosage form, kit or the like without permission. The United States, Canada and the United Kingdom are some developed markets that recognize product patents.

#### *Process Patents*

The method of making the product itself is protected by process patents. However, if an individual is able to create the same product through a different and non-infringing process referred to as 'designing around' the process patent holder cannot prevent the product's reproduction.

### **U.S. Regulation of Generics Products**

The U.S., the world's largest pharmaceuticals market, recognizes both product and process patents. Strong patent protection, advanced medical infrastructure, high per capita gross domestic product, the availability of health insurance and an aging population are all contributory factors to the large market for pharmaceutical products in the U.S.

The U.S. is a highly regulated and developed market, with high barriers to entry and strict quality standards for pharmaceutical products. The USFDA is the most powerful national regulatory body, driving the regulatory framework in which the pharmaceutical industry operates globally. Set out below are the main FDA applications and processes relevant to the generic drugs market.

#### *DMFs*

A DMF is a submission to the USFDA that may be used to provide confidential, detailed information about facilities, processes or articles used in the manufacturing, processing, packaging and storing of one or more human drugs. It usually refers to the raw material or active ingredient which is used in manufacturing the finished drug (the 'bulk drug'). Information in the DMF may be used to support an Investigational New Drug Application ("INDA"), a New Drug Application ("NDA"), an Abbreviated New Drug Application ("ANDA"), another DMF or amendments or supplements for any of these filings. Set out below are the different types of DMF filings, with Type II being the most common.

- Type I – Manufacturing site, facilities, operating procedures and personnel;
- Type II – Drug substance, drug substance intermediate, material used in drug preparation or drug product;
- Type III – Packaging material; and
- Type IV – Excipient, colorant, flavour, essence or other materials used in their preparation.

#### ANDAs

An ANDA contains data which, when submitted to the USFDA's Center for Drug Evaluation and Research, Office of Generic Drugs, is reviewed and is the ultimate basis of approval for any generic drug product for sale. Once approved an applicant may manufacture and market the generic drug product in the US, provided that all issues related to patent protection and exclusivity have been resolved.

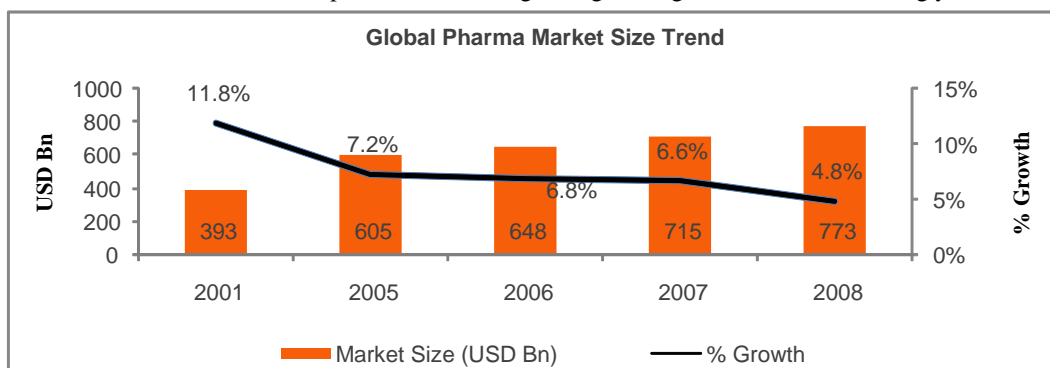
#### European Union Regulation

Member countries of the EU have an approval regime that is similar to the USFDA's ANDA filing, which involves the manufacturer of the drug formulation filing a 'dossier' which incorporates the API DMF. Based on the dossier filed, the EDQM issues a CoS. It may be possible for the API manufacturer to file one DMF for use in all EU jurisdictions. If not, the API manufacturer is required to file a DMF in each jurisdiction in which the generic manufacturer will be filing a dossier.

#### GLOBAL PHARMACEUTICAL INDUSTRY

The global pharmaceutical market grew by 4.8% to reach USD 773 billion in 2008 from USD 715 billion in 2007. The CAGR for the period 2001-2007 was 10.5%. The two largest markets, the US and Europe, which contributed almost 72.3% to the global market in 2008, achieved growth rates of 1.4% and 5.8% respectively. The European market is expected to grow with a CAGR of 2-5% for 2008-2013.

On the other hand, emerging markets like Asia, Africa and Latin America, collectively grew at a CAGR of 12-14% from 2003-2008, and are expected to continue growing at a higher rate over the coming years.

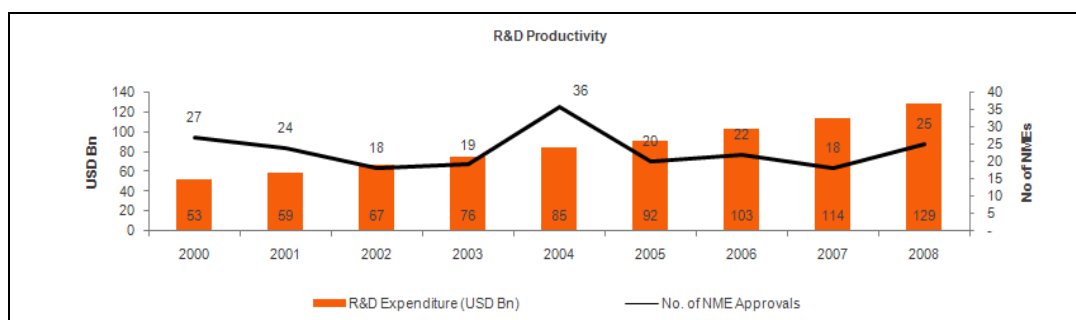


Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009

The recent trends pertaining to the global pharmaceutical markets are:

1. *Decreased R&D productivity:* During the eight year period between 2000 and 2008, while the total R&D spend of pharmaceutical companies has increased from USD 53 billion to USD 129 billion, the number of drugs approved has declined as can be seen from the number of New Molecular Entities ("NMEs") approved. This decreased R&D productivity is due to the increased failure rate in trials and higher cost of developing new drugs due to stricter regulatory requirements.



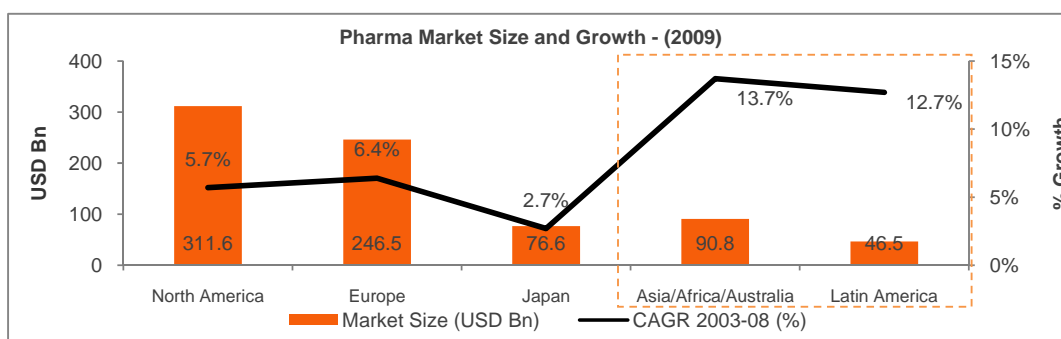


Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009

2. *Current global financial crisis*: The crisis has severely affected the liquidity of small biotech companies; with 44% of the U.S. biotech companies having less than a year's operating cash and 26% having less than six months of operating cash. Further, the consumer spend on healthcare has declined, reflected by a drop in the number of prescriptions in the U.S. by 2% for the first time in a decade in 2008-09.
3. *Increasing penetration of generics*: Penetration of generics in U.S., in terms of their share in total prescriptions, has increased from 47% in 1999 to 63% in 2007. Going forward, this is expected to increase further driven by impending patent expiries and measures by governments to reduce healthcare costs.
4. *Fewer and smaller 'blockbusters'*: Decreased number of 'blockbuster' approvals to replace the existing ones going off patent and reduced sales potential of recently launched drugs will further decelerate the market growth. The sales of blockbuster drugs have grown only 9% in 2007 compared to 24% in 2004.

Pharmaceutical companies are tackling the pressure by focusing on new technologies, participating in emerging markets and enhancing efficiency.

- The companies are focusing on new technologies like biologics. Other new technologies which are increasingly becoming areas of interest are the ones required for complex chemistries, such as lower-temperature technology that can suppress side reactions and increase reaction selectivity, chemical decontamination technology for cytotoxics and research in nanotechnology.
- Emerging markets are expected to be the key engines of growth for the global pharmaceutical market. While there has been a slowdown in the developed pharmaceutical market, emerging markets which form 17.8% of the global pharmaceutical market, continue to drive growth contributing 49% of the total growth in 2009. Emerging markets outperformed developed markets in terms of growth with a CAGR (2003-2008) of 12-13% whereas CAGR for developed economies stayed around 6-8% for the same period.



Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009

- Pharmaceutical companies are focusing on restructuring and implementing cost containment initiatives. Almost all of them have announced cost reduction programs over the past few years. They are increasingly using acquisitions as a key strategy for sustained growth and adopting a 'networked' operating model to boost efficiencies, gain access to technologies and to emerging markets. Through 'networked' model, pharmaceutical companies have been increasingly becoming reliant on using third parties to improve efficiencies through in-licensing, out-licensing, collaborations and outsourcing.

## INDIAN PHARMACEUTICAL INDUSTRY

The Indian pharmaceutical industry can be classified based on products manufactured as 'bulk' actives and 'formulations'. Based on the markets catered, these can be further classified into domestic and exports. Further, exports can be made to regulated or developed markets like US, Europe, Japan etc and semi-regulated/non-regulated or emerging markets like Asia, Africa and Latin America.

Bulk actives are otherwise known as Active Pharmaceutical Ingredients (APIs) or bulk drugs. They comprise medicinally active ingredients that are converted into formulations or dosage forms. APIs are either manufactured in-house by formulation companies or they can be outsourced to third party API manufacturers.

Formulations involve developing a preparation of the drug (from APIs and other ingredients) which is both stable and acceptable to the patient. This usually involves incorporating the drug into a tablet, capsules, injectibles, syrups, etc. The formulations are administered to or taken by the patient and are available either by prescription or over-the-counter. A prescription drug is a licensed medicine that is regulated by legislation to require a prescription (usually from a doctor) before it can be obtained. The term is used to distinguish it from over-the-counter drugs which can be obtained without a prescription.

Strong GDP growth (8.5% in 2007-08, 9.4% in 2006-07 and 9.0% in 2005-06) and significant cost advantages have resulted in the Indian pharmaceutical industry growing significantly by 19.8% from around USD 6.9 billion in 2002-03 to around USD 17.0 billion in 2007-08. Indian participation in the international pharmaceutical market has increased and with more products going generic in developed economies, Indian formulations and bulk drug exports have grown significantly. Also, increasing cost pressures on innovators has resulted in significant growth in contract research business. Driven by the above factors Indian pharmaceutical exports have grown at a CAGR of 27.0% in the last six years to reach USD 8.6 billion in 2007-08.

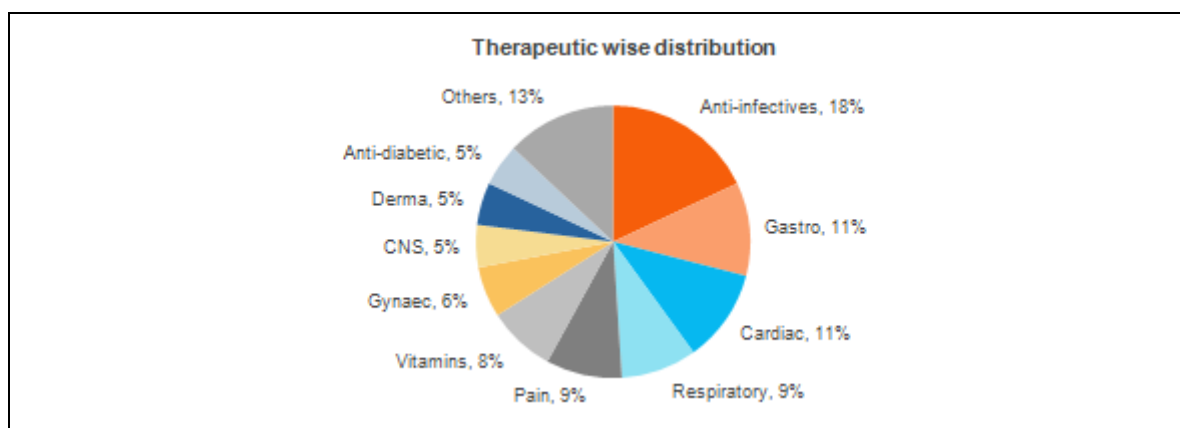
According to the Ministry of Commerce, Report of the Task Force, December 2008, currently, the Indian pharmaceutical industry is one of the world's largest and most developed, ranking fourth in volume terms and 13<sup>th</sup> in value terms. In the API segment, India ranks third in the world producing about 500 different APIs. India has emerged as the country with the largest number of USFDA approved plants outside US. According to the Department of Industrial Policy & Promotion, the drugs and pharmaceuticals sector has attracted FDI worth USD 121.8 million during the period April-October, 2009. The cumulative FDI inflows in this sector from April 2000 to October 2009 have been USD 1.58 billion.

The Indian pharmaceutical industry is expected to grow at a CAGR of 14.2% to around USD 50 billion in 2015-16. Exports are expected to grow at a CAGR of 16.2% while the domestic market is expected to grow by 12.5%.

API manufacturers in India supply APIs to domestic formulation companies, which cater to domestic and/or export markets, and also export APIs directly to regulated and/or semi regulated/unregulated markets abroad.

### *Domestic Formulations*

The domestic formulations industry grew at a CAGR of 14.3% from around USD 4.3 billion in 2002-03 to USD 8.4 billion in 2007-08. The Indian market expanded much faster than the global pharmaceutical market as a whole. It is expected to reach USD 21.5 billion in 2015-16. The break-up of key therapeutic categories for 2007-08 is as under:



Source: OPPI – Yes Bank report on Indian Pharmaceutical Industry: Vision 2015. 2008

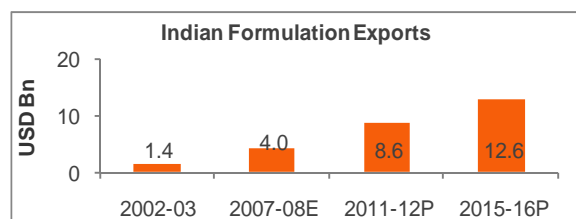
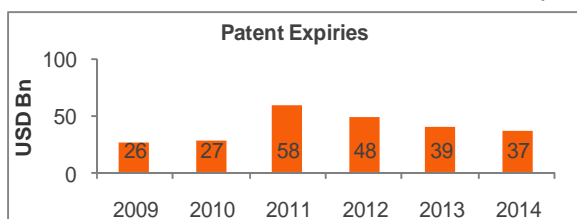
Anti-infectives is the most important segment in the domestic pharmaceutical market and accounts for about 18% of the total market turnover of USD 8.4 billion in 2007-08. Next in line and accounting for 1/10<sup>th</sup> each are cardiovascular preparations, cold remedies, pain killers and respiratory solutions. By contrast, the market for treating diseases such as diabetes and obesity, or so-called lifestyle drugs such as anti-depressants, anti-wrinkle drugs etc., are of less significance at present, but are expected to grow in the future.

The growth drivers for the domestic pharmaceuticals industry are –

- Increasing per capita income
- Better pricing power on account of consolidation
- Growth in population
- Change in the Indian demographics
- Health insurance and change in patent laws

#### *Indian Formulation Exports*

The global market for generics is expected to grow significantly on account of number of blockbuster drugs going off patent over the coming years. It is estimated that patents of products worth USD 235 billion are expected to expire over the coming years, thereby resulting in a number of new drugs entering the global market. In countries like Japan, which are facing the problem of rising healthcare costs resulting from ageing population, the government has modified its laws for generic medication and has thus enabled more companies to file DMFs and formulation dossiers in the country.



Source: OPPI – Yes Bank report on Indian Pharmaceutical Industry: Vision 2015. 2008

The global generics market grew from around USD 27 billion in 2001 to around USD 75 billion in 2007 on account of large scale patent expiry. This leaves a large opportunity for country like India where the companies are focused on higher revenue generation by sales to regulated markets.

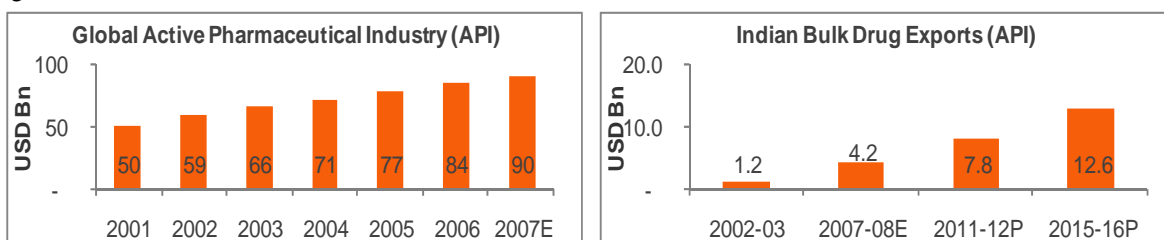
The Indian formulations export industry is expected to reach around USD 12-13 billion by 2015 due to significant growth in the generics industry and higher market share of Indian players (8.7% in 2015-16 from 5.3% in 2007-08) in the international market.

The growth drivers for the formulations export industry are –

- Patent expiries
- Increasing share in ANDA filing
- Inorganic growth by acquisitions abroad

#### *Bulk Drug Exports*

The global API industry has grown substantially over past few years due to the growth in generics industry. Global bulk drug demand increased at a CAGR of 10.9% from 2001-2006 to reach USD 84 billion in 2006. It was estimated to have reached USD 90 billion in 2007. Most of the companies that purchase bulk drugs are generics manufacturers.



Source: OPPI – Yes Bank report on Indian Pharmaceutical Industry: Vision 2015. 2008

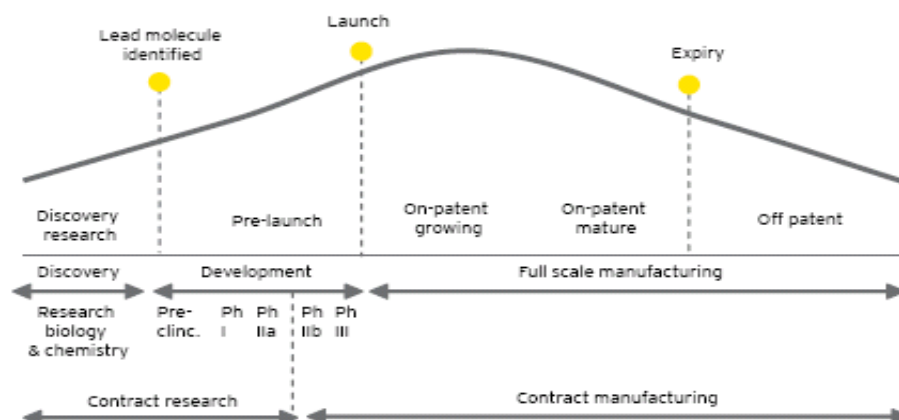
India's bulk drug/API exports account for 21% of India's pharmaceutical industry, which, in contrast to many developed countries is significantly higher as bulk drugs are mainly manufactured for internal consumption. Bulk drugs exports grew robustly at a 28.4% CAGR between 2002-03 and 2007-08 to reach an estimated USD 4.2 billion, mainly on account of –

- Growth in the international generics industry
- Increasing share of the Indian companies in DMF filings
- Contract manufacturing opportunity

The Indian bulk drugs exports is expected to reach USD 12.6 billion in 2015-16 largely driven by significant increase in sales to the regulated markets.

### **CONTRACT RESEARCH AND MANUFACTURING SERVICES INDUSTRY**

The R&D and manufacturing outsourcing market (CRAMS) has two major segments – contract (custom) manufacturing services and contract research (drug discovery and development) services. Drug discovery and development outsourcing, also known as contract research, spans target identification and lead optimization to Clinical Trial IIa. Contract manufacturing, spans from clinical trial phase IIb to the off-patent stage and includes manufacturing of intermediates, APIs and formulations. CS forms an important business sub-segment of CRAMS. CS entails synthesis of compounds, as per customer specification/requirements. Thus, it involves supplying initial material, reference compounds, derivatives of lead compounds and intermediates, especially for molecules in the development stage or drugs under patent.

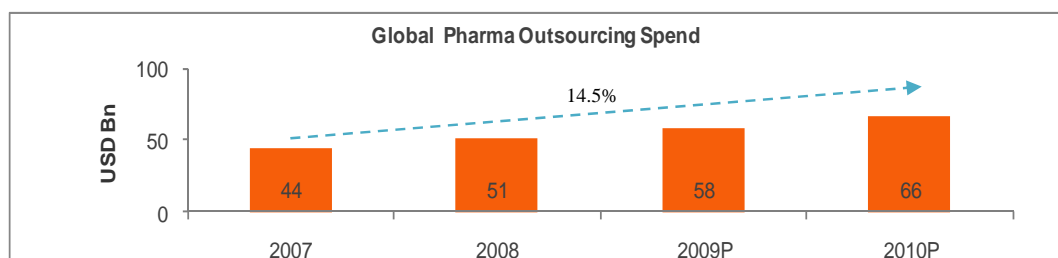


Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009

Increasing pressures in the pharmaceutical industry have resulted in the emergence of the networked model as companies seek alternative ways to drive revenue and profit growth. Outsourcing is a core part of this model and companies are increasing their reliance on third parties to deliver value across drug discovery, development and manufacturing, which have traditionally been considered as core functions.

- Over the past 20 years, pharmaceutical companies have become increasingly reliant on using third parties to improve efficiencies through in-licensing, out-licensing, collaborations and outsourcing – moving toward a networked pharmaceutical operating model.
- The degree to which companies have embraced the networked pharmaceutical model to date varies extensively; with some heavily reliant on third parties, while others use third parties to a lesser degree.
- A networked model with reliable third parties not only enhances capital efficiency but also improves flexibility and the overall cost structure, maximizes access to novel technologies for increasingly complex molecules, optimizes time to market and releases internal capacity/resource for core tasks.

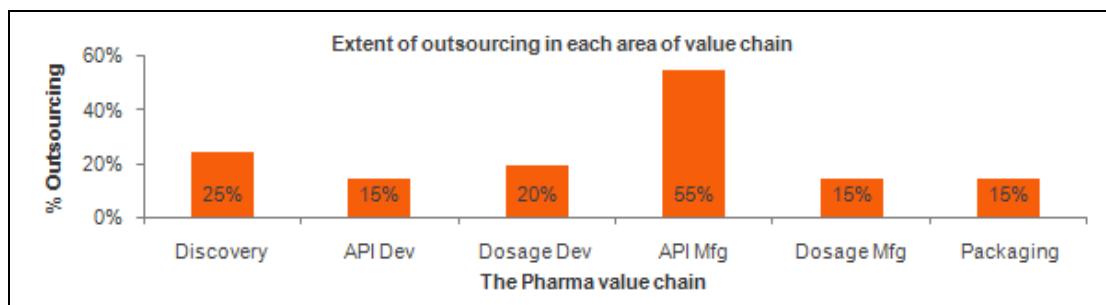
The global CRAMS market (excluding clinical trials) is USD 51 billion in size and represents 19.3% of total global pharmaceutical R&D and manufacturing spend which amounted to USD 264 billion in 2008. Further, the outsourcing market is growing at a CAGR of 14.5% from 2007-2010P.



Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009

There has been a change in the reasons for outsourcing and an expansion in the scope of outsourcing.

- Over the past two decades, there has been a shift in the pattern of outsourcing of pharmaceutical companies from noncore functions to routinely outsourcing a number of core functions such as clinical trial management and manufacturing. Drug discovery is one of the more recent core functions to be outsourced.

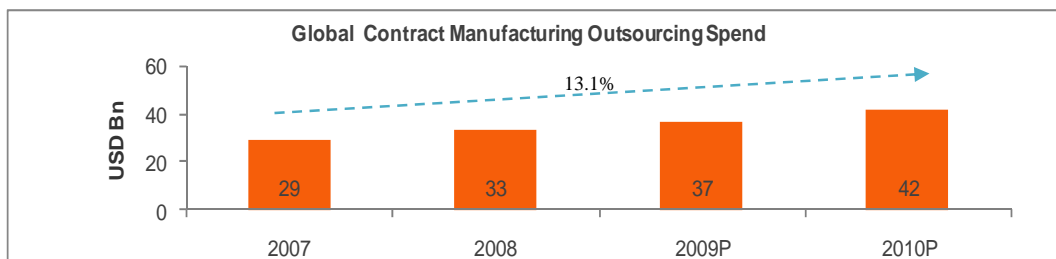


Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009

- There is higher prevalence of outsourcing across the late lifecycle than at the early stages
- Outsourcing in API manufacturing is around 55%, the highest across the value chain
- Utilization of outsourcing in the discovery and development space, as well as in dosage manufacturing, is low since they are considered as core. However, it also indicates the scope for future growth
- Further, pharmaceutical companies have indicated a preference for API development and dosage manufacturing along with the intention of increasing outsourcing spends in these areas

### Contract Manufacturing

Global contract manufacturing services market is valued at approximately USD 33 billion in 2008 and represents 24.4% total global pharmaceutical manufacturing spend which amounted to USD 135 billion in 2008. It is projected to grow at a CAGR of 13.1% for the period 2007 – 2010.



Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009

### Drivers

- Closure of assets:** Big pharmaceutical companies have built huge capacities over the years, and with products moving to their late lifecycle, these companies are operating plants at only 20– 30% of their capacity. As a result, more companies are looking at divesting such plants and outsourcing and retaining the marketing rights for the products, thereby reducing their fixed costs. Acquiring these assets gives Custom Manufacturing Organizations (“CMOs”) a new business opportunity and a relationship with such big pharmaceutical companies.
- Increasing focus on controlling costs by large international/ innovator companies due to the following reasons:**

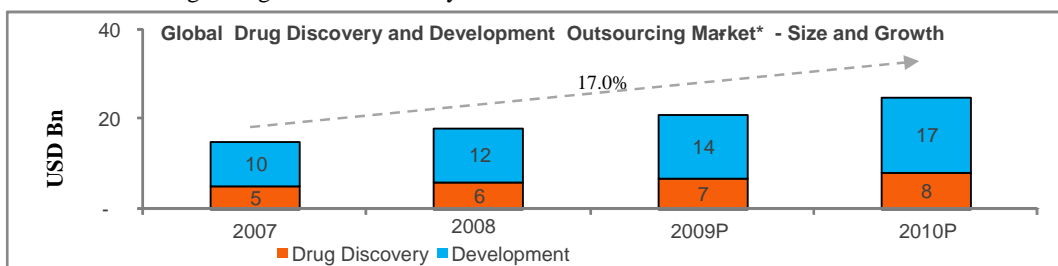
- *Increasing penetration of generics:* Increasing number of drugs going off-patent will result in increasing number of new generic drugs entering market and eroding margins for big pharmaceutical players.
- *Government pressure to reduce healthcare costs:* Rising healthcare costs in developed countries owing to ageing population is forcing Governments to cut prices of drugs and encourage use of generic medications.
- *Presence of fewer blockbuster drugs and R&D costs, hence putting pressure on their margins*
- **Focus on core skills and capabilities:** Increasing focus of innovator companies on their core strengths of developing and marketing new drugs and outsourcing non-core activities such as outsourcing.
- **Virtual/emerging biopharma/biotech:** Many of these companies do not have the internal capacity for manufacturing, and outsource it, only retaining their marketing rights.
- **Biologics:** As a high percentage of the current pipeline is from biologics, and the cost of investing in a new manufacturing facility is high, companies prefer to outsource their manufacturing rather than invest in a facility.

### Challenges

- **Lack of integrated CMOs:** Pharmaceutical companies are looking at collaborating with a CMO, which offers end-to-end services spanning development services to packaging and managing logistics. However there are only a few CMOs that are able to provide such services. This is especially true for western CMOs that are present in either formulations or API, unlike some large CMOs in India.
- **Increasing regulatory costs:** The cost of complying with regulations contributes a high percent of the fixed costs of CMOs. With technological advances taking place regularly, investments in upgrading facilities, to provide the requisite expertise to pharmaceutical companies to sustain business, is essential.

### Contract Research

The global pharmaceutical R&D spend amounted to USD 129 billion in 2008 of which USD 49 billion (40.0%) was spent on drug discovery and development. The outsourcing market (contract research) was valued at USD 18 billion in 2008 representing 36.7% of the global drug discovery and development market. The contract research market is growing at 17.0% annually.



Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009

\* Excluding clinical trials

The capabilities required across the value chain for contract research are –

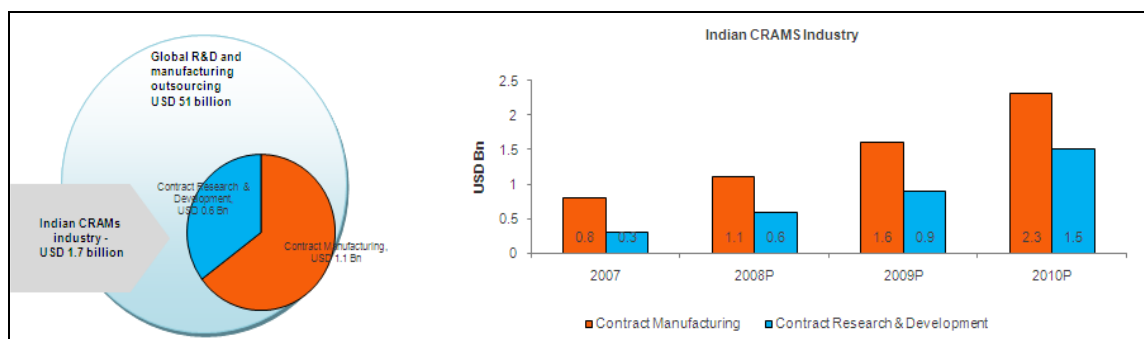
- **Speed of Delivery:** As the drug candidate moves from discovery research to development, the importance of speed of delivery becomes more important as a delay of even a few days can jeopardize millions of dollars in potential revenues

- *Flexibility:* Financial crises, high rate of failure of drugs in development stages, changing market dynamics – all create an environment of uncertainty where customers value the ability to scale up/down or focus/de-focus in certain areas as and when needed
- *Integrated Capabilities:* Integrated capabilities, demonstrated by a one-stop shop offering end-to-end services right from research biology to chemistry, scale up from laboratory to pilot plants across API as well as formulations are of paramount importance
- *Cost Value Proposition:* The margins of pharmaceutical companies are dwindling due to increasing genericization and rising R&D costs. With this background, one of the key themes of outsourcing is cost saving with no compromise on quality
- *Innovation:* Innovation is the ability to deliver new value to the customer in a non-deterministic environment. As the drug candidate moves from discovery research to development, where both expectations and activities become more deterministic, operational excellence takes the place of innovation
- *Process Safety:* Implementation of a high level of safety standards are of paramount importance since the development of new drugs involves new reactions/chemicals, whose effect on the safety of people, equipment and facilities are not completely known

The CRAMS industry is undergoing a paradigm shift with the rise of a number of new players from emerging economies who offer global capabilities and a substantial cost advantage. This is forcing big pharmaceutical companies and western CMOs to recognize the need to transition from the West to the East, to fully leverage the benefits outsourcing can offer beyond simple cost-savings to strategic benefits.

### The Indian CRAMS Industry

India is emerging as one of the most attractive destinations for outsourcing of global pharmaceutical activities. The Indian CRAMS industry was valued at USD 1.7 billion in 2008. Despite India's inherent advantages, it accounts for only ~3% share of the USD 51 billion global outsourcing market, indicating significant opportunity for growth in this segment.



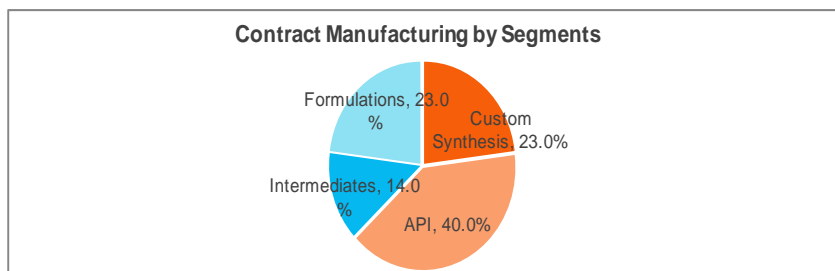
Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009

#### Contract Manufacturing

Indian pharmaceutical manufacturing outsourcing was valued at USD 1.1 billion in 2008 and is growing at a CAGR of 43% (2007-2012), a rate that is thrice that of the global market.

- India's share of the global manufacturing outsourcing market is estimated to increase from 2.8% in 2007 to 5.5% in 2010
- API/Intermediate outsourcing is more prevalent in India than formulation outsourcing. Around 64% of total outsourcing is in the area of APIs and Intermediates





Source: OPPI – E&Y Report on “Taking Wings: Coming of age of the Indian Pharmaceutical Outsourcing Industry”, 2009

- Further, most Indian players participate in mid-late lifecycle products and in contributing to the N-2 state of APIs. Indian CMOs do not participate in the production of the final API/formulation sourced for patented product launch / filing for submission.

#### Contract Research

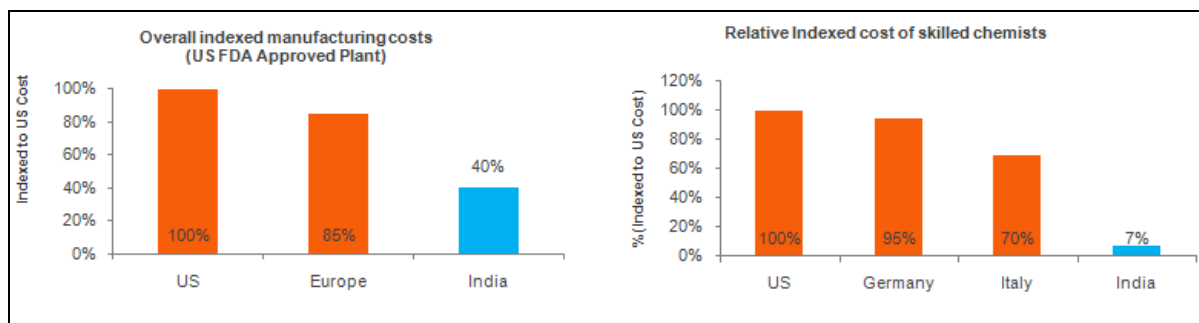
India is emerging as a hot spot in drug discovery and development outsourcing, growing at approximately 65%, i.e., at more than three-and-half times the global growth rate. India's pharmaceutical outsourcing landscape is well positioned to provide services in the area of late stage discovery (research chemistry) and drug development services. The country has recognized the need to develop its early stage discovery (research biology) capabilities and has begun investing in this area.

#### Strengths of the Indian Pharmaceutical Industry

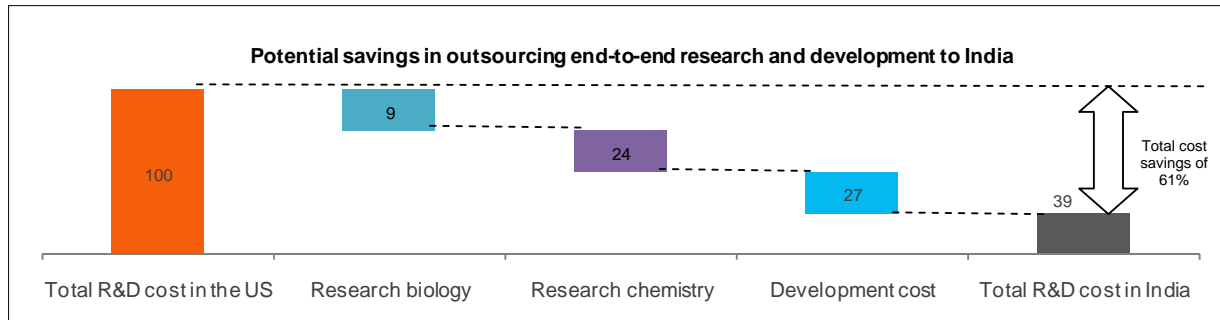
**Cost Efficiency:** On comparing India with some prominent manufacturing locations, it is seen that India rates higher on cost efficiency than all the other countries. This has been possible due to the intrinsic nature of the Indian pharmaceutical Industry and its evolution. The three key factors that contribute to this efficiency include:

1. **Manufacturing costs:** The Indian market is highly fragmented with almost 8,000 manufacturers. This high competition has driven Indian companies to relentlessly drive their costs down over the life cycle of a product. The competency developed as a result also reflects in the manufacturing costs of USFDA plants in India, whose costs are 65% lower than that in the US and 50% lower than that in Europe
2. **Installation costs:** The cost of setting up a plant in India is 30% lower than that of establishing an FDA plant in the US.
3. **Manpower costs:** India's pool of trained chemists and pharmacists is six times as large as the USA's and is available at less than 1/10<sup>th</sup> the cost.

In end-to-end research and development, India offers 61% cost savings vis-à-vis the US. Research chemistry and drug development are stages where close to 85% of savings can be achieved.



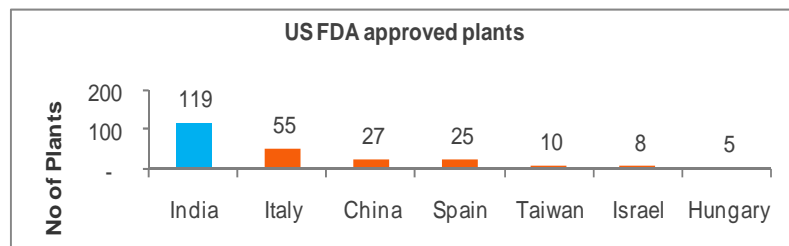
Source: OPPI – E&Y Report on Taking Wings: Coming of age of the Indian Pharmaceutical Outsourcing Industry, 2009



Source: OPPI – E&Y Report on Taking Wings: Coming of age of the Indian Pharmaceutical Outsourcing Industry, 2009

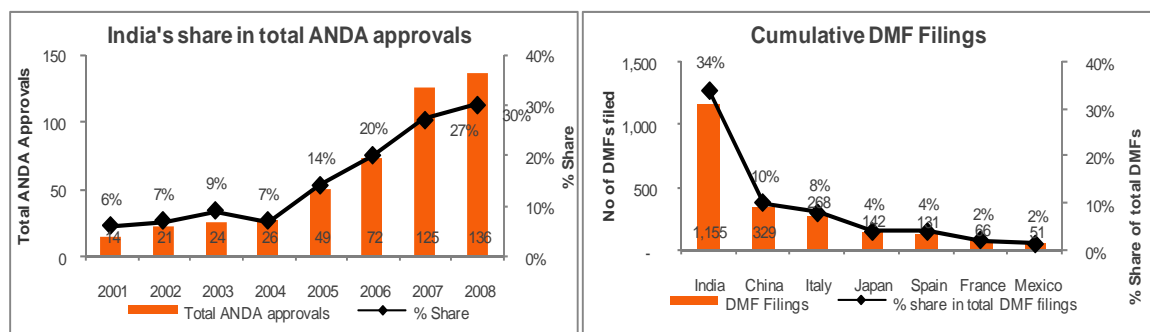
**Manufacturing Capabilities:** Currently India accounts for 8% of global pharmaceutical production, making it the 4<sup>th</sup> largest pharmaceutical producer in the world. Its prowess is in API, where it is the third-largest player worldwide with 500 different APIs and in formulations where it manufactures 60,000 packs across 60 therapy areas.

1. *Vertically integrated pharmaceutical companies:* In India, companies have adopted a vertically integrated model to become more competitive in the price-competitive Indian market. This advantage has been leveraged by some leading outsourcing players who offer end-to-end services across development and manufacturing in formulations and APIs, unlike western CMOs which generally have a presence in either formulations or APIs, but not in both.
2. *Highest Number of USFDA approved plants outside the US:* India has the around 119 USFDA plants in addition to around 844 UK MHRA approved plants. Many of these plants also have approvals from countries such as Canada, Australia, Germany and South Africa. These approved sites aptly demonstrate the ability of Indian companies to deliver quality products worldwide and act as a platform for CRAMs players.



Source: OPPI – E&Y Report on Taking Wings: Coming of age of the Indian Pharmaceutical Outsourcing Industry, 2009

3. *Increasing number of drug filings:* India accounts for one-third of the DMFs in the US and has filed the largest number of ANDAs from any other country apart from the US. Indian companies have been active in filing DMFs in the US since 2000 and had a 36% share of the total filings in 2007. Between 2000 and 2007, India filed 1,155 DMFs with the USFDA, a much larger number as compared to countries such as China, Italy and Japan during the same period.



Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009

**R&D knowhow:** India's pharmaceutical industry is driven by cost competitive strong chemistry capabilities supported by talent pool of skilled professionals and R&D infrastructure. India's R&D legacy has been focused on the development of generics for western markets, which involved developing non-infringing process- and cost-effective routes. It has been able to leverage this capability in research chemistry, especially in the areas of medicinal chemistry, analytical chemistry and compound synthesis.

- India has developed strong capabilities in process chemistry, medicinal chemistry and analytical chemistry. Further, process development and scale up capabilities for clinical APIs and formulation manufacturing across various dosage forms such as solids, semi-solids, liquids, powders (lyophilisation) and parenterals have also been undertaken.
- India has developed pre-clinical services capabilities with a number of animal testing facilities (existing and under development) using dogs and primates.
- India offers significant cost arbitrage in end-to-end research and development with potential savings of 61% as compared to US. Further, India offers an abundant pool of professionals in the area of drug development and research chemistry with ~ 50,000 pharmacists and 150,000 chemistry post graduates qualifying every year.
- India has more than 200 Department of Scientific and Industrial Research approved in-house pharmaceutical R&D units and 48 cGMP compliant R&D facilities.
- Big pharmaceutical companies and global outsourcing service providers have started focusing on India for drug development and research chemistry. Big pharmaceutical companies have adopted different operating models such as captive off shoring, dedicated R&D unit in partnership, fee for services and collaboration / joint venture.

A view of how India measures against the key evaluation criteria for outsourcing decisions

The analysis is based on the Ernst & Young–OPPI survey and interviews conducted with 25 respondents across 10 big and mid-tier global pharmaceutical companies and Indian suppliers. The respondents were from research and development teams, sourcing teams and included senior executives spread across Europe, US and Asia.

Evaluation Criteria	Drug Discovery		Development
	Research Biology	Research Chemistry	
Speed of Delivery	L	M-H	M-H
Flexibility	L	M-H	M-H
Capability	L-M	M	H
Cost value Proposition	L	M-H	H
Innovation	L	L	L
Process Safety	NA	NA	L

Capability rating: H = High, M = Medium, L = Low

Source: OPPI – E&Y Report on Taking Wings: Coming of Age of the Indian Pharmaceutical Outsourcing Industry, 2009

## **Government initiatives**

The GoI on its part has taken various policy initiatives for the pharmaceutical sector:

- Fiscal incentives to R&D units in pharmaceutical sector: Units are eligible for weighted tax deduction at 150 % for R&D expenditure incurred under Section 35 (2AB) of the I.T. Act.
- Steps have been taken to streamline procedures covering development of new drug molecules, clinical research, etc.
- Launch of two new schemes—New Millennium Indian Technology Leadership Initiative or NMITLI, and the Drugs and Pharmaceuticals Research Programme or DPRP - especially targeted at drugs and pharmaceutical research.
- Reduction in customs duty from 10% to 5% on select life-saving drugs.

In order to further strengthen India's position in the pharmaceutical manufacturing outsourcing market, the GoI has taken or planning to take several initiatives such as:

- Streamlining and reducing time frame for approvals involving NOC manufacturer and NOC export licenses from 8–12 weeks to 2 weeks.
- Providing infrastructure support such as building 'Pharmazones', a separate dedicated temperature and atmosphere controlled area to maintain the safety, efficacy, and quality of imported and export drugs / pharmaceutical products at international airports at Delhi, Hyderabad and Mumbai.
- Building capabilities through collaboration with western countries, such as the MoU with the USFDA, WHO, Health Canada, South Africa and the European Medicines Agency.

## OUR BUSINESS

### Overview

We were founded in 1996 by our Promoters Mr. Pranav Gupta and Mr. Vineet Gupta, who are professionally qualified first generation entrepreneurs. We are presently engaged in the manufacturing, including contract manufacturing, of APIs and API intermediates for the domestic market as well as for exports to international markets, including regulated markets. APIs, also known as ‘bulk drugs’ or ‘bulk actives’ are the principal ingredient used in making finished dosages in the form of capsules, tablets, liquid, or other forms of dosage, with the addition of other APIs or inactive ingredients. We currently produce the SSP and Cephalosporin range of antibiotics in oral and sterile form, along with their intermediates.

We currently own and operate two manufacturing facilities at Derabassi, Punjab, and Panchkula, Haryana. We commenced commercial operations in February 1998 by setting up a unit at Sundhran, Derabassi, to manufacture SSPs. We currently have six units at Sundhran, Derabassi, for manufacturing the oral and sterile range of Cephalosporin APIs and intermediates. The facility at Sundhran, Derabassi, is WHO-GMP and ISO-14001 certified. We started our second facility at Panchkula in fiscal 2005. Currently, the Panchkula facility has two units manufacturing SSPs and API intermediates such as 6-APA. We have also set up a custom synthesis and R&D centre at Barwala, Haryana, in fiscal 2010, for development and scale-up of new APIs and APIs intermediates in all therapeutic segments, including non-antibiotic products. This facility focuses on providing contract research services to innovator companies. In addition, we are in the process of setting up another manufacturing facility at Chachrauli, Derabassi, to manufacture the non-antibiotic range of APIs, which is expected to commence commercial operations in fiscal 2012.

Our product portfolio presently comprises 44 APIs and seven API intermediates which are marketed domestically and exported. We supply our products to approximately 45 countries, including regulated markets. We have filed 17 dossiers with the relevant regulatory authorities to increase our penetration in the regulated markets. This includes seven DMFs filed with the USFDA, one DMF filed with the Bureau of Pharmaceutical Sciences, Canada and nine dossiers filed with the EDQM, including two for which we have received Certificates of Suitability (“CoS”) from the EDQM, for supplying Amoxicillin and Flucloxacillin Sodium for the European markets. Currently, we supply 6-APA from our Panchkula facility for the US markets conforming to the regulations prescribed by the USFDA.

We have an established R&D setup which comprises chemical and analytical research laboratories at our facility at Sundhran, Derabassi. Our focus is on developing non-infringing processes for new molecules for expansion of our product portfolio, existing process improvements and production cost efficiencies. Our R&D department has led the Company to successfully launch additional sterile and oral products over the years. During fiscal 2010, products such as Ceftazidime, Cefotiam, Ceftizoxime and Cephalothin were launched to further widen our product range. We have made 10 applications for process patents, of which nine patent applications have been filed with the Indian Patent Office, and one international process patent for manufacturing Cefuroxime Axetil filed under the PCT, Switzerland. As at April 15, 2010 our research team comprised 85 scientists, including 16 Ph.Ds. Our dedicated custom synthesis and R&D facility at Barwala is the centre of our research activities. The Barwala facility also houses a custom synthesis site and a pilot manufacturing plant (kilo lab) to provide CRAMS services to innovator companies. Our Company is in compliance with the applicable requirements of the Drugs and Cosmetics Act and the regulations issued thereunder.

We seek to establish long term relationships with our customers and expand our business opportunities with them. As at December 31, 2009, we catered to 487 customers worldwide, including some of the leading generic companies in the world.

As per our audited restated standalone financial statements, our total income has increased from Rs. 15,056.33 lacs in fiscal 2007 to Rs. 39,693.70 lacs in fiscal 2009 and our profit after tax has increased from Rs. 1,358.98 lacs to Rs. 2,109.20 lacs during this period. Our total income and profit after tax as at December 31, 2009 were Rs. 35,015.50 lacs and Rs. 2,141.28 lacs, respectively. Our net sales have increased at a CAGR of 62.50% from fiscal 2007 to fiscal 2009. Direct exports constituted 27.65% of our net sales in fiscal 2009, and 27.93% as at December 31, 2009.

## **STRENGTHS AND STRATEGIES**

### **Our Competitive Strengths**

We believe that the following are our primary competitive strengths:

#### ***Robust chemistry capabilities***

We are a research driven company with our R&D efforts focused on developing non-infringing processes and achieving process improvements and production cost efficiencies. We have an established R&D facility which comprises chemical and analytical research laboratories at Sundhran, Derabassi, and a team of 85 scientists including 16 Ph.Ds, as at April 15, 2010. We have also set up an additional R&D centre at Barwala in fiscal 2010.

Our R&D department has successfully launched various sterile and oral SSPs and Cephalosporins in the past. In 2005, we diversified our product mix by starting production of Cephalosporins. We launched our first cephalosporin oral molecule in fiscal 2007, and expanded into production of sterile Cephalosporins and Cephalosporin intermediates in 2008. During fiscal 2010, we have launched additional sterile products such as Ceftazidime, Cefotiam, Ceftizoxime and Cephalothin to further widen our product range. We have also made an application for one international process patent for manufacturing Cefuroxime Axetil, pursuant to an application filed under the PCT, Switzerland. In addition, there are nine patent applications filed by us with the Indian Patent Office.

#### ***Diversified customer base***

As at March 31, 2009, we catered to 487 customers worldwide, including some of the leading generic companies in the world. Our sales to top five customers, which amounted to 57.59% of total sales by value in fiscal 2007 reduced to 34.84% in fiscal 2009. We are constantly striving to increase our customer base and reduce dependence on any particular customer. The total number of our customers, including domestic and international customers, has increased from 244 in fiscal 2007 to 487 during fiscal 2009. For further information, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Financial Statements*” on pages 218 and 156, respectively.

#### ***Wide product range in the antibiotics segment***

We manufacture a wide range of products in the antibiotics segment encompassing oral as well as sterile forms of SSPs and Cephalosporins. In addition, we manufacture a range of API intermediates which are in turn used to manufacture APIs. Our current product portfolio comprises 44 APIs and seven API intermediates which are marketed domestically and exported. We continuously focus on developing new products within our existing segments, including niche products developed with specific applications or taking customer specifications in view. For instance, we presently produce niche Penicillin APIs such as Bacampicillin, Sultamycillin, and Pivampicillin at our Panchkula facility.

#### ***Facilities designed to serve regulated markets and manufacture multiple products***

Our manufacturing facilities are designed to manufacture a variety of APIs and API intermediates using a combination of processes. Our facility at Sundhran, Derabassi is WHO-GMP and ISO-14001 certified. Our Panchkula facility supplies 6-APA for the U.S. markets conforming to the regulations prescribed by the USFDA and our custom synthesis site at Barwala has also been set up in compliance with USFDA standards. We have also received CoS for supplying Amoxicillin and Flucloxacillin Sodium for the European markets. Such facilities allow us to market our products in regulated markets on registration and approval of the products with the relevant authorities. Our proposed facility at Chachrauli, Derabassi is also being set up in compliance with USFDA standards.

Our flexible manufacturing infrastructure enables us to expand our product range and change our product mix in response to changes in customer demand and to serve customer requirements ranging from laboratory scale research to commercial production.

#### ***Dynamic and professional management with healthcare domain knowledge and experience***

Our Promoter and Managing Director, Mr. Pranav Gupta, and our other Promoter and Wholetime Director, Mr. Vineet Gupta, are professionally qualified first generation entrepreneurs with international experience. Mr. Pranav Gupta holds a bachelors' degree in mechanical engineering from Thapar Engineering College, Patiala and a masters' degree in business administration from Kansas, USA. Before promoting our Company, Mr. Pranav Gupta worked with the Ford Motor Company, USA. Mr. Pranav Gupta is involved in managing our day to day operations. Mr. Vineet Gupta holds a bachelors' degree in mechanical engineering from IIT, Delhi and has been instrumental in driving our expansion into international markets. Other members of our management team include our Directors Dr. Ram Kumar and Dr. Deepali Gupta, who are qualified doctors with several years of experience, and are members of various healthcare and scientific organizations. Mr. Arun Mathur, a non-executive Director on our Board, has a bachelors' degree in chemical engineering from IIT, Kanpur and has nearly 35 years of experience in reputed pharmaceutical companies such as Ranbaxy Laboratories Limited ("**Ranbaxy**") (as director of operations), Matrix Laboratories Limited (as global manufacturing head), Lupin Pharmaceuticals and Beximco Pharmaceuticals Limited.

We believe that the healthcare domain knowledge and experience of our Promoters and senior and middle management provide us with a competitive advantage as we seek to expand in our existing markets and enter new geographic markets.

### **Key Business Strategies**

Our vision is to be a partner-of-choice to leading globally oriented pharmaceutical innovators, specialty and generic players in the development, custom-synthesis and commercial manufacturing of Active Pharmaceutical Ingredients ("**APIs**") and intermediates.

#### ***Leverage our existing capabilities to expand in the CRAMS segment***

Within the CRAMS segment we intend to focus on custom synthesis, clinical trial manufacturing and commercial manufacturing for innovator companies. Over the years we have added several products to our portfolio by developing, scaling up and commercially manufacturing APIs. We intend to leverage the capabilities that we have developed in contract manufacturing for generic companies and innovators to expand in the CRAMS segment and become an outsourcing partner of choice for global innovator companies.

Our R&D facility at Barwala houses a custom synthesis site and a pilot manufacturing plant (kilo lab) to provide CRAMS services to innovator companies. For future contract manufacturing orders of molecules developed by this facility, the proposed facility at Chachrauli, Derabassi would be the manufacturing site. We propose to set up another facility for undertaking CRAMS services at Panchkula through our subsidiary Parabolic, Research Labs Limited. For details, see "*Objects of the Issue*" on page 68.

We view contract research as an opportunity to be a precursor to negotiating contract manufacturing contracts. We believe that we can derive higher profit margins in the CRAMS segment as speed of delivery, reliability and consistent quality of the service provider is valued over low cost. In addition, we have the advantage of low cost, as our operations are based entirely in India where costs of labour and skilled manpower are presently lower than in developed nations.

#### ***Increase our penetration into international markets with a focus on regulated markets***

We seek to leverage our R&D capabilities to expand into international markets, including regulated markets where our strategy is primarily to become the preferred supplier of APIs and API intermediates to pharmaceutical companies. We intend to increase the number of dossier filings in the regulated markets and develop long term manufacturing relationships with customers. We already have relationships with some of the leading generic companies in the world and we seek to strengthen our relationship further with these companies. Our custom synthesis site at Barwala is set up in compliance with USFDA standards and the proposed manufacturing facility at Chachrauli, Derabassi is also sought to be set up in compliance with USFDA standards.

#### ***Diversify our product portfolio and expand into the non-antibiotic segment***

Currently we manufacture a comprehensive range of antibiotics such as SSPs and Cephalosporins in both oral and sterile forms. We intend to further expand our product portfolio to manufacture APIs in the non-antibiotic segment including lifestyle segments such as anti-hypertensive, gastro-intestinal, psychiatric, pain management,

respiratory, retro-viral, dermatological and anti-diabetic segments. We intend to enter these therapeutic segments with a focus to offer a wider product portfolio to our existing customer base. We are in the process of setting up a new facility at Chachrauli, Derabassi, to manufacture such products, for which we propose to invest a portion of the Net Proceeds of the Fresh Issue. For details, see “*Objects of the Issue*” on page 68.

## Our Operations

We supply APIs to a number of domestic and international companies. The key to enter the market for supplying APIs to companies is to have manufacturing facilities adhering to international standards, which would comply with the USFDA / WHO GMP requirements, as well as developing cost competitive and efficient processes.

The APIs manufactured by us are purchased by pharmaceutical companies which convert the APIs into various forms of formulations such as tablets, capsules and liquid form for sale. Some of the intermediates manufactured at our facilities are also purchased by bulk drug units for further processing and conversion into bulk drugs.

We commenced commercial operations in February 1998 by setting up a unit at Derabassi, to manufacture SSPs, and commenced contract manufacturing operations in fiscal 1999. In 2001, we undertook a backward integration programme to start production of penicillin intermediates. We set up our second facility at Panchkula in 2004. In 2005, we diversified our product mix by starting production of Cephalosporins. We launched our first cephalosporin oral molecule in fiscal 2007, and expanded into production of sterile Cephalosporins and Cephalosporin intermediates in 2008.

We have filed 17 dossiers with the relevant regulatory authorities to increase our penetration in the regulated markets. This includes seven DMFs filed with the USFDA and two for which we have received CoS from the EDQM, for supplying Amoxicillin and Flucloxacillin Sodium for the European markets. Currently we supply 6-APA from our Panchkula facility for the US markets conforming to the regulations prescribed by the USFDA.

## Our Current Product Range

Cephalosporins			Semi Synthetic Penicillins		
Oral	Sterile	Intermediate	Oral	Sterile	Intermediate
Cefuroxime Axetil Amorphous	Ceftriaxone Sodium	Cefuroxime Acid	Ampicillin Anhydrous	Ampicillin Sodium	6- APA
Cefuroxime Axetil DC Grade	Cefuroxime Sodium	Cefuroxime Axetil Crystalline	Ampicillin Trihydrate	Amoxycillin Sodium	
Cefuroxime Axetil Taste Masked	Cephalotin Buffered	7- ATCA	Amoxycillin Trihydrate	Cloxacillin Sodium	
Cefpodoxime Proxetil	Cefepime+L- Arginine	7- AVNA	Cloxacillin Sodium	Dicloxacillin Sodium	
Cefpodoxime Proxetil DC Grade	Ceftazidime Buffered	7-APRA	Dicloxacillin Sodium	Flucloxacillin Sodium	
Cefixime Trihydrate	Ceftizoxime Sodium	7- ANCA	Flucloxacillin Sodium	Oxacillin Sodium	
Cefdinir	Ceftiofur HCL		Oxacillin Sodium	Sulbactam Sodium	
Cefprozil	Cefoperazone Sodium + Sulbactam Sodium		Pivampicillin Base	Ampicillin Sodium + Sulbactam Sodium (2:1)	
Cefditoren Pivoxil	Cefpirome Sulphate		Sultamicillin Base	Ampicillin Sodium + Cloxacillin Sodium (1:1)	
Ceftamet Pivoxil			Sultamicillin Tosylate	Amoxycillin Sodium + Sulbactam Sodium (2:1)	
Ceftibuten			Bacampicillin HCL	Amoxycillin Sodium + Flucloxacillin Sodium (1:1)	
Cefotiam HCI				Piperacillin Sodium + Tazobactam Sodium (8:1)	



Additional products in the oral and sterile antibiotic segment are under various stages of development with our R&D department and are expected to be launched in fiscal 2011. There is also a pipeline of over 20 non-antibiotic products under development with the R&D department, which we plan to manufacture at our proposed facility at Chachrauli, Derabassi.

### **Manufacturing Process**

The manufacturing process of APIs and their intermediates differs from product to product. However, it typically involves a series of reaction steps under controlled conditions of temperature and pressure to produce the finished product and side chains or by products. Both the finished product and by product are saleable. Each of these processes vary depending on the product, i.e., whether a Penicillin or Cephalosporin. The number of steps from input to finished goods may vary from single step products to several step products under the Penicillin and Cephalosporin range of API being manufactured by us. The reaction time also varies between 12 and 24 hours for Cephalosporins and between 10 and 15 hours for Penicillin API manufacturing process, respectively.

For each product, we identify several alternative methods of manufacture and choose the most appropriate for the situation, viz., economic, patent non-infringing, achieving a desired quality standard, environment impact, etc. Depending on the requirements of the customers, the finished products can be either in powder or liquid form. It is then suitably packed in different packaging material. We use technology and processes developed by our in-house R&D. Improving yields and cost efficiency in processes is a continuous agenda with the R&D team. Efficient solvent recovery systems established for all types of solvents used in the plant help in further cost control.

General illustrations for Cephalosporins and Penicillins production at our facilities are provided below.

#### ***Cephalosporin***

*Process Summary:* The reactants are added into the solvents and reacted with the key raw material and after two - three step chemical reactions, a crude mass is formed. The material is then distilled under vacuum to remove the traces of the organic solvent. Thereafter, the material is crystallized at low temperature and centrifuged. The wet mass is washed thoroughly followed by drying at a fixed temperature to obtain the product with the desired moisture. The complete set of reactions is monitored by a high performance liquid chromatograph (“HPLC”) for quality checks. The finished product is then milled, blended and sifted to get the fine powder form of API.

*Manufacturing process (for Cefuroxime Axetil):* This is a four step reaction for conversion of 7-amino Cephalosporanic acid (7-ACA) to finished product Cefuroxime Axetil, as shown in the process chart below.

#### **Step I: Conversion of 7-ACA to Hydroxy Cefuroxime**

7-ACA is added to methanol water mixture and chilled caustic soda in a reactor and in a separate reactor, a solution is prepared at low temperatures of Z)-2 Methoxy Amino (Furyl-2-yl) Acetic Acid Ammonium Salt (SMIA) with chilled Phosphorous Pentachloride and Methylene Di-chloride. Then these two are slowly mixed together while adding diluted acetic acid and chilled sodium hydroxide solution. As a result of the chemical reaction, Hydroxy Cefuroxime is formed.

#### **Step II: Hydroxy Cefuroxime to Cefuroxime acid formation**

Hydroxy cefuroxime is treated with chlorosulfonyl iso cyanate (CSIC) and acetone at low temperature to form a solution. Crude Cefuroxime acid is formed after work-up in DI water, which is centrifuged to separate the solid from the solvents and the resultant crude mass of Cefuroxime Acid is purified in a solution of sodium hydroxide and acetone. This is then again centrifuged and dried on high temperature.

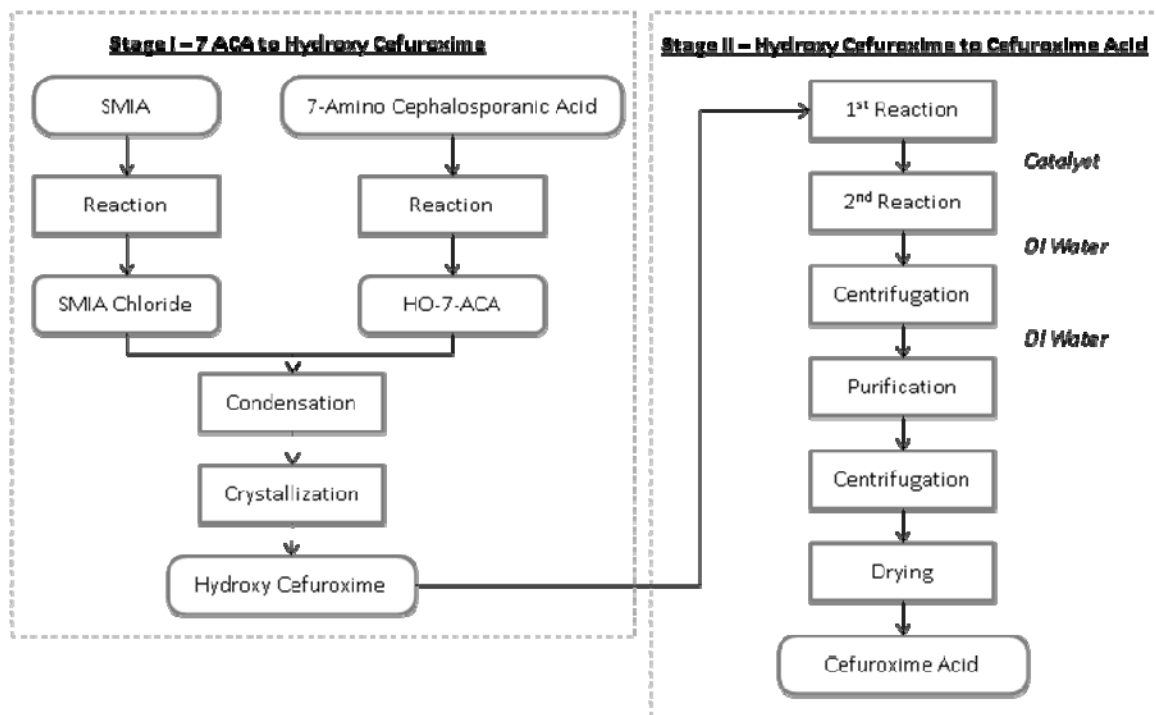
#### **Step III: Cefuroxime acid to Cefuroxime axetil (crystalline) formation**

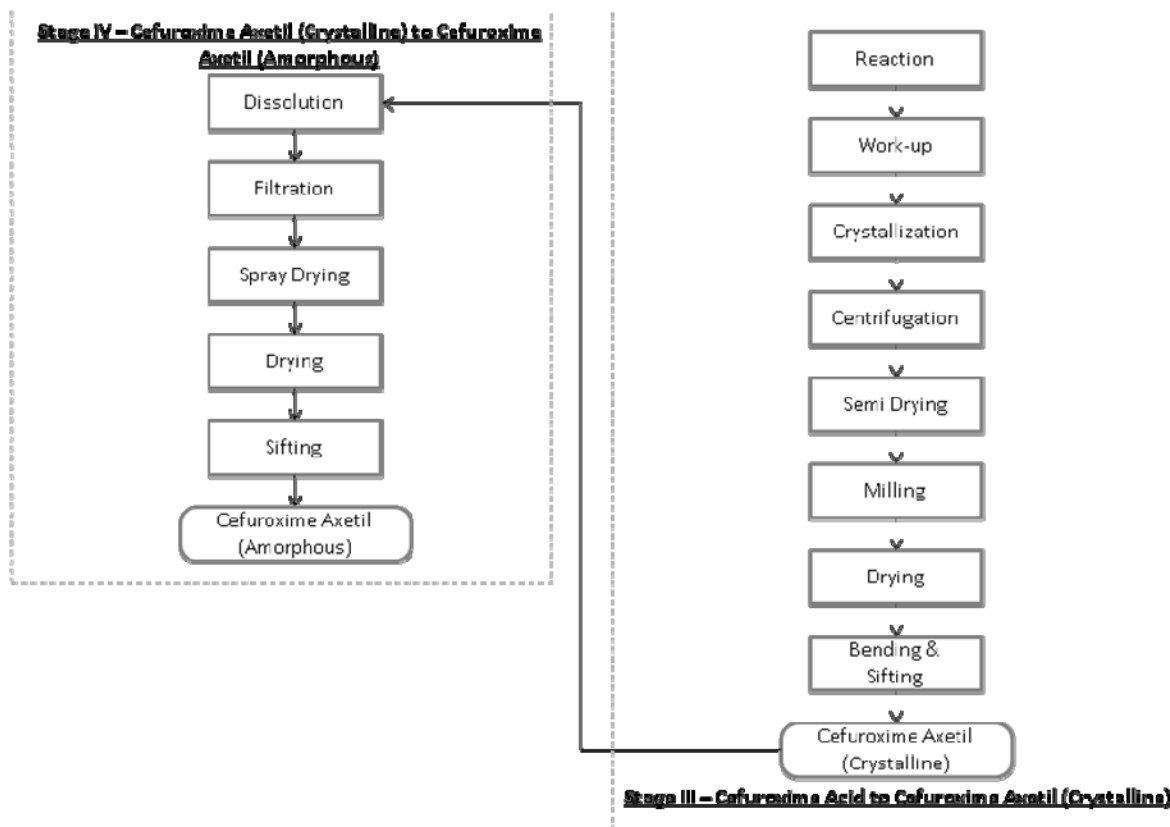
Cefuroxime acid is condensed with 1-Acetoxy ethyl bromide (AEB) in the presence of sodium carbonate and N, N-Di-Methyl Acetamide. Cefuroxime axetil (crystalline) is formed after work-up in DI water-ethyl acetate and crystallization (formation from the liquid solution to a pure solid crystalline form) in methanol and cyclohexane. The mass is then centrifuged and dried. The resultant powder (cefuroxime Axetil crystalline) is then converted to fine powder form by milling and blended and sifted to get a consistent desired quality.

#### **Step IV: Cefuroxime axetil (crystalline) to Cefuroxime axetil (amorphous) formation**

Cefuroxime axetil (crystalline) is dissolved in acetone and the solution is stirred until clarity is achieved. The solution is filtered, and dried in a closed loop spray drier. Cefuroxime axetil (amorphous) is unloaded from the cyclone of the spray drier and is further dried in a rotary vacuum drier.

A general process flowchart is provided below:





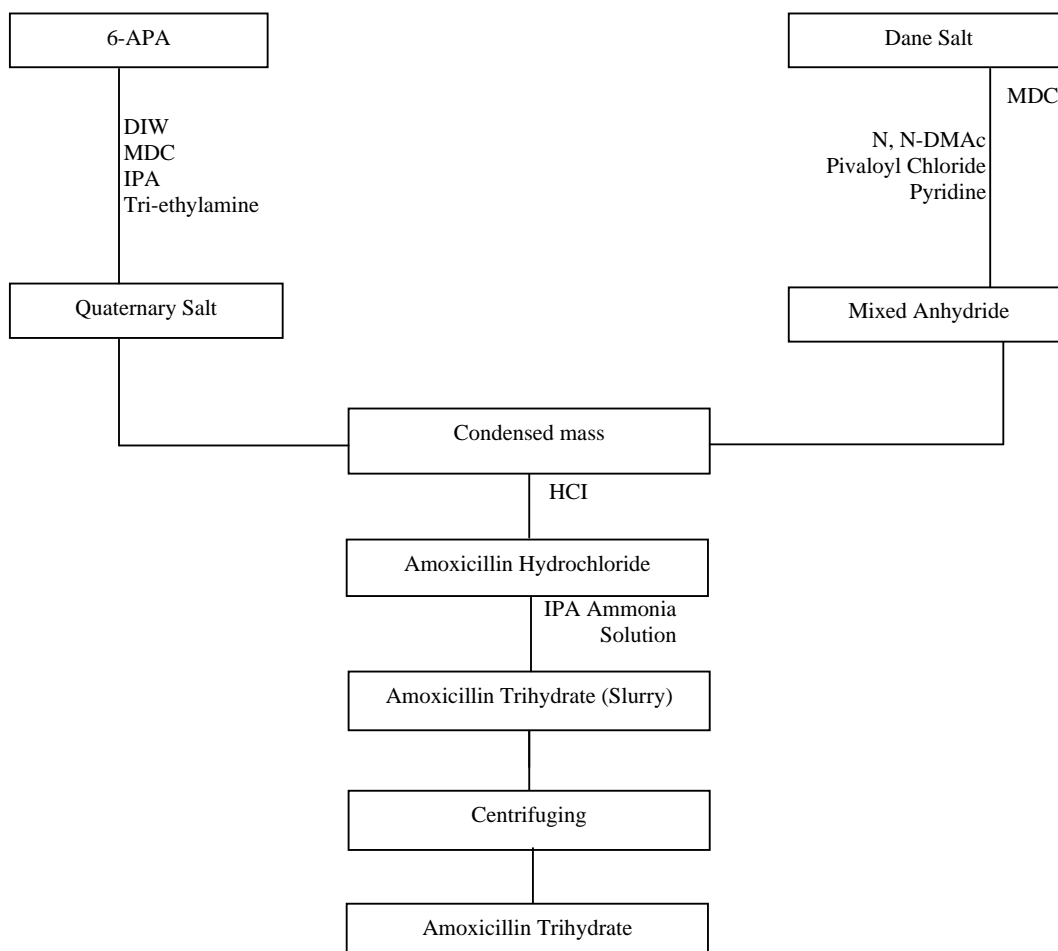
## Penicillin

**Process Summary:** The reactants are mixed with solvents to form a solution which is condensed to form the resulting crude mass of product. After a lengthy work up is performed through various extractions, the material is crystallized at low temperature and centrifuged. The resulting wet mass is washed, which is followed by the final drying in a drier. The finished product is then milled, blended and sifted to get the fine powder form of API.

**Manufacturing process (for Amoxicillin Trihydrate):** This is a single step reaction for conversion of 6-amino Penicillanic acid (6-APA) and Dane Salt to finished product Amoxicillin Trihydrate, as shown in the process chart below.

6-APA is mixed with methylene di-chloride, iso propyl alcohol and Tri-ethylamine in DI water to form a solution (the Quaternary Salt) in one reactor and simultaneously, in a separate reactor, the Dane salt methyl potassium is treated with methylene di-chloride, N, N-Di-Methyl Acetamide, Pivaloyl chloride and pyridine to form a mixture in DI water and iso propyl alcohol. The reaction mass is stirred and cooled to form Mixed anhydride. The mixed anhydride is condensed with 6-APA-TEA salt. This condensed mass is treated with Hydrochloric acid to form Amoxicillin hydrochloride. Work up is performed and the Amoxicillin HCL is crystallized with ammonia solution. Resulting material is centrifuged and washed with acetone followed by final drying.

A general process flowchart is provided below:



## Research and Development

We believe that R&D is the key to the future of the pharmaceutical industry, and that the pharmaceutical advances for improvement in life expectancy and health across the world are a result of steadily increasing investment in research. Our focus is on developing non-infringing processes and achieving process improvements and production cost efficiencies. We have made an application under the PCT for one international process patent for manufacturing Cefuroxime Axetil. In addition, there are nine patent applications for processes filed by us with the Indian Patent Office.

Our research set up across our chemical and analytical research laboratories is comprised of a team of 85 scientists, including 16 Ph.Ds as at April 15, 2010, with expertise in catalytic hydrogenation, low temperature reactions, and chiral and heterocyclic chemistries.

We have developed a 4,200 sq. m. R&D facility at Barwala, Haryana. The Barwala facility houses a custom synthesis site and a pilot manufacturing plant (kilo lab) to provide CRAMS services to innovator companies. The Barwala facility is the centre of our entire R&D operations. Our facility in Barwala has six chemical research laboratories, each having 12 fuming hoods, to accommodate a total of approximately 100 chemists with modern analytical equipment including liquid chromatography mass spectrophotometer, nuclear magnetic resonance 300 MHz, X-ray diffraction, HPLC systems, Prep HPLC system, gas chromatograph with headspace, infra-red spectrophotometers, ultra violet visible spectrophotometer, polarimeter, auto titrator, particle size analyzer, flash chromatograph, chromatotron and differential scanning calorimeter. The kilo laboratory / pilot plant includes equipment such as reactors, glass assemblies, SS autoclave and centrifuge, tray driers, sparkle

filters, a GMP-compliant powder processing area which includes a multi mill, blender, sifter and drying ovens and dedicated HVAC systems.

Our laboratory at Sundhran, Derabassi, is equipped with modern equipment, including electronic balances, KF apparatus, reaction assemblies, ovens, stability chambers, vacuum ovens with pumps, filtration assemblies, various glass assemblies, computers, TLC chambers with kit, glassware, and analytical instruments such as HPLC, gas chromatographs, and UV visible spectrophotometers. We also have a dedicated structure elucidation cell which works on assigning structures to unknown impurities, through method development, method validation, physicochemical properties, polymorphic analysis and isolation, and stability studies.

Our custom synthesis site at Barwala and the proposed facility at Chachrauli, Derabassi are being set up in compliance with the USFDA standards. We have also received recognition from the Department of Scientific and Industrial Research, Ministry of Science and Technology, GoI for our in-house R&D.

Our chemistry capabilities presently include the following:

- Heterocyclic chemistry
- Catalytic hydrogenations
- Wide range of organic transformations
- Classical resolutions
- Asymmetric synthesis
- Pyrophoric reagents
- Low and high temperature reactions – from 90°C to 150°C
- Cephalosporin chemistry
- Penicillin chemistry
- Chiral chemistry
- Organometallic chemistry
- Halogenation reactions
- Reduction reactions
- Oxidation reactions
- High pressure reactions

We intend to leverage our R&D towards improvement in recoveries of various solvents and intermediates, development of new processes for off patent molecules and various product documents including dossiers to be submitted to various regulatory agencies for receiving requisite approvals, so that we can increase our penetration into the regulated markets.

### Our Facilities

We presently own and operate two manufacturing facilities at Derabassi and Panchkula. Our current and proposed facilities are as follows:

S. No.	Site	Facility	Location	Plants / Set up
Current Facilities				
1.	PDL I	Cephalosporin	Sundhran, Derabassi, Mohali, Punjab	1. Old Axetil; 2. New Axetil; 3. Axetil Amorphous; 4. MP I; 5. Cefixime; 6. Sterile; 7. Pilot Plant; 8. R&D Laboratories; 9. Quality Control and Quality Assurance; 10. Utilities; 11. Boiler; and 12. ETP; 13. Solvent Recovery; 14. Drum Storage Area; 15. Warehouse I; and 16. Warehouse II
2.	PDL II	Semi Synthetic Penicillin	Industrial Area, Phase II, Panchkula, Haryana	1. 6-APA; 2. SSP Orals; 3. Q.C. Labs; 4. ETP; and 5. Boiler
3.	PDL III	R&D & Custom Synthesis	HSI IDC, Barwala,	1. Kilo Lab for non-

S. No.	Site	Facility	Location	Plants / Set up
			Haryana	antibiotic product scale up; and 2. 10 Research Labs
Proposed Facilities				
4.	PDL IV	Non-antibiotic Products	Chachrauli, Derabassi, Mohali, Punjab	1. Manufacturing plant for non-antibiotic products ; 2. Hazardous Block; 3. Pilot Plant; 4. Utilities; 5. Stores; 6. FG Storage; and 7. Boiler
5.	PDL V	Custom Synthesis and Research Centre – II being set up by our subsidiary Parabolic Research Labs	IT Park, Panchkula, Haryana	1. Two Kilo Labs 2. Two HPLC laboratories 3. Six synthesis laboratories 4. Two analytical laboratories

### ***Current Facilities***

#### ***Sundhran, Derabassi***

We commenced commercial production in February 1998 with our first Semi Synthetic Penicillin Oral plant at Derabassi, approximately 27 km from the Union Territory of Chandigarh, where our Registered Office is located. This facility presently houses six manufacturing plants for our Cephalosporin oral and sterile range of products, a dedicated quality control and quality assurance unit, two solvent recovery units, three R&D laboratories, a pilot plant for scale-up of new technologies developed by our in-house R&D, three boilers and utilities, two warehouses, and administration offices. The current installed capacity of our Derabassi facilities is 450 TPA. For further information on production in the last three fiscal years, see “***Financial Information***” and “***Management’s Discussion and Analysis of Financial Condition and Results of Operations***” on pages 156 and 218, respectively.

Our facilities at Derabassi are accredited with ISO 14001:2004 certification, received in 2009 from Det Norske Veritas (“***DNV***”), Netherlands, for meeting environmental management system standards. We have also received, in 2009, WHO-GMP accreditation for the cephalosporin dedicated facility, pursuant to which we have received Certificates of Pharmaceutical Product (“***COPPs***”) for certain products. For further information, see “***Government and Other Approvals***” on page 244. Such facilities allow us to market our products in regulated markets, on registration and approval of the products with the relevant authorities.

#### ***Proposed Expansion at Sundhran, Derabassi***

##### ***Proposed multi-purpose plant III:***

The multipurpose block at Derabassi is expected to be commissioned in fiscal 2012, adding capacities to meet the increased demands of our existing product list. This facility is intended to be built to international cGMP specifications for manufacturing of the latest range of niche oral Cephalosporins, and to carry out the non-sterile steps for Sterile products in order to augment our Cephalosporin production. Orders received by us contract manufacturing of latest generation Cephalosporin molecules are also intended to be serviced out of this facility. This facility is proposed to be located over approximately 21,000 sq. ft., spread over three floors, including a dedicated powder processing area, quarantine, dyke storage and packing sections. We intend to service our business orders for contract manufacturing of latest generation Cephalosporin molecules from this facility.

##### ***Proposed Sterile Cephalosporin plant:***

In order to enter the Sterile Cephalosporin space in regulated markets, we require a sterile manufacturing plant which conforms to USFDA requirements. Our proposed Sterile Cephalosporin plant proposed to be set up over approximately 10,000 sq. ft. in Derabassi, and proposed to be commissioned in fiscal 2012. This facility is proposed to be built to international cGMP specifications, with the installation of BADO make machinery which would be a completely closed processing system, to enhance the sterility assurance through avoidance of contamination. The BADO ANFD and material transfer system has CIP and SIP provisions, meaning that the

cleaning and sterilization of the machinery after each batch can be done without dismantling the machinery, by passing high pressure air and steam through its cleaning system.

#### *Panchkula*

We commissioned our second facility in fiscal 2005, at Panchkula. This facility presently houses two dedicated blocks, one for SSPs and one for 6-APA manufactured for regulated markets. The current installed capacity of our Panchkula facilities is 720 TPA. For further information on production in the last three fiscal years, see “**Financial Information**” and “**Management’s Discussion and Analysis of Financial Condition and Results of Operations**” on pages 156 and 218, respectively.

Currently, we supply 6-APA from our Panchkula facility for the US markets conforming to the regulations prescribed by the USFDA. We also produce niche penicillin APIs such as Bacampicillin, Sultamycillin and Pivampicillin at Panchkula.

#### *R&D centre and custom synthesis site at Barwala*

We have developed a research centre at Barwala, Haryana, having a built up area of approximately 50,000 sq. ft., which is the core of our R&D and CRAMS operations. This facility houses six chemical research laboratories, each having 12 fuming hoods, with an aggregate capacity for approximately 100 scientists, and also includes in-house pilot manufacturing facilities for scaling up products developed at the R&D centre. Our kilo lab at Barwala is also set up in compliance with USFDA standards.

#### *Proposed Facilities*

##### *Proposed Plant for manufacturing non-antibiotic products at Chachrauli, Derabassi*

We are developing an API manufacturing facility at Chachrauli, Derabassi, to conform to international cGMP and USFDA specifications. This facility is proposed to be commissioned in three phases, with phase I, having a built up area of approximately 3,00,000 sq. ft., comprising manufacturing blocks for simultaneous manufacturing of 6-APAs, pilot plant for scaling up of new technologies for CRAMS and a hazardous block for handling highly specialized reactions like hydrogenation, expected to be commissioned in fiscal 2012. The second phase is expected to include further automation in order to conform to USFDA requirements. In Phase III, additional manufacturing facilities which shall be a mirror image of Phase I shall be added on to supplement capacities.

This facility is proposed to include setting up additional infrastructure for automation of processes, additional purified water arrangement, super finishing jobs in the plant area with epoxy and special paintwork, dedicated warehouse and utilities setup with cold storage. Our in-house R&D department is currently working on developing processes and technology for manufacturing a selected range of non-antibiotic molecules. Once our proposed facility at Chachrauli, Derabassi, is operational and commercial batches have been taken, we would seek to file DMFs in the US from this facility.

##### *Custom synthesis and manufacturing site II at IT Park, Panchkula*

We have acquired land in IT Park, Panchkula, near the banks of river Ghaggar, where we propose to establish a new custom synthesis and manufacturing site, over approximately 1,25,000 sq. ft. The new facility is expected to be commissioned in fiscal 2012. The facility has been designed to include a custom synthesis site with two dedicated kilo laboratories and 10 laboratories (including two HPLC laboratories, six synthesis laboratories and two analytical laboratories), an in-house documentation center, and intellectual property rights and regulatory affairs set ups. This facility is proposed to house approximately 200 scientists and have facilities such as online library, auditorium for conferences, recreation room and cafeteria. This site is intended to be completely cGMP & cGLP compliant. The range of services from this site would include mainly the following:

- process research;
- contract research;
- collaborative research in process chemistry;
- multi dimensional synthetic skills in the area of non-antibiotic chemistry; and
- expertise to scale up processes from few grams to hundreds of kgs.

With integrated R&D, technology and engineering capabilities designed to offer cost effective and services related to R&D, manufacturing of key intermediates, and synthesis of impurities, we will seek to offer integrated solutions from route selection, process development, optimization, and scale up to large-scale manufacturing. Some of the chemistry capabilities proposed to be sourced from this site are as follows:

- chiral chemistry;
- heterocyclic chemistry;
- heterogeneous catalytic reactions;
- hydrogenation;
- halogenations;
- high pressure reactions; and
- low temperature and high temperature reactions.

For further information on our proposed projects, see “*Objects of the Issue*” on page 68.

#### ***Criteria for Product Selection and Products in the Pipeline***

Our criteria for new product selection include analysis of the following factors:

- Addressable markets including analysis of:
  - (a) entry barriers in terms of existing process patents;
  - (b) number of approved DMF and EDQM holders;
  - (c) opportunities for higher gross contribution based on development of niche products; and
  - (d) opportunities for higher gross contribution based on margins available on sale.
- Our capability to develop time and cost competitive processes, based on our chemistry capabilities and flexible and multi-product infrastructure including facilities designed for international specifications.

We believe that directly approaching buyers in regulated markets, including leveraging on our existing relationships with our customers, to discover their specific requirements and seek feedback on our product selection criteria gives us a competitive advantage.

Once the criteria for new product selection are satisfied, the process development is scaled up into a pilot plant. Trial validations are carried out in batches, followed by stability studies. Once a product satisfies these tests, it is launched in the market. We have various products in the pipeline for which the laboratory and pilot scale testing is in progress or has been completed. Our current range of products under development focuses on non-antibiotic segments such as anti-hypertensive, gastro-intestinal, psychiatric, pain management, respiratory, retro-viral, dermatological and anti-diabetic segments.

#### **Infrastructure Facilities**

The primary raw material we use for manufacturing APIs and their intermediates is Penicillin G, 7-ACA and 7 – AVCA, among other chemicals. These raw materials are procured from domestic as well as international markets, including China and Taiwan. We do not have any long term arrangements with the vendors of such chemicals.

Steam, chilled water, hot water, cooling tower water, chilled brine, and other low temperature media such as liquid nitrogen and dry ice are regularly used in our manufacturing process. We use steam generated from boilers, and have installed compressors for the chilled brine, chilled water, cooling tower water and hot water. For our facilities at Derabassi and Panchkula, we use power sourced from the respective state electricity boards. We also have back-up arrangements in the form of diesel generator sets. While we have a water connection from the local municipal committee at Panchkula and have also installed bore-wells at our facilities at Derabassi and Panchkula for supply of water, a portion of our water requirement is met from distilled water from our effluent treatment plants and evaporation systems at our facilities. We have arrangements with vendors for liquid nitrogen and dry ice. We do not have any long term arrangements with such vendors.



## Environmental Aspects

Our operations generate small quantities of effluents, which are treated at our effluent treatment plants, and we use such treated water for irrigation of plants. We have also established evaporation systems to distil the effluent and reuse the distilled water in our operations. Our effluent treatment plants have both aerobic and anaerobic treatment facilities. We are required to obtain, and comply with the conditions of, consents to establish and operate our facilities, from the respective State Pollution Control Boards, regarding the emission and discharge of effluents in air and water. For further information, see “*Government and Other Approvals*” on page 244.

## Marketing and Distribution

We commenced commercial production in 1998, and commenced exports in 2002. We supply to a number of domestic and international generics companies. Our approach to marketing includes direct marketing to customers, as well as through our agent network in domestic as well as international markets. We believe that our direct marketing initiatives have helped us to develop and retain customers.

## Major Customers

We supply our products domestically as well as to approximately 45 countries, including regulated markets. Some of the countries to which we supply our products include Turkey, Jordan, Syria, Iran, Korea, Italy, the Netherlands and the US.

Our customers include some of the leading generics companies in the world. We have entered into contract manufacturing agreements dated February 11, 2010 with Ranbaxy for manufacturing two products exclusively for Ranbaxy. Ranbaxy will in turn source these products exclusively from our Company as per the terms and conditions of the agreements. The agreements are valid for a period of five years.

Details of our customers and percentage of sales (by value) derived from our top customers are given below (including domestic and export sales):

Particulars	Nine month period ended December 31, 2009	Fiscal 2009	Fiscal 2008	Fiscal 2007
Total number of customers served	487	487	379	244
Sales to top customer	15.25%	13.56%	20.04%	39.33%
Sales to top 5 customers	40.37%	34.84%	45.14%	57.59%

For further information on export obligations and entitlements, see “*Financial Information*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 156 and 218, respectively.

## Major Competitors

In our existing business, among the major domestic pharmaceutical companies, are competitors include Aurobindo Pharma, Surya Pharmaceuticals, DPB Antibiotics, Lupin Laboratories and Nectar Lifesciences Limited. In exports, our competitors include Ribbon, Italy, ACS Dobfar, Italy, Sandoz (Novartis) in the EU, Zuhai United Laboratories and Harbin Pharmaceuticals. In the CRAMs segment, major players include Divi’s, Dishman Pharmaceuticals and Chemicals Limited, Sai Adventium, Zydus Cadilla, Aptuit Laurus, Chem Biotech, Shasun Chemicals and Drugs Limited, and GVK Bio / Innogen. For more information, see “*Risk Factors*” on page 12.

## Employees

Our manufacturing process requires an appropriate mix of skilled, semi-skilled and un-skilled labour. As at April 15, 2010, we have a total of 1,023 employees at our manufacturing facilities and at our Registered and Corporate Offices, including 757 permanent employees and 266 contract workers and others who are not on our rolls. We have a team of 85 scientists, including 16 Ph.Ds as at April 15, 2010, across our chemical and analytical research laboratories.

## Intellectual Property

We have a dedicated IPR management cell, and we also maintain a library and software database, with a view to planning product launches and securing our brand worldwide. Our IPR management cell's key functions are to:

- collect information on patents;
- conduct analysis and advise our R&D team on processes that can be safely exploited for regulated markets;
- maintain data bank and track new patents in our industry segment;
- advise us on opportunities in development of potential molecules;
- advise us on opportunities for registration across the world;
- advise us on opportunities in commercialization of new molecules;
- advise our marketing department on effective marketing strategies.

We have made an application for one international process patent for manufacturing Cefuroxime Axetil, pursuant to an application filed under the PCT. In addition, there are nine patent applications for processes filed by us with the Indian Patent Office.

Also see “*Regulations and Policies*” and “*Government and Other Approvals*” on pages 121 and 244, respectively.

## Property

The details of our major owned and leased properties are as follows:

Location*	Nature of Holding	Use
750 sq. ft. at Top Floor, SCO, 99-100, Sector 17B, Chandigarh	Leasehold	Registered Office
2,500 sq. ft. at Third Floor, SCO, 99-100, Sector 17B, Chandigarh	Leasehold	Office premises
1,500 sq. ft. at Third Floor, 9AB, Taimoor Nagar, New Delhi	Leasehold	Corporate Office
4,70,000 sq. ft. in Sundhran, Derabassi	Freehold	Manufacturing facility
1,30,500 sq. ft. in Chachrauli, Derabassi	Free hold	Manufacturing facility
10,03,471 sq. ft. in Chachrauli, Derabassi	Freehold	Setting up of plant for manufacturing non-antibiotic products
80,081 sq. ft. at IT Park, Panchkula	Long term lease (Conveyance deed to be executed after payment of instalments)	Manufacturing facility, godown
10,764 sq. ft. at Plot no. 45, Industrial Area, Phase II, Panchkula	Long term lease	Manufacturing facility
45,207 sq. ft. in industrial plot no. 280-281, Alipur sector, Barwala	Long term lease	R&D centre, manufacturing facility

\* Areas converted into sq. ft. and rounded off.

For more information, see “*Risk Factors*” on page 12.

## Insurance

As part of our risk management policy, we maintain insurance for all critical immovable and movable properties, including standard fire and perils policies (including earthquake coverage) for our Derabassi and Panchkula facilities and our Registered Office, machinery and electronic equipment breakdown insurance for our Panchkula and Derabassi facilities, an open policy for inland transit and insurance for fixed assets at our Registered Office, and vehicle insurance. However, we do not presently maintain fire and perils policy for our Corporate Office, directors and officers' liability insurance, or a group mediclaim policy in respect of employees. For more information, see “*Risk Factors*” on page 12.

## REGULATIONS AND POLICIES

*The following description is a summary of certain sector specific laws in India as well as certain foreign laws, which are applicable to our Company. The information below has been obtained from sources available in the public domain. The summary of laws and policies set forth below may not be exhaustive, and is only intended to provide general information to investors and is neither designed nor intended to substitute for professional legal advice.*

### **Indian Regulations**

The drugs and formulations industry in India is supervised by the Ministry of Health and Family Welfare, GoI (“**MoH**”). The MoH issues notifications under the regulations given below and also mandates the requirement of licenses for manufacture or sale or distribution, and also appoints the central license approving authority, the Drugs Controller General of India. The Department of Science and Technology, under the Ministry of Science and Technology, GoI (“**MoST**”), promotes new areas of science and technology with special emphasis on research and development, and our Company comes under its scanner since one of the major initiatives of our Company is to focus on research and development strategies.

### ***The Mashelkar Committee, 1999 (the “Mashelkar Committee”)***

The Mashelkar Committee submitted a report to the GoI in 1999, on the drug regulatory framework in India, recommending certain changes in the licensing norms, administrative and investigative apparatus and inspection and monitoring schemes, both at manufacturing level and points of sale. The key recommendation was to centralize drug licensing by creating a new national body to strengthen the implementation of drug laws in India. The recommendations of the Mashelkar Committee have not been incorporated in their entirety.

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

Matters pertaining to drug formulations, biologicals and APIs are governed by the Drugs and Cosmetics Act, which regulates the import, manufacture, distribution and sale of drugs in India as well as aspects relating to labelling, packing, testing and licensing. Under the Drugs and Cosmetics Act, while regulation of manufacture, sale and distribution of drugs is primarily the responsibility of the state authorities, the central authorities are responsible for approval of new drugs, clinical trials, laying down standards, control over imported drugs and coordination of activities of state drug control organizations. These procedures involve obtaining a series of approvals for different stages at which drugs are tested, before the Drug Controller General of India (the “**DCGI**”), an authority constituted under the Drugs and Cosmetics Act, which is empowered to grant the final license to allow drugs to be manufactured and marketed. The Central Drugs Standard Control Organization (the “**CDSCO**”) is responsible for testing and approving APIs and formulations in consultation with the DCGI.

At the first instance, an application is made to the DCGI, who issues a no-objection certificate after looking into the medical and chemical data and the toxicity of the drug. The next stage of testing is at the central drug laboratories, where the drug is subjected to a series of tests for its chemical integrity and analytical purity. If the drug meets the standards required by the DCGI, a certificate is issued by the DCGI in that regard. In the case of APIs, the DCGI issues a manufacturing and marketing license which is submitted by the company seeking to produce the drug to the drug control administration of the state (the “**State DCA**”), which clears the drug for manufacturing and marketing. The State DCA also approves technical staff as per the Drugs and Cosmetics Act and the Drugs and Cosmetics Rules, 1945 (the “**Drugs Rules**”) framed in compliance with the World Health Organization (the “**WHO**”) and the ‘current good manufacturing practices’ (the “**cGMP**”) inspection norms. The Drugs Rules also provide for certain ‘good manufacturing practices’ to be followed on premises manufacturing pharmaceutical products and while dealing with the raw materials for the same. In addition, certain specific requirements have been formulated with regard to the manufacture of APIs, like building specifications, product containers, in-process controls, provision of utilities and services etc. that need to be mandatorily complied with.

Under the Drugs and Cosmetics Act, the GoI may, by notification in the official gazette, regulate or restrict the manufacture, sale or distribution of a drug, if it is satisfied that such drug is essential to meet the requirements of an emergency arising due to an epidemic or natural calamities and that in the public interest, it is necessary or expedient to do so or that the use of such drug is likely to involve any risk to human beings or animals or that it does not have the therapeutic value claimed or purported to be claimed for it or contains ingredients and in such quantity for which there is no therapeutic justification.

The Drugs and Cosmetics Act also regulates the import of drugs into India, and prohibits the import of certain categories of drugs into India, for instance (i) any drug which is not of standard quality, (ii) any misbranded drug, (iii) any adulterated or spurious drug, (iv) any drug for the import of which a licence is prescribed, otherwise than under, and in accordance with, such licence, (v) any patent or proprietary medicine, unless there is displayed in the prescribed manner on the label or container thereof the true formula or list of APIs contained in it together with the quantities thereof, (vi) any drug which by means of any statement, design or device accompanying it or by any other means, purports or claims to cure or mitigate any such disease or ailment, or to have any such other effect, as may be prescribed, and (vii) any drug the import of which is prohibited under the Drugs and Cosmetics Act or the Drugs Rules. This restriction shall not apply, subject to prescribed conditions, to the import of small quantities of any drug for examination, testing, analysis or personal use. The GoI may, after consultation with the Drugs Technical Advisory Board, by notification in the official gazette, permit, subject to any conditions specified in the notification, the import of any drug or class of drugs not being of standard quality. Further, if the GoI is satisfied that the use of any drug involves any risk to human beings or animals or that any drug does not have the therapeutic value claimed for it or contains ingredients and in such quantity for which there is no therapeutic justification and that in the public interest it is necessary or expedient so to do, it may, by notification in the official gazette, prohibit the import of such drug or cosmetic.

#### ***Essential Commodities Act, 1955 (the “ECA”)***

The ECA gives powers to the GoI to, among other things, regulate production, distribution and quality of essential commodities including drugs, for maintaining or increasing supplies and for securing their equitable distribution and availability at fair prices. Using the powers under it, various ministries/departments of the Government have issued control orders for regulating production, distribution, quality aspects, movement and prices pertaining to the commodities which are essential and administered by them. The state governments have issued various control orders to regulate various aspects of trading in essential commodities.

#### ***Drugs (Prices Control) Order, 1995 (the “DPCO”)***

The first drug price control orders in India were issued under the Defence of India Act, 1963. Thereafter, from 1970 onwards and until the promulgation of the DPCO, drug price control orders were issued under the ECA. The DPCO was promulgated under the ECA and is to be read with the Drugs and Cosmetics Act. The DPCO fixes the price for certain APIs and formulations, which are called scheduled drugs and scheduled formulations, respectively.

The National Pharmaceutical Pricing Authority (the “NPPA”), established under the DPCO on August 29, 1997, is an independent body of experts responsible for the collection of data and study of the pricing structure of APIs and formulations and to enforce prices and availability of medicines in the country, under the DPCO. The NPPA monitors the prices of medicines as per monthly audit reports. Upon recommendation of the NPPA, the Ministry of Chemicals and Fertilizers, GoI, fixes the ceiling prices of the APIs and formulations and issues notifications on drugs which are scheduled drugs and formulations. The NPPA arrives at the recommended prices for the scheduled drugs and formulations after collection and analysis of data on costing which includes data on raw material, composition, packing materials, process losses, overhead allocation and appointment, capacity utilization, technical data on manufacturing work orders and packing work orders.

The GoI has the power under the DPCO to recover amounts charged in excess of the notified price from the manufacturer, importer or distributor of the drugs and the said amounts are to be deposited in the Drugs Prices Equalization Account. The penalty for contravention of any rules and regulations under the ECA or other provisions of the DPCO is minimum imprisonment of three months, which may extend to seven years, and the violator is also liable to pay fine. These provisions are applicable to all scheduled formulations irrespective of whether they are imported or patented, unless they are exempt. Presently there are 74 scheduled drugs under the DPCO, whose prices are controlled by the NPPA.

Prices of non-scheduled formulations are fixed by the manufacturers themselves keeping in view factors like cost of production, marketing expenses, research and development expenses, trade commission, market competition, product innovation and product quality. However, the prices of other (non-scheduled) drugs can be regulated under the ECA and DPCO, if warranted in public interest. Under Section 7 of the ECA, the penalty for contravention of the DPCO is a minimum imprisonment of three months, which may extend to seven years and the violator is also liable to pay fine.

### ***National List of Essential Medicines, 2003***

The MoH introduced the National Essential Drugs List (the “**NEDL**”) in 1996, modelled on the WHO Essential Drugs List. The NEDL was meant to be an indicator of availability of the included drugs (approved by the DCGI) in the country. The NEDL was reviewed by a committee of experts constituted by the Director General of Health Services, MoH, and was revised and adopted as the National List of Essential Medicines (the “**NLEM**”) in 2003. Currently, the NLEM has 354 medicines included in it.

### ***Drug Policy, 1986 (the “Drug Policy”)***

The main objectives of the Drug Policy are to ensure abundant availability of essential life saving and prophylactic medicines of good quality at reasonable prices, and strengthening the system of quality control in relation to drug production. It also aims at creating an environment conducive to infusion of fresh investment in the pharmaceutical industry while strengthening indigenous capability for production of drugs. The Drug Policy provided for a controlled pricing mechanism in relation to the prices of drugs, where fixation of prices would be done by the NPPA.

In the light of changes occurring in the Indian pharmaceutical due to liberalization, globalization and obligations under various World Trade Organization (“**WTO**”) agreements, the GoI introduced the National Pharmaceutical Policy, 2002 (the “**NPP**”), which incorporated further changes in relation to the industrial licensing regime and the relaxation of FDI up to 100% under the automatic route, and also provided that the guiding principles for deciding whether a drug would be subject to price control, would be (a) mass consumption nature of the drugs, and (b) absence of sufficient competition in such drugs. However, on account of ongoing litigation in the Supreme Court of India, the NPP was not notified. Furthermore, the GoI has formulated a draft National Pharmaceutical Policy, 2006 (the “**Draft National Pharmaceutical Policy**”) in which it has recommended, among other things, that patented drugs, i.e., formulations under product patents launched in India after January 1, 2005, be subject to price negotiations before granting market approval. The Draft National Pharmaceutical Policy has not been notified and is not in effect as of the date of this Red Herring Prospectus.

### ***Pharmaceutical Research and Development Support Fund and Drug Development Promotion Board***

The Pharmaceutical Research and Development Support Fund and the Drug Development Promotion Board were established in January, 2004 under the administrative control of the Department of Science and Technology, MoST, to create enabling infrastructure to facilitate new drug development through supporting R&D projects jointly proposed by industry and academic institutions / laboratories, and to extend soft loans for R&D to publicly funded drug R&D institutions. The fund seeks to support research in all systems of medicine, including setting up of facilities, support joint research projects of industry and institution and provide loan amount of up to 70 % of the project cost.

### ***Pharmaceutical Export Promotion Council***

The Pharmaceutical Export Promotion Council (the “**Pharmexcil**”) was set up by the Ministry of Commerce and Industry, GoI (the “**MCI**”), on May 12, 2004, in order to serve as an exclusive export promotion council for the Indian pharmaceutical industry. Pharmexcil is the sole issuer of registration-cum-membership certificates to exporters of pharmaceutical products in India. Pharmexcil takes on several external trade promotion activities by organizing trade delegations outside India, arranging buyer-seller meetings and organizing international seminars. Various pharmaceutical products such as bulk drugs and formulations, collaborative research, contract manufacturing, diagnostics, clinical trials and consultancy are covered under its purview.

### ***Indian Pharmacopoeia Commission***

The GoI has established the Indian Pharmacopoeia Commission (the “**Pharmacopoeia Commission**”) which is an autonomous institution under the aegis of the MoH, dedicated to setting standards for drugs, pharmaceuticals, healthcare devices and technologies etc. besides providing reference substances and training. The Pharmacopoeia Commission aims to develop comprehensive monographs for drugs to be included in the Indian pharmacopoeia, including APIs, excipients and dosage forms as well as medical devices, and to keep them updated by revision on a regular basis. The Pharmacopoeia Commission publishes the Indian Pharmacopoeia, which acts as the official book of standards, and medicines produced in India must comply with the specified

standards. The pharmacopoeial standards and acceptance criteria laid out in the Indian Pharmacopoeia provide compliance requirements with which a manufacturer must comply before the release of a product for sale or distribution. In case there are any changes in quality during storage and distribution, the pharmacopoeial requirements define acceptable levels of change and it is only the materials or products that show unacceptable levels, which are rejected. It also provides that it is the responsibility of the manufacturer to ensure that the product is manufactured in accordance with the cGMP and that sufficiently stringent limits of acceptance are applied at the time of release of a batch of material or product so that the compendial standards are met until the expiry date under the storage conditions specified. The current version of the Indian Pharmacopoeia is the Indian Pharmacopoeia, 2007 (with an addendum in 2008).

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

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

The issue of management, storage, and disposal of hazardous waste is regulated by the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008 (the “**HWM Rules**”) made under the EPA Act. Under the HWM Rules, the PCBs are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility. A similar regulatory framework is also established with respect to bio-medical waste under the Bio-Medical Waste (Management and Handling) Rules, 1998.

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

Furthermore, the Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989 (the “**Hazardous Chemicals Rules**”) stipulate that an occupier in control of an industrial activity has to provide evidence for having identified the major accidental hazards and taking adequate steps to prevent major accidents and to limit their consequences to persons and the environment. The persons working on site have to be provided with information, training and equipments including antidotes necessary to ensure their safety.

The Public Liability Insurance Act, 1991 (the “**Public Liability Act**”) imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of hazardous substances covered by the legislation has been enumerated by the Government by way of a notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The rules made under the Public Liability Act mandate that the employer has to contribute towards the environment relief fund, a sum equal to the premium paid on the insurance policies. The amount is payable to the insurer.

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

The Patents Act, 1970 (the “**Patents Act**”) governs the patent regime in India. Historically, India granted patent protection only to processes and not to products (i.e., only the process to manufacture a drug is protected and not the drug itself). This meant that if a drug company could find an alternative process to produce the same formulation as a competitor, it could sell such an alternative process in India without fear of patent infringement suits. In 1995, under the general agreement on tariffs and trade, India became a signatory to the trade related agreement on intellectual property rights (the “**TRIPS**”). The TRIPS requires India to recognize product patents as well as process patents, which is all that were granted under the Patents Act. The regime provided for recognition of product patents, patent protection period of 20 years as opposed to the previous seven year

protection for process, allowed patent protections on imported products, and provided that under certain circumstances, the burden of proof in case of infringement of process patents may be transferred to the alleged infringer. As a developing country, India was granted a grace period of 10 years to comply with product patent laws under the WTO agreement, meaning that the product patent regime came into force in India from 2005, pursuant to the Patents (Amendment) Act, 2005.

The definition of 'inventive step' in the Patents Act has been amended to exclude incremental improvements or ever greening of patents. Under the amended Patents Act, an inventive step must involve a technical advance as compared to the existing knowledge or must have economic significance or both. Further, the invention must be non-obvious to a person skilled in the art. Another amendment, with a view to reducing ever greening of patents, is the expansion of Section 3 of the Patents Act which determines what are not patents. Section 3(d) of the Patents Act has been amended such that the following are not patents:

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

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

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

### ***Trade Marks***

A trademark is used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor or user to use the mark. A 'mark' may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style and so forth. The Trademarks Act, 1999 (the "**Trademarks Act**") governs the registration, acquisition, transfer and infringement of trademarks and remedies available to a registered proprietor or user of a trademark. The registration of a trademark is valid for a period of 10 years but can be renewed in accordance with the specified procedure.

Currently, a person desirous of obtaining registration of his trademark in other countries has to make separate applications in different languages and disburse different fees in the respective countries. However, the Madrid Protocol, administered by the International Bureau of the World Intellectual Property Organization ("**WIPO**"), of which India is a member country, aims to facilitate global registration of trademarks by enabling nationals of member countries to secure protection of trademarks by filing a single application with one fee and in one language in their country of origin. This in turn is transmitted to the other designated countries through the International Bureau of the WIPO. The Trademarks (Amendment) Bill 2009 was recently tabled before the Lok Sabha, to amend the Trademarks Act to enable Indian nationals as well as foreign nationals to secure simultaneous protection of trademarks in other countries, and to empower the Registrar of Trademarks accordingly, as well as to simplify the law relating to transfer of ownership of trademarks by assignment or transmission and to bring the law generally in line with international practice.

### ***Labour Regulations***

Depending on the nature of work and number of workers employed at any unit, the following labour legislations may apply:

- The Workmen's Compensation Amendment Bill, 2009;

- The Factories Act, 1948;
- The Payment of Wages Act, 1936;
- The Minimum Wages Act, 1948;
- The Employees (Provident Fund and Miscellaneous Provisions) Act, 1952;
- The Payment of Gratuity Act, 1972;
- The Payment of Bonus Act, 1965;
- The Contract Labour (Regulation and Abolition) Act, 1970;
- The Employees State Insurance Act, 1948; and
- The Industrial Employment (Standing Orders) Act, 1946.

*The Workmen's Compensation Act, 1923 (the "**Workmen's Compensation Act**")*

The Workmen's Compensation Act requires an employer to pay compensation for personal injury, or death caused due such personal injury, to a workman by accident during employment, except in certain cases for instance where such workman was at the time of injury under the influence of drugs or alcohol, or wilfully disobeyed safety rules. On December 1, 2009, the Indian Parliament passed the Workmen's Compensation Amendment Bill, 2009, which broadens the scope of the Workmen's Compensation Act to include clerical staff, raising the monetary compensation payable in the event of death or permanent disability, and introducing reimbursement for treatment of injuries sustained in course of employment. The restriction of the application of this law to companies with at least 20 employees has been done away with, and it would now be obligatory for compensation commissioners to decide on a claim within three months of an application being filed. Upon notification, the statute would be known as the Employee Compensation Act, 2010.

*The Factories Act, 1948 (the "**Factories Act**")*

The Factories Act regulates occupational safety, health and welfare of workers of the industries, in which 10 or more workers are employed on any day of the preceding 12 months and are engaged in the manufacturing process being carried out with the aid of power. The ambit of the Factories Act includes provisions as to the approval of factory building plans before construction or extension, investigation of complaints, maintenance of registers and the submission of yearly and half-yearly returns.

*The Payment of Wages Act, 1936 (the "**Payment of Wages Act**")*

The Payment of Wages Act applies to persons employed in factories and industrial or other establishments where the monthly wages payable are less than Rs 10,000. It requires the persons responsible for payment of wages to maintain certain registers and display of the abstracts of the rules made their under.

*The Minimum Wages Act, 1948 (the "**Minimum Wages Act**")*

The Minimum Wages Act provides for minimum wages in certain employments. The central and the state governments stipulate the scheduled employment and fix minimum wages, calculated based on the basic requirement of food, clothing, housing required by an average Indian adult.

*The Employees (Provident Fund and Miscellaneous Provisions) Act, 1952 (the "**EPF Act**")*

The EPF Act applies to factories employing more than 20 employees and such other establishments and industrial undertakings as notified by the government from time to time. It requires all such establishments to be registered with the relevant state provident fund commissioner. Also, such employers are required to contribute to the employees' provident fund the prescribed percentage of the basic wages, dearness allowances and remaining allowance payable to employees. Employees are also required to make equal contribution to the fund. A monthly return is required to be submitted to the relevant state provident fund commissioner in addition to the maintenance of registers by employers.

*The Payment of Gratuity Act, 1972 (the "**Payment of Gratuity Act**")*

Under the Payment of Gratuity Act, gratuity refers to a terminal lump sum benefit paid to a worker when he or she leaves employment after having worked for the employer for a prescribed minimum number of years. The Payment of Gratuity Act applies to all factories and shops and establishments in which 10 or more persons are employed, and requires such establishments to notify the controlling authority within 30 days of opening of the establishment and thereafter whenever there is any change in the name, address or change in the nature of the



business of the establishment. Further, every employer has to obtain insurance for his liability towards gratuity payment to be made, with any approved insurance fund.

*The Payment of Bonus Act, 1965 (the “**Payment of Bonus Act**”)*

The Payment of Bonus Act provides for payment of the minimum bonus to factory employees and every other establishment in which 20 or more persons are employed during an accounting year and requires the maintenance of certain books and registers and filing of monthly returns showing computation of allocable surplus, the set on and set off of allocable surplus and details of bonus due to the employees.

*The Contract Labour (Regulation and Abolition) Act, 1970 (the “**CLRA**”)*

The CLRA regulates the employment, and protects the interests, of workers hired on the basis of individual contracts in certain establishments. In the event any activity is outsourced, and is carried out by Labourers hired on contractual basis, compliance with the CLRA including registration will be necessary and the principal employer will be held liable in the event of default by the contractor to make requisite payments towards provident fund.

*The Employees State Insurance Act, 1948 (the “**ESI Act**”)*

The ESI Act applies to all establishments where 20 or more persons are employed are required to be registered with the Employees State Insurance Corporation. The ESI Act requires all employees of the factories and establishments to which it applies to be insured in the manner provided. Further, both employers and employees are required to make contribution to the ESI fund, of which returns are required to be filed with the ESI department.

*The Industrial Employment (Standing Orders) Act, 1946 (the “**Standing Orders Act**”)*

The Standing Orders Act requires employers in industrial establishments, which employ 100 or more workmen to define with sufficient precision the conditions of employment of workmen employed and to make them known to such workmen. The Standing Orders Act requires every employer to which the Standing Orders Act applies to certify and register the draft standing order proposed by such employer in the prescribed manner. However until the draft standing orders are certified, the prescribed standing orders given in the Standing Orders Act must be followed.

*The Shops and Commercial Establishments Acts (where applicable)*

Under the provisions of local shops and establishments legislations applicable in the states in which commercial establishments are located, such establishments are required to be registered. Such legislations regulate the working and employment conditions of workers employed in shops commercial establishments and provide for fixation of working hours, rest intervals, overtime, holidays, leave, termination of service, and other rights and obligations of the employers and employees. Such legislations are enforced by the chief inspector of shops and various inspectors under the supervision and control of the labour commissioner acting through the various district deputy / assistant labour commissioners.

**Miscellaneous**

*Narcotic Drugs and Psychotropic Substances Act, 1985 (the “**Narcotic Act**”)*

The Narcotic Act provides for the GoI to take all measures necessary or expedient for the purpose of preventing and combating abuse of manufactured drugs and the illicit traffic therein. Violation of any provision under the Narcotic Act may attract a penalty in excess of Rs. 1 lac.

*Standard of Weights and Measures Act, 1976 (the “**Weights and Measures Act**”)*

The Weights and Measures Act aims at introducing standards in relation to weights and measures used in trade and commerce, to provide better protection to consumers by ensuring accuracy in weights and measures and to regulate trade or commerce where goods are sold or distributed by weights, measures or numbers. Use of non-standard weights and measures is a criminal offence under the Weights and Measures Act. Although the Weights and Measures Act is a central legislation, it is enforced by the state governments under the Standard of

Weights and Measures (Enforcement) Act, 1985 (“**Weights and Measures Enforcement Act**”). The Rajya Sabha has recently passed the Legal Metrology Bill, 2008 which seeks to repeal the Weights and Measures Act and the Weights and Measures Enforcement Act, to introduce a single comprehensive statute which would be enforced centrally, with delegation of certain powers and responsibilities to state governments for inter-state trade and commerce.

*Indian Boiler Regulations, 1950 (the “**Boiler Regulations**”)*

Under the Boiler Regulations, a boiler is inspected by the inspectorate as per the procedure laid down under the Boiler Regulations and if found satisfactory, a certificate is issued for operation for a maximum period of one year. The objective of the Boiler Regulations is mainly to provide for the safety of life and property of persons from the danger of explosions of steam boilers and for achieving uniformity in registration and inspection during operation and maintenance of boilers in India. Violation of any provision under the Boiler Regulations may attract a penalty of Rs. 5,000 or more.

*Explosives Act, 1884 (the “**Explosives Act**”)*

Under the Explosives Act, the Government has the power to regulate the manufacture, possession, use, sale, transport and importation of explosives and grant of license for the same activities. The Government may prohibit the manufacture, possession or importation of especially dangerous explosives. Any contravention of the Explosives Act or rules made under it, being the Explosives Rules, 1983, may lead to an arrest without warrant and imprisonment for three years, including a fine which may extend up to Rs. 5,000.

*Foreign Trade (Development and Regulation) Act, 1992 (the “**Foreign Trade Act**”)*

The Foreign Trade Act was enacted to provide for the development and regulation of foreign trade by facilitating imports into and augmenting exports from India. The Foreign Trade Act prohibits anybody from undertaking any import or export except under an importer-exporter code number granted by the Director General of Foreign Trade. Any contravention of the provisions of the Foreign Trade Act would result in a penalty of Rs. 1,000 or five times the value of the goods in which contravention is made or attempted to be made.

*Foreign Investment in the Pharmaceutical Sector*

Foreign investment in Indian securities is governed by the provisions of the FEMA read with the applicable FEMA Regulations and the FDI Policy issued by the DIPP (circular 1 of 2010, with effect from April 1, 2010). Foreign investment is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which foreign investment is sought to be made.

Foreign direct investment in the Indian pharmaceutical sector is permitted up to 100% through the ‘automatic route’, which does not require prior approval of the GoI or the RBI. Under the automatic route, no prior approval of the GoI is required for the issue of securities by Indian companies/acquisition of securities of Indian companies, subject to the sectoral caps and other prescribed conditions. Investors are required to file the required documentation with the RBI within 30 days of such issue/acquisition of securities. If the foreign investor has any previous joint venture/tie-up or a technology transfer/trademark agreement in the same field in India as on January 12, 2005, prior approval from the FIPB is required even if that activity falls under the automatic route, except as otherwise provided.

FDI for the items or activities that cannot be brought in under the automatic route may be brought in through the approval route. Under the approval route, prior approval from the FIPB/RBI is required. Approvals are accorded on the recommendation of the FIPB, which is chaired by the Secretary, DIPP, with the Union Finance Secretary, Commerce Secretary and other key Secretaries of the GoI as its members.

*United States Regulations*

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

the products. The USFDA has issued guidelines relating to good clinical practice and clinical trials that are to be followed even by manufacturers of APIs outside the US.

The USFDA mandates drugs to be manufactured in conformity with the cGMP. The establishment and operation of facilities, within or outside the US, in which the APIs or drugs are manufactured, and the manufacture and marketing of new drug compounds, new formulations for existing drug compounds and generic drugs require USFDA approval.

To obtain USFDA approval for a new drug to be used in a clinical investigation, an IND has to be filed along with data and information relating to pre-clinical Laboratory and animal toxicology tests, methods of manufacture of the product, quality control testing, etc. Thereafter, for the sale and marketing of a new pharmaceutical product or new formulations for existing drug compounds in the US, an NDA, has to be made to the USFDA.

The relevant application for approval of a generic drug manufacturer is the ANDA. This application has its basis in the Hatch-Waxman Act, 1984, which permits generic versions of previously approved innovator drugs to be approved by submission of bio-equivalency data without the need for complete reports of pre-clinical and clinical studies. An ANDA is required to include certifications of invalidity or non-infringement of any patents relating to certain listed drugs, by the generic drug applied for (paragraph IV certification). The Hatch-Waxman Act provides an incentive of 180 days of market exclusivity to the first generic applicant who challenges a patented drug by filing a paragraph IV certification.

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

#### ***Patent Cooperation Treaty, 1970***

The PCT is administered by the World Intellectual Property Organization (the “**WIPO**”). The PCT facilitates filing of patent applications under a single umbrella and provides for simplified procedure for the search and examination of such applications. PCT applications claim priority over ordinary patent applications. The PCT has two phases – national and international. A national phase is when they are converted into national patent applications in designated countries of interest, and an international phase is when a PCT application is an international application at the International Bureau (the “**IB**”) at the WIPO, Geneva. During the international phase, the designated international searching authority conducts a patent search and an international search report is provided within around six months of filing to assist the application in deciding whether or not to proceed with patent protection.

#### ***European Directorate for the Quality of Medicines (the “EDQM”)***

The EDQM is a Directorate of the Council of Europe located in Strasbourg, France. It is responsible for the preparation, establishment and distribution of chemical and biological reference standards and for the evaluation of applications for certificates of suitability of the monographs of the European Pharmacopoeia and coordination of related inspections. The objective of EDQM is to establish and provide official standards applicable to the manufacture and quality control of medicines in Europe, and ensuring application of these official standards to substances used for the production of medicines.

## HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on February 22, 1996 under the Companies Act with the name ‘Parabolic Drugs Limited’. We received our certificate of commencement of business on March 15, 1996, from the RoC.

### Change in our Registered Office

Pursuant to a Board resolution dated December 10, 2003, the registered office of our Company was shifted from H. No. 57, Sector 16-A, Chandigarh to S.C.O. 99-100, Top floor, Sector 17-B, Chandigarh 160 017, India. Our registered office was changed for business viability and cost effectiveness.

Our Company is not operating under any injunction or restraining order.

Our Company has 89 shareholders as on the date of filing of this Red Herring Prospectus with the SEBI

For details in relation to our business including description of our activities, services, market of each segment, our growth, profits due to foreign operations, technology, market, management competence and capacity built-up, our standing with reference to our prominent competitors, see “*Our Business*” and “*Industry Overview*” on pages 107 and 92 respectively.

### Key Events and Milestones

Fiscal	Key events, milestones and achievements
1996	Incorporated and received certificate for commencement of business
1998	Commencement of commercial production of oral Semi Synthetic Penicillin APIs at Derabassi
1999	Initiated contract manufacturing services
2003	Entered into export market through direct and third party exports.
2004	Set up of our regulatory affairs department for the filings of our dossiers
2005	Commenced commercial production from Unit II at Panchkula and capacity enhanced by 360 TPA
	2 dossiers filed in the European Union for CoS
	Launch of our first Cephalosporin oral API (Cefixime Trihydrate)
	Our Company was awarded WHO-GMP certificate for Amoxicillin Trihydrate and Flucloxacillin Sodium vide certificate no.09 & 10 dated October 11, 2004
2006	Commercial operation of new Cephalosporin API plant for Cefuroxime Axetil
	USFDA approval for supply of 6-APA to US markets
2007	Raised funding from Alden (formerly Minivet Limited) and Exquisite
	Commercial operation of a new plant for manufacturing Sterile Semi Synthetic Penicillin API
	Diversification into third and fourth generation Cephalosporin API
	Commercial operation of new Cefuroxime Axetil (Amorphous) plant
2008	CoS received from the EDQM for Amoxycillin and Flucloxacillin allowing exports to the European Union
	3 dossiers filed in US and European Union
	Commercial operation of new multipurpose block I for Cephalosporins API
	3 process patents filed with the Indian Patent Office
2009	8 dossiers filed in US, Canada and European Union
	Raised funding from BTS
	Commercial operation of new Cefuroxime Axetil plant with 100 TPA capacity
	Launch of Sterile Cephalosporin APIs
	4 process patents filed with the Indian Patent Office and one PCT application filed
2010	Commissioning of R&D center at Barwala
	Received an ISO 14001:2004 Management System Certificate from Det Norske Veritas
	Diversified into custom synthesis for innovator companies under CRAMS model

### Awards, Recognitions and Certifications

Our Company has not won any major awards. For details of certifications and recognitions, see “*Government and Other Approvals*” on page 244.

### Main Objects

Our main objects, as contained in our Memorandum of Association are:

Clause	Particulars
III(A) (1)	To manufacture, buy, sell, repack, C & F agents, manipulate, import, export, distribute and trade in or otherwise deal in all type of Basic Drugs, Pharmaceuticals, Medicines, Preparations, Compounds, Spirits, Patent Medicines, Drugs, Mineral Waters, Chemicals, Petrochemicals, Heavy and Fine industrial and refined such Aromatic Chemicals, Essences, Essential oils, perfumery, Dye Stuffs, Alkalies, Salts, Gases, Biochemicals and Laboratories Reagents.
III(A) (2)	To manufacture, C & F agents, import, export, buy, sell, and deal in herbal, bacteriological and biological products and preparations of all kinds of drugs, medicines, petrochemicals and chemicals of all descriptions and all substances in pharmaceutical trade required by customers dealing with the company and carry on the business of chemists, druggists, makers of and dealers in proprietary articles of all kinds of chemicals.
III(A) (3)	To manufacture, buy, sell, repack, C & F agents, manipulate, import, export, distribute and trade in or otherwise deal in all types of hospital requisites, toilet requisites, surgical appliances and equipment, medical glasswares, electromedia equipments, medical X-ray equipments, dental goods of all description, optical goods of all description, veterinary medicines, paints, pigments, varnishes, photographic goods, antibiotics, insecticides and apparatuses and machinery for the testing and manufacture of the aforesaid articles.
III(A) (4)	To carry on the business of vialling, bottling, repacking, processing of capsules, syrups, tablets and ointments.
III(A) (5)	To carry on the business of manufacturers and dealers in insecticides, pesticides, repellents, fertilisers and all kinds of agricultural chemicals and to carry on the said business in all their branches and/or aerial operations, alone or in association with other agencies and/or Companies.

The main objects as contained in the Memorandum of Association of our Company enable us to carry on the business that is presently carried out, as well as the businesses we propose to carry out.

#### Changes in our Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Shareholder Resolution	Details
September 12, 1996	The authorized share capital of our Company was modified pursuant to which Clause V of the Memorandum of Association was replaced with the following:  <i>“The authorized share capital of the Company is Rs.170 lacs (Rs. 1,70,00,000) divided into 17,00,000 Equity Shares of Rs. 10 each.”</i>
March 31, 2000	The authorized share capital of our Company was modified pursuant to which Clause V of the Memorandum of Association was replaced with the following:  <i>“The authorized share capital of the Company is Rs.205 lacs (Rs. 205,00,000) divided into 20,50,000 Equity Shares of Rs. 10 each.”</i>
September 30, 2004	The authorized share capital of our Company was modified pursuant to which Clause V of the Memorandum of Association was replaced with the following:  <i>“The authorized share capital of the Company is Rs.400 lacs (Rs. 4,00,00,000) divided into 40,00,000 Equity Shares of Rs. 10 each.”</i>
August 11, 2005	The authorized share capital of our Company was modified pursuant to which Clause V of the Memorandum of Association was replaced with the following:  <i>“The authorized share capital of the Company is Rs.750 lacs (Rs. 7,50,00,000) divided into 75,00,000 Equity Shares of Rs. 10 each.”</i>
September 30, 2005	The authorized share capital of our Company was modified pursuant to which Clause V of the Memorandum of Association was replaced with the following:  <i>“The authorized share capital of the Company is Rs.1,100 lacs (Rs. 11,00,00,000) divided into 1,10,00,000 Equity Shares of Rs. 10 each.”</i>
July 28, 2006	The authorized share capital of our Company was modified pursuant to which Clause V of the Memorandum of Association was replaced with the following:

<b>Date of Shareholder Resolution</b>	<b>Details</b>
	<i>“The authorized share capital of the Company is Rs. 1,500 lacs (Rs. 15,00,00,000) divided into 1,10,00,000 Equity Shares of Rs. 10 each and 4,00,000 Preference Shares of Rs. 100 each.”</i>
November 7, 2006	The authorized share capital of our Company was modified pursuant to which Clause V of the Memorandum of Association was replaced with the following:  <i>“The authorized share capital of the Company is Rs. 2,000 lacs (Rs. 20,00,00,000) divided into 1,10,00,000 Equity Shares of Rs. 10 each and 9,00,000 Preference Shares of Rs. 100 each.”</i>
March 8, 2008	The authorized share capital of our Company was modified pursuant to which Clause V of the Memorandum of Association was replaced with the following:  <i>“The authorized share capital of the Company is Rs. 2,000 lacs (Rs. 20,00,00,000) divided into 1,10,00,000 Equity Shares of Rs. 10 each and 90,00,000 Preference Shares of Rs. 10 each.”</i>
April 7, 2008	The authorized share capital of our Company was modified pursuant to which Clause V of the Memorandum of Association was replaced with the following:  <i>“The authorized share capital of the Company is Rs.3,600 lacs (Rs. 36,00,00,000) divided into 1,10,00,000 Equity Shares of Rs. 10 each and 2,50,00,000 Preference Shares of Rs. 10 each.”</i>
September 26, 2009	The authorized share capital of our Company was modified pursuant to which Clause V of the Memorandum of Association was replaced with the following:  <i>“The authorized share capital of the Company is Rs. 3,800 lacs (Rs. 38,00,00,000) divided into 1,30,00,000 Equity Shares of Rs. 10 each and 2,50,00,000 Preference Shares of Rs. 10 each.”</i>
November 5, 2009	The authorized share capital of our Company was modified pursuant to which Clause V of the Memorandum of Association was replaced with the following:  <i>“The authorized share capital of the Company is Rs. 62,00,00,000 (Rupees sixty two crores) divided into 3,70,00,000 (three crores seventy lacs) Equity Shares of Rs. 10 each and 2,50,00,000 Preference Shares of Rs. 10 each.”</i>
January 11, 2010	The authorized share capital of our Company was modified pursuant to which Clause V of the Memorandum of Association was replaced with the following:  <i>“The authorized share capital of the Company is Rs. 62,00,00,000 (Rupees Sixty Two Crores) divided into 6,20,00,000 (Six Crores Twenty Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each”</i>

#### **Changes in the activities of our Company during the preceding five years**

There have been no changes in the activities of our Company during the preceding five years preceding the date of this Red Herring Prospectus, which may have a material adverse effect on our profits or loss, including discontinuance of our lines of business, loss of agencies or markets and similar factors.

#### **Holding Company**

We do not have any holding company.

#### **Our Subsidiary**

##### ***Parabolic Research Labs Limited***

Our Subsidiary, Parabolic Research Labs Limited, was incorporated under the Companies Act on November 21, 2007 and received its certificate for commencement of business on January 3, 2008. Its corporate identification number is U24232CH2007PLC031004. Its registered office is situated at S.C.O. 99-100, Sector 17-B, Chandigarh 160 017, India.

Parabolic Labs is authorized to engage in the business of manufacturing, buying, selling, repacking C&F agents, manipulating, importing, exporting, distributing and trading in or otherwise dealing in all type of basic drugs, pharmaceuticals, medicines, preparations, compounds, spirits, patent medicines, drugs, mineral waters, chemicals, petrochemicals, etc., to carry on work relating to contract research on drugs manufactured by other manufacturer and to carry on research for the development of new drugs.

#### *Shareholding Pattern*

The authorized share capital of Parabolic Labs is Rs. 300 lacs divided into 30,00,000 equity shares of Rs. 10 each and the paid up share capital of Parabolic Labs Rs. 200 lacs divided into 20,00,000 equity shares of Rs. 10 each. Our Company holds 19,50,000 equity shares in Parabolic Labs, which is equivalent to 97.50% of the issued and paid up capital of Parabolic Labs.

There are no accumulated profits or losses of Parabolic Labs not accounted for by our Company. For further information, see “**Financial Statements**” on page 156.

#### *Board of Directors*

The board of directors of Parabolic Labs currently comprises:

1. Mr. Pranav Gupta;
2. Mr. Vineet Gupta; and
3. Dr. S.S. Baukhandi.

The equity shares of Parabolic Labs are not listed on any stock exchange.

#### *Common Pursuits*

Our Subsidiary is authorized under its articles of association to engage in similar business as ours. As and when any conflicts or competition may arise, including in the event Parabolic Labs ceases to be our subsidiary or if we cease to have control over it for any reason, our Board shall determine appropriate conflict management policies in accordance with applicable law.

#### **Joint Ventures**

Our Company has not entered into any joint ventures.

### **MATERIAL AGREEMENTS**

#### **Shareholder Agreements**

1. ***Shareholders agreement dated April 15, 2008 by and among our Company, BTS, Mr. Pranav Gupta, Mr. Vineet Gupta, Pranav Gupta Family Trust, Vineet Gupta Family Trust, Mrs. Rama Gupta, PNG and PIPL (“BTS SHA”)***

Our Company, BTS, Mr. Pranav Gupta, Mr. Vineet Gupta, Pranav Gupta Family Trust, Vineet Gupta Family Trust, Mrs. Rama Gupta, PNG and PIPL entered into a share subscription agreement on April 15, 2008 pursuant to which BTS agreed to subscribe to 2,50,00,000 CCPS at an issue price of Rs. 10 per CCPS of our Company. On the same date, the parties also entered into the BTS SHA to determine the rights of BTS. Our Company allotted 2,50,00,000 CCPS of face value Rs. 10 each to BTS pursuant to a shareholders’ resolution dated April 7, 2008 which were converted into Equity Shares pursuant to a shareholders’ resolution dated September 26, 2009. Our Company issued 15,33,742 Equity Shares on October 12, 2009 upon the conversion of such CCPS into Equity Shares at a face value of Rs. 10 and a premium of Rs. 153. For further details, see “**Capital Structure**” on page 55.

The parties to the BTS SHA have entered into a termination agreement dated January 7, 2010 (the “**BTS SHA Termination Agreement**”), pursuant to which the BTS SHA shall automatically terminate with effect from the date of listing and commencement of trading of our Equity Shares on the Stock Exchanges, without any party under the BTS SHA being required to take any further action or furnish any notice under the BTS SHA or under the BTS SHA Termination Agreement. However, BTS shall be entitled to nominate at least one Director on the

Board of Directors of our Company for as long as BTS and its affiliates hold at least 50% of BTS' post-Issue shareholding, as on the date of the listing and commencement of trading of the Equity Shares on the Stock Exchanges.

**2. *Shareholders agreement dated November 8, 2006 by and among our Company, Exquisite, Mr. Pranav Gupta, Mr. Vineet Gupta, Pranav Gupta Family Trust, Vineet Gupta Family Trust, Mrs. Rama Gupta, Mr. T.N. Goel and PNG, as amended on March 13, 2008 and July 23, 2008 ("Exquisite SHA")***

Our Company, Exquisite, Mr. Pranav Gupta, Mr. Vineet Gupta, Pranav Gupta Family Trust, Vineet Gupta Family Trust, Mrs. Rama Gupta, Mr. T.N. Goel and PNG entered into a shareholders agreement on November 8, 2006 pursuant to which Exquisite has agreed to subscribe to 5,00,000 OCPS at an issue price of Rs. 100 per OCPS of our Company. Our Company issued 5,00,000 Equity Shares on March 31, 2008 pursuant to a shareholders' resolution dated March 8, 2008, upon the conversion of such OCPS at a face value of Rs. 10 and premium of Rs. 90. For further details, see "*Capital Structure*" on page 55.

The parties to the Exquisite SHA have entered into a termination agreement dated January 7, 2010 (the "**Exquisite SHA Termination Agreement**"), pursuant to which the Exquisite SHA shall automatically terminate with effect from the date of listing and commencement of trading of the Equity Shares on the Stock Exchanges, without any party under the Exquisite SHA being required to take any further action or furnish any notice under the Exquisite SHA or under the Exquisite SHA Termination Agreement.

**3. *Shareholders agreement dated July 31, 2006 by and among our Company, Alden (formerly known as Minivet Limited), Mr. Pranav Gupta, Mr. Vineet Gupta, Pranav Gupta Family Trust, Vineet Gupta Family Trust, Mrs. Rama Gupta, PNG and PIPL, as amended on March 31, 2008 and June 17, 2008 ("Alden SHA")***

Our Company, Alden, Mr. Pranav Gupta, Mr. Vineet Gupta, Pranav Gupta Family Trust, Vineet Gupta Family Trust, Mrs. Rama Gupta, PNG and PIPL entered into a shareholders agreement on July 31, 2006 pursuant to which Alden agreed to subscribe to 4,00,000 OCPS at an issue price of Rs. 100 per OCPS of our Company. Our Company issued 4,00,000 Equity Shares on March 31, 2008 pursuant to a shareholders' resolution dated March 8, 2008, upon the conversion of such OCPS at a face value of Rs. 10 and a premium of Rs. 90. For further details, see "*Capital Structure*" on page 55.

The parties to the Alden SHA have entered into a termination agreement dated January 6, 2010 (the "**Alden SHA Termination Agreement**"), pursuant to which the Alden SHA shall automatically terminate with effect from the date of listing and commencement of trading of the Equity Shares on the Stock Exchanges, without any party under the Alden SHA being required to take any further action or furnish any notice under the Alden SHA or under the Alden SHA Termination Agreement.

As mentioned under Article 131 in "*Main Provisions of the Articles of Association of the Company*" on page 302 of the RHP, all rights as set out under the Articles of Association of our Company shall automatically cease to be applicable as on the date of the listing of the Equity Shares, except the right given to BTS to appoint one nominee director on the board of directors of our Company as long as BTS and its affiliates hold at least 50% of the Equity Shares held by BTS after listing of the Equity Shares. Further, our Company has undertaken that none of the clauses which grant superior rights to BTS, Exquisite and Alden than the public shareholders would be inserted in the Articles of Association of our Company.

## **Other Agreements**

Except as disclosed in this Red Herring Prospectus, there are no material agreements, apart from those entered into in the ordinary course of business carried on or intended to be carried on by us and entered into more than two years before the date of filing of this Red Herring Prospectus.

## **Collaborations**

Our Company has not entered into any collaboration with any third party as per Clause (VIII) (B) (1) (c) of Part A, Schedule VIII of the ICDR Regulations.



**Strategic Partners**

Our Company has not entered into any arrangements with any strategic partners as per Clause (VIII) (D) (6) of Part A, Schedule VIII of the ICDR Regulations.

**Financial Partners**

Apart from our various arrangements with our lenders and bankers, which we undertake in the ordinary course of our business, our Company does not have any other financial partners as per Clause (VIII) (D) (6) of Part A, Schedule VIII of the ICDR Regulations.

**Other Information**

Our Company had previously filed a draft red herring prospectus on February 23, 2006 with the SEBI for a proposed initial public offering of 28,48,500 Equity Shares on which the SEBI issued preliminary observations on May 11, 2006. However, our Company did not proceed with the proposed initial public offering at that time due to adverse market conditions. The earlier funding requirements provided under the draft red herring prospectus filed on February 23, 2006 were financed through funding received from certain private equity investors. For further information, see “*Capital Structure*” on page 55.

## OUR MANAGEMENT

### Board of Directors

Under our Articles of Association, our Board shall be restricted to the maximum number as may be specified under the Companies Act, from time to time. We currently have eight Directors on our Board. The following table sets forth details regarding our Board of Directors as on the date of this Red Herring Prospectus:

Name, Father's Name, Designation, Occupation and Nationality	Age (years)	Address	DIN	Other Directorships
<b>Mr. Inder Bir Singh Passi</b>  S/o Mr. Hukum Chand Passi  <b>Designation:</b> Chairman and Independent Director  <b>Occupation:</b> Professor  <b>Nationality:</b> Indian  <b>Term:</b> Liable to retire by rotation	70	House No. 381, Sector 38 A, Chandigarh 160 014 India	02821291	Nil
<b>Mr. Pranav Gupta</b>  S/o Mr. Jai Dev Gupta  <b>Designation:</b> Managing Director  <b>Occupation:</b> Business  <b>Nationality:</b> Indian  <b>Term:</b> Five years with effect from September 1, 2008	43	House No. 230, Sector 6 Panchkula 134 109 Haryana, India	00914361	<ul style="list-style-type: none"> <li>• PNG Trading Private Limited</li> <li>• Parabolic Infrastructure Private Limited</li> <li>• Parabolic Research Labs Limited</li> <li>• Jamboree Education Private Limited</li> <li>• Parabolic Estate Private Limited</li> <li>• JDRG Infrastructure Private Limited</li> <li>• SAJ Infrastructure Private Limited</li> <li>• Sofed Retailers Private Limited</li> </ul>
<b>Mr. Vineet Gupta</b>  S/o Mr. Jai Dev Gupta  <b>Designation:</b> Whole Time Director  <b>Occupation:</b> Business  <b>Nationality:</b> Indian  <b>Term:</b> Five years with effect from September 1, 2008	41	A 130, second floor, New Friends Colony, New Delhi 110 065, India	01256753	<ul style="list-style-type: none"> <li>• PNG Trading Private Limited</li> <li>• Parabolic Infrastructure Private Limited</li> <li>• Parabolic Research Labs Limited</li> <li>• JDRG Infrastructure Private Limited</li> <li>• Jamboree Education Private Limited</li> <li>• Parabolic Estate Private Limited</li> <li>• Saj Infrastructure Private Limited</li> <li>• APV Infotech Private Limited</li> </ul>

Name, Father's Name, Designation, Occupation and Nationality	Age (years)	Address	DIN	Other Directorships
				<ul style="list-style-type: none"> <li>• A.V. Education Services Private Limited</li> <li>• Kenam Education Services Private Limited</li> <li>• Sudhir Impex Private Limited</li> <li>• Quality Softech Solutions Private Limited</li> </ul>
<b>Dr. Ram Kumar</b> S/o Mr. Moti Ram <b>Designation:</b> Independent Director <b>Occupation:</b> Doctor <b>Nationality:</b> Indian <b>Term:</b> Liable to retire by rotation	64	House No. 232, Sector 16 A, Chandigarh 160 017 India	00913945	Nil
<b>Mr. Pardeep Diwan</b> S/o Late Mr. Ram Gopal Diwan <b>Designation:</b> Independent Director <b>Occupation:</b> Chartered Account <b>Nationality:</b> Indian <b>Term:</b> Liable to retire by rotation	48	House No. 1048, first floor, Sector 18 C Chandigarh 160 018, India	01600566	Nil
<b>Mr. Arun Kumar Mathur</b> S/o Mr. Rameshwar Narain Mathur <b>Designation:</b> Non-executive Director <b>Occupation:</b> Chemical Engineer <b>Nationality:</b> Indian <b>Term:</b> Liable to retire by rotation	61	No. 3227, Sector 15 D Chandigarh 160 016, India	02074081	Nil
<b>Mr. Koppisetty Srinivas*</b> S/o Mr. Koppisetty Venkateshwarlu <b>Designation:</b> Nominee Director <b>Occupation:</b> Service	46	Flat No. 304, Building no. 15, Mhada Residential Complex, Oshiwara Andheri (West), Mumbai 400 053, Maharashtra India	00514607	<ul style="list-style-type: none"> <li>• BTS Investment Advisors Private Limited</li> <li>• Microqual Techno Private Limited</li> <li>• Arch Pharmalabs Limited</li> <li>• QAI India Limited</li> <li>• Mantri Metalics</li> </ul>

Name, Father's Name, Designation, Occupation and Nationality	Age (years)	Address	DIN	Other Directorships
<b>Nationality:</b> Indian  <b>Term:</b> Liable to retire by rotation				Private Limited <ul style="list-style-type: none"> <li>Sai Sudhir Infrastructures Limited</li> <li>Ocean Sparkle Limited</li> <li>Caravel Logistics Private Limited</li> </ul>
<b>Dr. Deepali Gupta</b>  W/o Mr. Pranav Gupta  <b>Designation:</b> Executive Director  <b>Occupation:</b> Dentist  <b>Nationality:</b> Indian  <b>Term:</b> Five years with effect from October 1, 2009	40	House No. 230, Sector 6 Panchkula 134 109 Haryana, India	02772736	Nil

\* Nominee Director of BTS India Private Equity Fund Limited.

All our Directors are Indian residents. Except Mr. Pranav Gupta and Mr. Vineet Gupta who are brothers and Dr. Deepali Gupta, who is the wife of Mr. Pranav Gupta, none of our Directors is related to each other.

Further, except Mr. Koppisetty Srinivas who is a nominee of BTS, none of our Directors or key management personnel has been appointed pursuant to any arrangement, understanding with major shareholders, customers, suppliers or others.

#### Brief biographies of our Directors

**Mr. Inder Bir Singh Passi**, 70 years, is our Chairman and an independent Director. He graduated with a masters' degree in mathematics from Punjab University, and completed his Ph.D. from the University of Exeter, UK. In 2007, Dr. Passi was appointed an Honorary Professor at Indian Institute of Science Education and Research, Mohali. Since 2005, he has been Professor Emeritus at Punjab University, Chandigarh. Dr. Passi was President, Mathematics Section, Indian Science Congress Association, for the session 1998-99, President of the Indian Mathematical Society 2006-07, and a member of the National Board for Higher Mathematics (Department of Atomic Energy, GoI) during 1989-2002. He was the editor of the Journal of Indian Mathematical Society during 1985-89, and of the Journal of Group Theory during 1998-2001. Presently, Dr. Passi is a member of the editorial board of the Indian Journal of Pure and Applied Mathematics, a publication of the Indian National Science Academy. Dr. Passi is a fellow of the Indian National Science Academy, the National Academy of Sciences, India and the Indian Academy of Science. He has received the Shanti Swarup Bhatnagar Prize for Mathematical Science in 1983 from the Council of Scientific and Industrial Research, the Meghnad Saha Award for Research in Theoretical Sciences in 1988 from the University Grants Commission, New Delhi, and the Distinguished Service Award in 2003 from the Mathematical Association of India.

**Mr. Pranav Gupta**, 43 years, is our Managing Director and one of our Promoters. He holds a bachelors' degree in technology (mechanical engineering) from Thapar Engineering College, Patiala and holds a masters' degree in business administration from the University of Kansas, USA. Before relocating to India in 1994, he worked with the Ford Motor Company, USA as a financial analyst in the area of strategic finance, investment banking and planning. He has over 18 years of experience in the pharmaceutical industry. He is an executive member of The Indus Entrepreneurs Chapter, Chandigarh and the co-chairman of the PHD Chamber of Commerce, Haryana. He is also a member of the executive committee of the Indian Drugs Manufacturer's Association, Mumbai.

**Mr. Vineet Gupta**, 41 years, is our whole-time Director and is also one of our Promoters. He holds a bachelors' degree in technology (mechanical engineering) from the Indian Institute of Technology, New Delhi. He is also one of the promoters and a director of Jamboree and a member on the board of the AIESEC Alumni

Association. He is involved in developing the marketing network of our Company's products in India as well as abroad.

**Dr. Ram Kumar**, 64 years, is our independent Director. Dr. Kumar holds a bachelors' degree in medicine and a masters' degree in surgery and is an eye specialist. He is ex-President of the Chandigarh Ophthalmic Society. He also holds memberships in scientific societies including the Indian Medical Association and the North Zone Ophthalmological Society. He has authored various books in the field of medical science and has published articles in various newspapers. He is experienced in the field of medical science specializing in ophthalmology.

**Mr. Pardeep Diwan**, 48 years, is our independent Director. Mr. Diwan holds a bachelors' degree in commerce from Punjab University, Chandigarh, and is a fellow of the Institute of Chartered Accountants of India. He is a practicing chartered accountant and is partner at the accounting firm of Vinod Kumar and Associates, Chartered Accountants. He has over 15 years of experience in the field of audit, income tax and company law.

**Mr. Arun Kumar Mathur**, 61 years, is our non-executive Director. He graduated with a bachelors' degree in chemical engineering from Indian Institute of Technology, Kanpur. He has over 35 years of experience in reputed pharmaceutical companies like Lupin, Ranbaxy Laboratories Limited as director - operations, Beximco Pharmaceuticals Limited and Matrix Laboratories Limited as global manufacturing head.

**Mr. Koppisetty Srinivas**, 46 years, is our Nominee Director, appointed by BTS. He graduated with a bachelors' degree in engineering and a masters' degree in business administration from Andhra University, Hyderabad. He has over 18 years of experience in the private equity industry and about four years experience in the airlines industry. Mr. Srinivas is the vice chairman and managing partner of BTS Investment Advisors Private Limited, a part of the BTS group of Switzerland.

**Dr. Deepali Gupta**, 40 years of age is our executive Director. She graduated with a bachelors' degree from the Government Dental College and Hospital, Patiala, and was associated as a Government doctor with PGI Chandigarh and Sector-6 General Hospital, Panchkula, for 17 years. Dr. Deepali Gupta has been instrumental in all our major expansion projects. Her current responsibilities include heading our project management team and negotiating and finalizing purchase orders.

### **Borrowing powers of the Board**

Our Articles, subject to the provisions of the Companies Act, authorize our Board to raise or borrow or secure the payment of any sum or sums of money for the purposes of our Company. Our shareholders have, pursuant to a resolution passed at the annual general meeting dated September 26, 2009, authorized our Board to borrow monies together with monies already borrowed by us, in excess of the aggregate of the paid up capital of our Company and its free reserves not exceeding Rs. 80,000 lacs at any time.

### **Remuneration of our Directors**

#### ***Mr. Pranav Gupta***

Mr. Pranav Gupta was appointed as the Managing Director of our Company for a period of five years with effect from September 1, 2008, pursuant to a resolution of our shareholders dated September 27, 2008. The terms of employment and remuneration include the following:

<b>Particulars</b>	<b>Remuneration</b>
Basic Salary	Rs. 4,00,000 per month with an increase of 15% per annum
Commission	2% of net profits of our Company subject to total remuneration being within the prescribed limited of Part II of Schedule XIII of the Companies Act
Perquisites	<ul style="list-style-type: none"> <li>(a) Medical reimbursement: Expenses incurred (including medical insurance premium) on self and his family, subject to a ceiling of one month's salary in a year;</li> <li>(b) Club fees: Fees on clubs subject to a maximum of two clubs, not including life admission and lie membership fees;</li> <li>(c) Personal accident insurance: Premium not to exceed Rs. 5,000 per annum;</li> <li>(d) Provident fund: The contribution shall be subject to the rules framed by our Company.</li> <li>(e) Gratuity: Gratuity payable shall not exceed half a month's salary for each completed year of service subject to the ceiling prescribed by the Central Government from time to time; and</li> </ul>

Particulars	Remuneration
	(f) Car and Telephone: Free use of Company's car for official work as well as for personal purposes along with driver and two telephones including mobile at Company's cost.

**Mr. Vineet Gupta**

Mr. Vineet Gupta was appointed as the whole-time Director of our Company for a period of five years with effect from September 1, 2008, pursuant to a resolution of our shareholders dated September 27, 2008. The terms of employment and remuneration include the following:

Particulars	Remuneration
Basic Salary	Rs. 3,50,000 per month with an increase of 15% per annum
Commission	2% of net profits of our Company subject to total remuneration being within the prescribed limited of Part II of Schedule XIII of the Companies Act
Perquisites	(a) Medical reimbursement: Expenses incurred (including medical insurance premium) on self and his family, subject to a ceiling of one month's salary in a year; (b) Club fees: Fees on clubs subject to a maximum of two clubs, not including life admission and lie membership fees; (c) Personal accident insurance: Premium not to exceed Rs. 5,000 per annum; (d) Provident fund: The contribution shall be subject to the rules framed by our Company. (e) Gratuity: Gratuity payable shall not exceed half a month's salary for each completed year of service subject to the ceiling prescribed by the Central Government from time to time; and (f) Car and Telephone: Free use of Company's car for official work as well as for personal purposes along with driver and two telephones including mobile at Company's cost.

**Dr. Deepali Gupta**

Dr. Deepali Gupta was appointed as the Executive Director of our Company for a period of five years with effect from October 1, 2009, pursuant to a resolution of our shareholders dated January 11, 2010. The terms of employment and remuneration include the following:

Particulars	Remuneration
Basic Salary	Rs. 1,00,000 per month with an increase of 15% per annum
Commission	2% of net profits of our Company subject to total remuneration being within the prescribed limited of Part II of Schedule XIII of the Companies Act
Perquisites	(a) Medical reimbursement: Expenses incurred (including medical insurance premium) on self and his family, subject to a ceiling of one month's salary in a year; (b) Club fees: Fees on clubs subject to a maximum of two clubs, not including life admission and lie membership fees; (c) Personal accident insurance: Premium not to exceed Rs. 5,000 per annum; (d) Provident fund: The contribution shall be subject to the rules framed by our Company. (e) Gratuity: Gratuity payable shall not exceed half a month's salary for each completed year of service subject to the ceiling prescribed by the Central Government from time to time; and (f) Car and Telephone: Free use of Company's car for official work as well as for personal purposes along with driver and two telephones including mobile at Company's cost.

Our Company pays its non-executive Directors sitting fees of Rs. 2,500 for every meeting of its Board, audit committee, remuneration committee and shareholders / investors' grievance committee and other committees of the Board as authorized by the Board resolution dated August 11, 2008 and shareholders' resolution dated September 10, 2008.

**Remuneration of our Directors for fiscal 2010**

(in Rs.)

S. No.	Name of Director	Sitting fees	Salaries/perquisites	Total
1.	Mr. Inder Bir Singh Passi	Nil	Nil	Nil
2.	Mr. Pranav Gupta	Nil	52,20,000	52,20,000

3.	Mr. Vineet Gupta	Nil	45,67,500	45,67,500
4.	Mr. Pardeep Diwan	8,000	Nil	8,000
5.	Dr. Ram Kumar	17,500	Nil	17,500
6.	Mr. Arun Mathur	10,000	Nil	10,000
7.	Dr. Deepali Gupta	Nil	6,00,000	6,00,000
8.	Mr. K. Srinivas	12,500	Nil	12,500
<b>Total</b>		<b>48,000</b>	<b>1,03,87,500</b>	<b>1,04,35,500</b>

### Shareholding of Directors in our Company

Except as disclosed below, none of our Directors hold any Equity Shares in our Company as on the date of this Red Herring Prospectus.

S. No.	Name of Director	No. of Equity Shares	Pre-Issue Percentage Shareholding (%)	Post-Issue Percentage Shareholding (%)
1.	Mr. Pranav Gupta	8,24,100	2.21	[●]
2.	Mr. Vineet Gupta	7,01,550	1.88	[●]
3.	Dr. Deepali Gupta	2,34,600	0.63	[●]
<b>Total</b>		<b>17,60,250</b>	<b>4.73</b>	<b>[●]</b>

Our Directors do not hold any warrants, employee stock options or other convertible instruments in our Company as on the date of filing of this Red Herring Prospectus.

### Interest of our Directors

All of our Directors may be deemed to be interested to the extent of remuneration and fees payable to them for services rendered as Directors of our Company such as attending meetings of the Board or a committee thereof and to the extent of other reimbursement of expenses payable to them under our Articles of Association.

Our Directors may also be regarded as interested in the Equity Shares that may be subscribed by or Allotted to them or the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue.

Except as stated in this Red Herring Prospectus and in particular the section “*Restated Standalone Financial Statements- Statement of Related Party Disclosures*” on page 206, our Directors have no interest in any property acquired by us within two years of the date of filing of this Red Herring Prospectus.

Except as stated in this Red Herring Prospectus and in particular the section “*Restated Standalone Financial Statements- Statement of Related Party Disclosures*” on page 206, our Directors do not have any other interest in our business.

### Change in our Board of Directors during the preceding three years

The changes in our Board of Directors in the preceding three years preceding the filing of this Red Herring Prospectus are as follows:

Name	Date of Joining/Appointment/ Re-appointment	Date of Cessation	Reason
Dr. Deepali Gupta	August 25, 2009	N.A.	Appointment
Mr. Arun Kumar Mathur	September 26, 2009	N.A.	Appointment
Dr. Ram Kumar	September 26, 2009	N.A.	Appointment
Mr. Pardeep Diwan	September 28, 2008	N.A.	Appointment
Dr. Sumant Shambhuprasad Baukhandi	September 28, 2008	September 27, 2009	Resignation
Mr. Koppisetty Srinivas	April 30, 2008	N.A.	Appointment
Mrs. Rama Gupta	September 30, 2005	January 31, 2008	Resignation
Mr. Jai Dev Gupta	January 31, 2008	August 11, 2008	Resignation
Mr. Madan Lal Jaggi	September 30, 2004	November 2, 2007	Resignation
Mr. Inder Bir Singh Passi	October 12, 2009	N.A.	Appointment

Mr. Inder Bir Singh Passi was appointed as Chairman of our Company pursuant to Board resolution dated December 10, 2009.

We have not entered into any service agreements with any of our directors which provide for benefits upon termination of service.

### **Corporate Governance**

The provisions of the Equity Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will apply to us immediately upon the listing of our Equity Shares with the Stock Exchanges. We believe we are in compliance with the applicable provisions of the corporate governance code in accordance with Clause 49 of the Equity Listing Agreement.

Currently, our Board has eight Directors, of which the Chairman of the Board is an independent Director, and in compliance with the requirements of Clause 49 of the Equity Listing Agreement, we have three executive Directors, one non-executive Director, three independent Directors and one nominee Director on our Board. Mr. Koppisetty Srinivas, in his capacity as a nominee Director of our Company, is not treated as an independent Director of our Company for the purpose of compliance with Clause 49 of the Equity Listing Agreement.

### ***Audit Committee***

Our Audit Committee was reconstituted by our Directors pursuant to a Board resolution dated October 12, 2009. Currently, our Audit Committee consists of the following members:

1. Mr. Pardeep Diwan (Chairman);
2. Mr. Inder Bir Singh Passi; and
3. Mr. Pranav Gupta.

The terms of reference of our Audit Committee are in accordance with the Companies Act and Clause 49 of the Equity Listing Agreement as amended from time to time and include the following:

- a) To have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and to review the half-yearly and annual financial statements before submission to the Board and ensure compliance of internal control systems;
- b) To oversee our financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- c) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services;
- d) Reviewing with management the annual financial statements before submission to the Board;
- e) Reviewing with the management, external and internal auditors, the adequacy of internal control systems;
- f) Reviewing the adequacy of internal audit function, 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;
- g) Discussions with internal auditors on any significant findings and follow up thereon;
- h) 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;
- i) Discussions with external auditors before the audit commences, nature and scope of audit as well as to have post-audit discussion to ascertain any area of concern;
- j) Reviewing our financial and risk management policies; and
- k) To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non-payment of declared dividends) and creditors, if any.

Our Company Secretary is the secretary of our Audit Committee.



The brief details of our Audit Committee meetings held prior to the date of filing of this Red Herring Prospectus are provided below:

<b>Date of meeting</b>	<b>Items of Discussion</b>
December 29, 2009	To confirm the minutes of the last Audit Committee meeting held on August 22, 2009; and To review the annual accounts of our Company as on September 30, 2009.
August 22, 2009	To confirm the minutes of the last Audit Committee meeting held on March 31, 2009; To review the annual accounts of our Company as on March 31, 2009; and To discuss and take note of the internal audit report.
March 31, 2009	To confirm the minutes of the last Audit Committee meeting held on August 11, 2008; To consider and discuss the current internal audit report; and To discuss and take note of the internal audit observations.
August 11, 2008	To confirm the minutes of the last Audit Committee meeting held on January 31, 2008; To review the annual accounts of our Company as on March 31, 2008; and To discuss and take note of the internal audit observations.
January 31, 2008	To confirm the minutes of the last Audit Committee meeting held on August 1, 2007; To review the annual accounts of our Company for the half year ended on September 30, 2007; and To consider and discuss the current internal audit report.
August 1, 2007	To confirm the minutes of the last Audit Committee meeting held on December 20, 2006; To review the annual accounts of our Company as on March 31, 2007; and To recommend the re-appointment of auditors for the year 2006-07.
December 20, 2006	To confirm the minutes of the last Audit Committee meeting held on May 22, 2006; To discuss and take note of the internal audit observations; and To review the annual accounts of our Company for the half year ended on September 30, 2006.
May 22, 2006	To confirm the minutes of the last Audit Committee meeting held on December 7, 2005; To review the annual accounts of our Company for the Year as on March 31, 2006; To discuss and take note of the internal audit observations; and To recommend the re-appointment of auditors for the year 2006-07.
December 7, 2005	To review the annual accounts of our Company for the half year ended on September 30, 2005; and To consider and discuss the current internal audit report.

#### ***Shareholders / Investors' Grievance Committee***

Our Shareholders / Investors' Grievance Committee was reconstituted by our Directors pursuant to a Board resolution dated October 12, 2009. Currently, our Shareholders Grievance Committee consists of the following members:

1. Mr. Inder Bir Singh Passi (Chairman);
2. Dr. Ram Kumar; and
3. Mr. Pardeep Diwan.

The terms of reference of our Shareholders / Investors' Grievance Committee are in accordance with the Companies Act and Clause 49 of the Equity Listing Agreement as amended from time to time and include the following:

- a) Redressal of shareholders'/investors' complaints;
- b) Allotment of shares, approval of transfer or transmission of shares, debentures or any other securities;
- c) Issue of duplicate certificates and new certificates on split/consolidation/renewal, etc.;
- d) Review of cases for refusal of transfer/transmission of shares and debentures; and
- e) Non-receipt of declared dividends, balance sheets of our Company, etc.

Our Company Secretary is the secretary of our Shareholders / Investors' Grievance Committee.

#### ***Remuneration Committee***

The Remuneration Committee was reconstituted by our Directors pursuant to a Board resolution dated October 12, 2009. Currently, our Remuneration Committee consists of the following members:

1. Mr. Inder Bir Singh Passi (Chairman);

2. Dr. Ram Kumar; and
3. Mr. Pardeep Diwan.

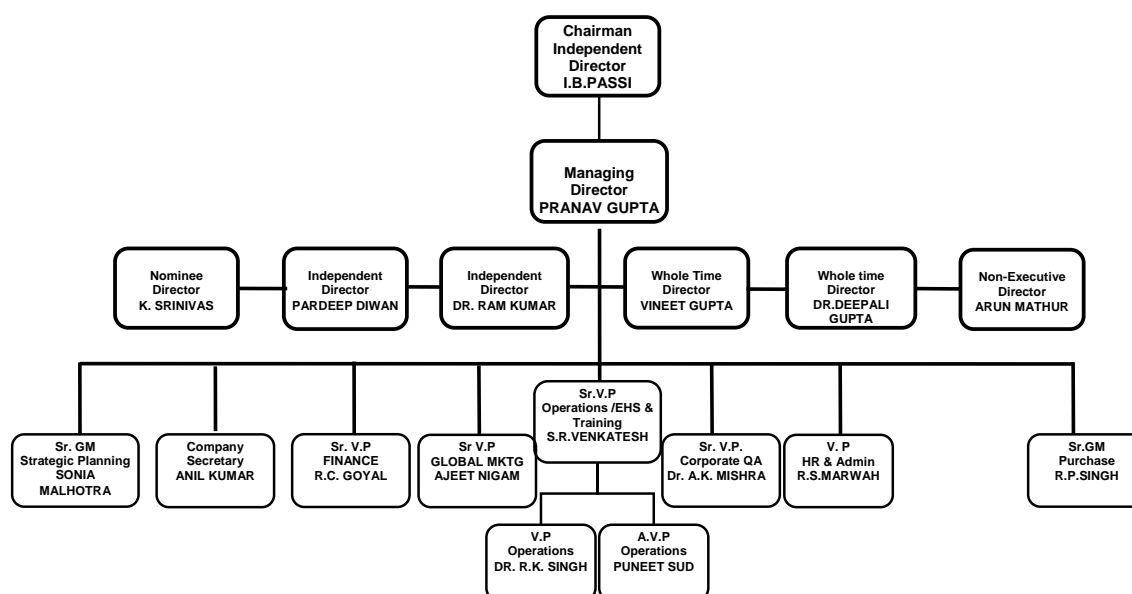
The terms of reference of our Remuneration Committee are in accordance with the Companies Act and Clause 49 of the Equity Listing Agreement as amended from time to time and include the following:

- a) Reviewing, assessing and recommending the appointment of executive/non-executive Directors and senior employees;
- b) Reviewing the remuneration packages of executive/non-executive Directors and senior employees;
- c) Recommending the payment of compensation in accordance with the provisions of the Companies Act;
- d) Carrying out any other function contained in the Equity Listing Agreement as and when amended from time to time.

Our Company Secretary is the secretary of our Remuneration Committee.

### Management Organization Structure

The organization structure of our Company is as set forth below:



### Key Management Personnel

All our key management employees are our permanent employees. The details regarding our key management personnel are as follows:

**Dr. Ramesh Kumar Singh**, 52 years, Vice President (Operations). He completed his doctor of philosophy in physical chemistry from Purvanchal University, Varanasi. Prior to joining our Company, he has worked with Dashmesh Medicare Private Limited. He joined our Company on September 1, 2009. His current responsibilities in our Company include ensuring achievement of production targets, improving operational efficiency by reducing quality failures and cost, training, development and safety of subordinates. The gross remuneration paid to him for fiscal 2010 was Rs. 7,00,000.

**Dr. A.K. Mishra**, 53 years, Senior Vice President (Corporate QC & QA). He completed his doctor of philosophy in analytical chemistry from Banaras Hindu University, Varanasi. Prior to joining our Company he has worked with several companies including Medreich Limited, Cadila Pharmaceuticals Limited, Strides Acrolab Limited and J.K. Drugs & Pharmaceuticals Limited. He joined our Company on June 1, 2009. His current responsibilities in our Company include overseeing customer audits of manufacturing facilities for GMP compliance, GMP audits by international regulatory agencies, improving system compliance in quality assurance and quality control, reducing market complaints and training. The gross remuneration paid to him for fiscal 2010 was Rs. 26,66,670.

**Mr. S.R. Venkatesh**, 64 years, Senior Vice President (Operations / E.H.S. & Training). He completed his bachelors' degree in sciences from Mumbai University, Mumbai. Prior to joining our Company, he has worked with several companies including Surya Pharmaceuticals Limited, Alliance Laboratories Private Limited, Phiox Pharmaceuticals Limited, Wipro Limited and Polychem Limited. He joined our Company on August 1, 2004. His current responsibilities in our Company include improving and implementing standard environment management systems, safety trainings, implementing the 5S system (a Japanese management system consisting of the 5S pillars – Seiri, Seiton, Seiso, Seiketsu and Shitsuke), monitoring the functioning of our cross functional team and ensuring closing of all GMP audit gaps on all manufacturing locations. The gross remuneration paid to him for fiscal 2010 was Rs. 14,01,216.

**Mr. Puneet Sud**, 44 years, Assistant Vice President (Operations). He completed his bachelors' degree in chemical engineering from Institute of Technology, Banaras Hindu University. Prior to joining our Company, he has worked with several companies including Orchid Chemicals and Pharmaceuticals Limited, Ranbaxy Laboratories Limited and Lupin Laboratories Limited. He joined our Company on December 3, 2007. His current responsibilities in our Company include coordinating with the marketing team of our Company and finalizing the monthly production plan, planning and getting material required from outsourced locations, ensuring timely availability of stocks of produced / outsourced material, coordinating for efficient production and quality at outsourced locations, planning and coordinating for timely dispatch of material as per the dispatch advice of the marketing team of our Company. The gross remuneration paid to him for fiscal 2010 was Rs. 16,79,496.

**Mr. Raghvir Chand Goyal**, 54 years, Senior Vice President (Finance), is a chartered accountant by profession. He completed his chartered accountancy degree from Institute of Chartered Accountants of India. Prior to joining our Company, he has worked with Bhushan Industries Limited, SFL Industries Limited, Milkfed, Punjab and Punjab Maize Product Limited. He joined our Company on August 9, 2005. His current responsibilities in our Company include ensuring timely completion of internal and statutory audits, finalizing balance sheet, ensuring timely completion of all banking activities and ensuring working capital and project fund flow. The gross remuneration paid to him for fiscal 2010 was Rs. 10,99,080.

**Mr. Ajeet Nigam**, 49 years, Senior Vice President (Global Marketing). He completed his bachelors' degree in sciences from the University of Delhi, New Delhi and a post graduate diploma in business management and sales and marketing management from Rajendra Prasad Institute of Communication & Management, Mumbai. Prior to joining our Company, he has worked with Ranbaxy Laboratories Limited, Oman Chemicals & Pharmaceuticals Limited (Oman), Max India Limited and Mohanwi Corporation. He joined our Company on February 15, 2007. His current responsibilities in our Company include development of products, widening customer base and resource planning. The gross remuneration paid to him for fiscal 2010 was Rs. 46,09,668.

**Mr. Ranjit Singh Marwah**, 44 years, Vice President (HR & Administration). He completed his masters' degree in economics from Guru Nanak Dev University, Amritsar and a post graduate diploma in business management from the Indian Institute of Management and Services, Delhi. Prior to joining our Company, he has worked with Kudos Chemie Limited, Dumex India Limited, Winsom Yarns Limited and Williamson & Magor Limited. He joined our Company on August 20, 2007. His current responsibilities in our Company include employee training and development, manpower planning and budgeting, hiring, retention and compensation of the management. The gross remuneration paid to him for fiscal 2010 was Rs. 9,79,169.

**Mr. Ravinder Pal Singh**, 48 years, Senior General Manager (Materials). He completed his diploma in material management and from International Management Education & Research Foundation Society, New Delhi and diploma in instrument technology from Indo-Swiss Training Centre, Central Scientific Instruments Organization, Chandigarh. Prior to joining our Company, he has worked with Surya Pharmaceuticals Limited, Montari Industries Limited and Ajay Electrical Industries Limited. He joined our Company on September 1, 2006. His current responsibilities in our Company include preparing budget, planning, procuring engineering, consumable and project materials, cost reduction, inventory management and ensuring efficient disposal of spent solvents. The gross remuneration paid to him for fiscal 2010 was Rs. 9,81,823.

**Ms. Sonia Malhotra**, 39 years, Senior General Manager (Strategic Planning & Corporate Affairs/ IT & Communication). She completed her post graduate degree in commerce from Himachal Pradesh University,

Shimla, Himachal Pradesh. Prior to joining our Company, she has worked with Venus Remedies Limited. She joined our Company on November 26, 2008. Her current responsibilities in our Company include budgeting, strategic and corporate issues, investor relations, IT and communication and administration. The gross remuneration paid to her for fiscal 2010 was Rs. 12,00,000.

**Mr. Anil Kumar**, 24 years, is our Company Secretary and Compliance Officer. He completed his company secretaryship from the Institute of Company Secretaries of India, New Delhi. Prior to joining our Company, he has worked as a practicing Company Secretary for seven months with Arora & Gujral, Company Secretaries, Chandigarh. He is a faculty member for various programs organized by the Chandigarh chapter of the Institute of Company Secretaries of India, New Delhi. He joined our Company on December 1, 2009, and his current responsibilities in our Company include corporate compliances and secretarial matters. The gross remuneration paid to him for fiscal 2010 was Rs. 80,000.

None of our key management personnel is related to each other.

### Shareholding of the Key Management Personnel

Except as disclosed below, none of the key management personnel holds Equity Shares in our Company.

S. No.	Name of Key Management Person	Number of shares
1.	Mr. S.R. Venkatesh	3,000
2.	Mr. Raghvir Chand Goyal	3,000
3.	Mr. Dr. R.K. Singh	3,000
<b>Total</b>		<b>9,000</b>

Our key management personnel do not hold any warrants, employee stock options or other convertible instruments in our Company as on the date of filing of this Red Herring Prospectus.

### Bonus or profit sharing plan for our Key Management Personnel

Our Company does not have any bonus or profit sharing plan for our key management personnel.

### Payment or benefit to officers of our Company

No non-salary related amount or benefit has been paid by our Company within the two preceding years to any officer. However, we may, from time to time, grant personal loans and advances to certain employees in the ordinary course. For certain details as on December 31, 2009 see “*Financial Statements*” on page 156.

### Changes in the Key Management Personnel

The changes in the key management personnel in the preceding three years are as follows:

Name of the Key Management Person	Date of Joining	Date of Leaving	Reason for change
Mr. Ravinder Pal Singh	September 1, 2006	N.A.	Appointment
Dr. P.K. Luthra	February 2, 2007	May 22, 2010	Resignation
Mr. Ajeet Nigam	February 15, 2007	N.A.	Appointment
Mr. Ranjit Singh Marwah	August 28, 2007	N.A.	Appointment
Mr. Puneet Sud	December 3, 2007	N.A.	Appointment
Mr. Anil Kumar Sharma	February 12, 2008	March 6, 2010	Retirement
Dr. Jatinder Kapur	March 12, 2008	April 19, 2009	Resignation
Ms. Sonia Malhotra	November 26, 2008	N.A.	Appointment
Mr. Rattan Amol Singh	December 8, 2008	September 8, 2009	Resignation
Dr. Arvind K. Mishra	June 1, 2009	N.A.	Appointment
Dr. Ramesh Kumar Singh	September 1, 2009	N.A.	Appointment
Mr. Anil Kumar	December 1, 2009	N.A.	Appointment

### Interest of Key Management Personnel

Other than as described above, our Company has not entered into any arrangement or understanding with any major shareholders, customers or suppliers of our Company, or others, pursuant to which any of the key management personnel, was selected as the Director or as a key management personnel.

## OUR PROMOTERS AND GROUP ENTITIES

Our Promoters currently hold 2,09,03,070 Equity Shares, equivalent to 56.11% of our pre-Issue paid-up share capital. The Promoters of our Company are:

1. Mr. Pranav Gupta;
2. Mr. Vineet Gupta;
3. PNG Trading Private Limited; and
4. Parabolic Infrastructure Private Limited

### Our Individual Promoters



**Mr. Pranav Gupta**, 43 years of age, (Voter Id No: MZH2493476, Driving License No: 6579/LL/PKL) is our Managing Director. He holds a bachelors' degree in technology (mechanical engineering) from Thapar Engineering College, Patiala and holds a masters' degree in business administration from the University of Kansas, USA. Before moving to India in 1994, he worked with the Ford Motor Company, USA as a financial analyst in the area of strategic finance, investment banking and planning. He has over 18 years of experience in the pharmaceutical industry. He is the executive member of The Indus Entrepreneurs Chapter, Chandigarh and the co-chairman of the PHD Chamber of Commerce, Haryana. He is also a member of the executive committee of the Indian Drugs Manufacturer's Association, Mumbai.



**Mr. Vineet Gupta**, 41 years of age, (Voter Id No: N/A; Driving License No: 2744-B-95), is a Whole-time Director of our Company. He holds a bachelors' degree in technology (mechanical engineering) from the Indian Institute of Technology, New Delhi. He is also one of the promoters and a director of Jamboree and a member on the board of the AIESEC Alumni Association. He is involved in developing the marketing network of our Company's products in India as well as abroad.

### Our Corporate Promoters

The corporate Promoters of our Company are:

1. PNG Trading Private Limited; and
2. Parabolic Infrastructure Private Limited

#### 1. PNG Trading Private Limited ("PNG")

PNG was incorporated on February 24, 2004 as a private limited company under the Companies Act. The registered office of PNG is 9 AB, Taimoor Nagar, Second Floor, New Friends Colony, New Delhi. PNG is engaged in trading activities and to continue business as buyers, sellers, importers, exporters, stockists, dealers, distributors' agents, brokers, commission agents, trading, marketing, forwarding and clearing agents of perfumes, drugs, medicines, etc. The Promoters of PNG are Mr. Pranav Gupta and Mr. Vineet Gupta.

The equity shares of PNG are not listed on any stock exchange.

#### Shareholding Pattern

The shareholding of PNG as on April 15, 2010, is as follows:

Name	No. of equity shares held	% of equity shares held
Mr. Pranav Gupta	8,88,500	23.00
Mr. Vineet Gupta	8,12,500	21.03
Ms. Ameeta Ranade	4,95,000	12.81

Name	No. of equity shares held	% of equity shares held
Ms. Bela Mahendru	4,05,000	10.48
Vineet Gupta Karta of Vineet Gupta (HUF)	2,10,000	5.44
Pranav Gupta Karta of Pranav Gupta (HUF)	10,52,500	27.24
<b>Total</b>	<b>38,63,500</b>	<b>100.00</b>

#### *Board of Directors*

The board of directors of PNG as of April 15, 2010, comprises Mr. Pranav Gupta and Mr. Vineet Gupta.

#### *Financial Performance*

The audited financial results of PNG for fiscal 2009, 2008 and 2007 are set forth below.

(Rs. in lacs, except per share data)

	Fiscal 2009	Fiscal 2008	Fiscal 2007
Equity capital	386.35	386.35	386.35
Reserves and surplus (excluding revaluation reserves)	41.50	41.50	41.50
Sales	0.00	28.05	0.00
Profit/(Loss) after tax	(0.73)	(16.72)	(2.12)
Earnings per share (in Rs.)	(0.02)	(0.43)	(0.05)
Diluted earnings per share (in Rs.)	(0.02)	(0.43)	(0.05)
Net asset value per share (in Rs.)	10.43	10.45	10.88

PNG has not been a declared a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 (the “SICA”) and is not under winding up.

## **2. Parabolic Infrastructure Private Limited (“PIPL”)**

PIPL was incorporated on September 30, 2005 as a private limited company under the Companies Act. The registered office of PIPL is S.C.O. 99-100, Top Floor, Sector 17 B, Chandigarh. It is engaged in the business of construction of buildings, colonies, infrastructure facilities, real estate and properties including purchase of real estate and development of land / premises / building, creation of plots for the purpose of sale, lease and to carry on the business of colonisers & developers, construction of commercial/ residential buildings, sale and purchase of properties on commission basis. The promoters of PIPL are Mr. Pranav Gupta and Mr. Vineet Gupta.

The equity shares of PIPL are not listed on any stock exchange.

#### *Shareholding Pattern*

The shareholding of PIPL as on April 15, 2010, is as follows:

Name	No. of equity shares held	% of equity shares held
Mr. Pranav Gupta	5,01,000	46.92
Mr. Vineet Gupta	2,74,000	25.65
Vineet Gupta Karta of Vineet Gupta (HUF)	1,00,500	9.41
Pranav Gupta Karta of Pranav Gupta (HUF)	1,00,000	9.36
Gryphon Holding SA	92,371	8.65
<b>Total</b>	<b>1,067,871</b>	<b>100.00</b>

#### *Board of Directors*

The board of directors of PIPL as of April 15, 2010, are Mr. Pranav Gupta and Mr. Vineet Gupta.

#### *Financial Performance*

The audited financial results of PIPL for fiscal 2009, 2008 and 2007 are set forth below.

(Rs. in lacs, except per share data)

	Fiscal 2009	Fiscal 2008	Fiscal 2007
Equity capital	99.05	99.05	95.05
Reserves and surplus (excluding revaluation reserves)	95.67	92.73	25.46
Sales	0.00	0.00	0.00
Profit/(Loss) after tax	4.48	1.57	(0.03)
Earnings per share (in Rs.)	0.30	0.15	(0.00)
Diluted earnings per share (in Rs.)	0.30	0.15	(0.00)
Net asset value per share (in Rs.)	19.83	19.51	15.13

PIPL has not been declared a sick company within the meaning of the SICA and is not under winding up.

Our Company confirms that the PAN, bank account number and passport number of Mr. Pranav Gupta and Mr. Vineet Gupta and the PAN, bank account number and company registration numbers of PNG and PIPL along with the address of the Registrar of Companies where our corporate Promoters are registered have been submitted to the Stock Exchanges, at the time of filing the Draft Red Herring Prospectus with the SEBI on January 22, 2010.

There has been no change in the control or management of our corporate Promoters, PNG and PIPL, as described above, during the three years immediately preceding the date of filing of this Red Herring Prospectus.

### Group Entities

In addition to the Promoters named above, pursuant to Regulation 2(zb) of the ICDR Regulations, the following are part of the Group Entities promoted by our Promoters.

#### 1. Pranav Gupta Family Trust ("PGFT")

PGFT was set up on March 3, 2000 through a trust deed between Mr. J.D. Gupta, Mr. Pranav Gupta & Dr. Deepali Gupta.

##### Board of Trustees

The trustees of PGFT as of April 15, 2010, are Mr. Pranav Gupta and Dr. Deepali Gupta. There has been no change in control or trusteeship of PGFT in the preceding three years.

##### Beneficiaries

The beneficiaries of PGFT as of April 15, 2010, are Mr. Parath Gupta and Mr. Mehul Gupta.

##### Financial Performance

The audited financials of PGFT for fiscal 2009, 2008 and 2007 are set forth below.

(Rs. in lacs, except per share data)

	Fiscal 2009	Fiscal 2008	Fiscal 2007
Corpus	1.30	1.30	1.30
Income	0.05	0.05	0.05
Profit/(Loss) after tax	0.05	0.05	0.05
Cumulative surplus	0.26	0.21	0.16

#### 2. Vineet Gupta Family Trust ("VGFT")

The Vineet Gupta Family Trust was established on March 3, 2000 through a trust deed between Mr. J.D. Gupta, Mr. Vineet Gupta and Ms. Akrita Kalra.

### *Board of Trustees*

The trustees of VGFT as of April 15, 2010, are Mr. Vineet Gupta and Ms. Akrita Kalra. There has been no change in control or trusteeship of PGFT in the preceding three years.

### *Beneficiaries*

The beneficiaries of VGFT as of April 15, 2010, are Ms. Naima Gupta and Ms. Keya Gupta.

### *Financial Performance*

The audited financials of VGFT for fiscal 2009, 2008 and 2007 are set forth below:

*(Rs. in lacs, except per share data)*

	<b>Fiscal 2009</b>	<b>Fiscal 2008</b>	<b>Fiscal 2007</b>
Corpus	7.13	7.11	6.55
Income	0.06	0.06	0.02
Profit/(Loss) after tax	0.06	0.06	0.02
Cumulative surplus	0.12	0.08	0.02

### **3. Vineet Packaging Industries (“VPI”)**

VPI was formed on October 1, 1994 by Mr. Pranav Gupta, Mr. Vineet Gupta and Ms. Nirmal Bansal under the Indian Partnerships Act, 1934. VPI is primarily engaged in the business of manufacturing thermocol packing materials.

As of April 15, 2010, our Promoters jointly hold 60% of the profit sharing ratio in VPI.

### *Financial Information*

The audited financial results of VPI for fiscal 2009, 2008 and 2007 are set forth below:

*(Rs. in lacs, except per share data)*

	<b>Fiscal 2009</b>	<b>Fiscal 2008</b>	<b>Fiscal 2007</b>
Total Income	342.02	319.20	259.12
Profit/(loss) after tax	2.06	3.46	3.15
Partners Capital A/c	77.11	71.03	61.67

### **4. Jamboree Education Private Limited (“JEPL”)**

JEPL was incorporated on January 29, 2001 under the Companies Act. The registered office of JEPL is at 9-AB, Second Floor, Taimur Nagar, New Friends Colony, New Delhi. JEPL is primarily engaged in the education business by establishing centers to promote, encourage, establish, develop, maintain, organize, undertake, manage, operate, conduct and on to run in India or abroad computer training centres software development centres, data processing centres, computer coaching centres, computer consultancy business, software consultancy, e-mail e-commerce, internet applications, website services and other related education.

As of April 15, 2010, our Promoters jointly hold 100.00% of the issued and paid up capital of JEPL.

### *Shareholding Pattern*

The shareholding of JEPL as on April 15, 2010, is as follows:

<b>Name</b>	<b>No. of equity shares held</b>	<b>% of equity shares held</b>
Vineet Gupta	15,000	37.50
Akrita Kalra	10,000	25.00
Pranav Gupta	15,000	37.50
<b>Total</b>	<b>40,000</b>	<b>100.00</b>



### *Board of Directors*

The board of directors of JEPL as of April 15, 2010, are Mr. Pranav Gupta, Mr. Vineet Gupta and Ms. Akrita Kalra.

There has been no change in control or management of JEPL in the preceding three years.

### *Financial Information*

The audited financial results of JEPL for fiscal 2009, 2008 and 2007 are set forth below:

*(Rs. in lacs, except per share data)*

	<b>Fiscal 2009</b>	<b>Fiscal 2008</b>	<b>Fiscal 2007</b>
Equity Capital	1.50	1.50	1.50
Reserves and Surplus (excluding revaluation reserves)	263.59	130.43	55.23
Income	739.56	307.65	146.88
Profit/(loss) after tax	133.17	75.20	43.54
Earnings per share (in Rs.)	887.77	501.32	290.26
Diluted earnings per share (in Rs.)	887.77	501.32	290.26
Net asset value per share (in Rs.)	1,766.95	879.06	377.57

### **5. Parabolic Estates Private Limited ("PEPL")**

PEPL was incorporated on March 20, 2007 under the Companies Act. The registered office of PEPL is at S.C.O. 99-100, Top Floor, Sector 17 B, Chandigarh. PEPL is primarily engaged in the real estate business, and allied matters such as, the business of construction, builders, colonizers, infrastructure facilities, real estate and properties including purchase of real estate and development of land/ premises/ building, creation of plots for the purpose of sale, lease and to carry on the business of building and developing colonies.

As of April 15, 2010, our Promoters jointly hold 100.00% of the issued and paid up capital of PEPL.

### *Shareholding Pattern*

The shareholding of PEPL as on April 15, 2010, is as follows:

<b>Name</b>	<b>No. of equity shares held</b>	<b>% of equity shares held</b>
Pranav Gupta	77,948	20.80
Vineet Gupta	77,948	20.80
Pranav Gupta HUF	1,09,423	29.20
Vineet Gupta HUF	1,09,420	29.20
<b>Total</b>	<b>3,74,739</b>	<b>100.00</b>

### *Board of Directors*

The board of directors of PEPL as of April 15, 2010, are Mr. Pranav Gupta and Mr. Vineet Gupta.

There has been no change in control or management of PEPL in the preceding three years.

### *Financial Information*

The audited financial results of PEPL for fiscal 2009, 2008 and 2007 are set forth below:

*(Rs. in lacs, except per share data)*

	<b>Fiscal 2009</b>	<b>Fiscal 2008</b>	<b>Fiscal 2007</b>
Equity Capital	38.83	38.83	NA
Reserves and Surplus (excluding revaluation reserves)	0.00	0.00	NA
Sales	0.00	0.00	NA
Profit/(loss) after tax	NA	NA	NA
Earnings per share (in Rs.)	NA	NA	NA
Diluted earnings per share (in Rs.)	NA	NA	NA
Net asset value per share (in Rs.)	9.85	9.88	NA

## 6. Skyview Infotech Private Limited (“Skyview”)

Skyview was originally incorporated as ‘Rachin Infrastructure Private Limited’ on September 30, 2006 under the Companies Act and the name of the company was changed to ‘Skyview Infotech Private Limited’ on September 19, 2009. The registered office of Skyview is at House no. 5607, Modern Housing Complex, Phase III, Manimajra, Chandigarh 160 101. Skyview is primarily engaged in the business of trading and dealing in the field of computers, hardware, software and information technologies.

As of April 15, 2010, our Promoter, PIPL, holds 50% of the issued and paid up capital of Skyview.

### Shareholding Pattern

The shareholding of Skyview as on April 15, 2010, is as follows:

Name	No. of equity shares held	% of equity shares held
Mr. Anil Kumar Sharma	1,500	0.76
Mr. Amit Kumar Modi	8,500	4.34
Signet Suppliers Private Limited	88,000	44.90
Parabolic Infrastructure Private Limited	98,000	50.00
<b>Total</b>	<b>1,96,000</b>	<b>100.00</b>

### Board of Directors

The board of directors of Skyview as of April 15, 2010, are Mr. Anil Kumar Chopra and Mr. Rupesh Kumar Gupta.

The following table describes change in control of Skyview in the preceding three years:

Name of Directors	Date of Appointment	Date of Cessation	Reason
Mr. Rachin Sood	January 30, 2006	August 6, 2006	Disassociation / Resignation
Ms. Sushma Sood	January 30, 2006	August 6, 2006	Disassociation / Resignation
Mr. Sudhir Kumar Sood	January 30, 2006	August 6, 2006	Disassociation / Resignation
Ms. Neeta Sood	January 30, 2006	August 6, 2006	Disassociation / Resignation

The current promoters of Skyview, pursuant to the above change in control, are PIPL and Signet Suppliers.

The following table describes change in management of Skyview in the preceding three years:

Name of Directors	Date of Appointment	Date of Cessation	Reason
Mr. Anil Kumar Sharma	August 4, 2006	December 23, 2008	Resignation
Mr. Dinesh Kumar Agarwal	August 4, 2006	September 24, 2007	Resignation
Mr. Pranav Gupta	July 18, 2007	November 14, 2007	Resignation
Mr. Amit Kumar Modi	August 8, 2007	November 14, 2007	Resignation
Mr. Anil Kumar Chopra	November 12, 2007	N.A.	Appointment
Mr. Rupesh Kumar Gupta	December 23, 2008	N.A.	Appointment
Mr. Anil Kumar Sharma	August 4, 2006	December 23, 2008	Resignation
Mr. Dinesh Kumar Agarwal	August 4, 2006	September 24, 2007	Resignation

### Financial Information

The audited financial results of Skyview for fiscal 2009, 2008 and 2007 are set forth below:

	(Rs. in lacs, except per share data)		
	Fiscal 2009	Fiscal 2008	Fiscal 2007
Equity Capital	19.60	1.00	1.00
Reserves and Surplus (excluding revaluation reserves)	0.00	0.00	0.00
Sales	0.00	0.00	0.00
Profit/(loss) after tax	0.00	0.00	0.00
Earnings per share (in Rs.)	0.00	0.00	0.00
Diluted earnings per share (in Rs.)	0.00	0.00	0.00
Net asset value per share (in Rs.)	10.00	4.83	8.69

## Other confirmations

None of our Company, the Selling Shareholders, our Subsidiary, our Promoters, Promoter Group, Directors, Group Entities and persons in control of our Company or of our Promoters and any other entities with which our Promoters, Directors or persons in control of our Company are associated as promoters or directors or persons in control are and have been prohibited or debarred from accessing or operating in the capital markets for any reasons, or restrained from buying, selling or dealing in securities, under any order or directions made by SEBI or any other authorities, and there are no violations of securities laws committed by any of them in the past or pending against them.

None of our Directors is associated in any manner with the securities market and there has been no action taken by the SEBI against any of our Directors or any other entity with which our Directors are associated as promoters or directors. Neither our Company, our Subsidiary, our Promoters, Promoter Group, Directors, Group Entities and persons in control of our Company or of our Promoters are and have been declared as wilful defaulters by the RBI or any other authority. There are no violations of securities laws committed by them in the past or pending against them.

None of our Group Entities has become a sick company under the meaning of the Sick Industrial Companies Act, 1985, and no winding up proceedings have been initiated against them, and no application has been made in respect of any of them, to the Registrar of Companies for striking off their names. Additionally, none of our Promoters or Group Entities has become defunct in the five years preceding the filing of this Red Herring Prospectus.

There have been no sales and purchases between Group Entities, Subsidiary and associate companies, when such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of our Company except as disclosed in “*Financial Statements - Statement of Related Party Disclosures*” on pages 178 and 206.

For details of legal and regulatory proceedings involving our Promoters and Group Entities, see “*Outstanding Litigation and Material Developments*” on page 241.

## Disassociation by the Promoter in the preceding three years

Our Promoters disassociated from the following companies pursuant to the sale of shares in such companies, as they intended to focus on the operations of our Company.

S. No.	Name of company from which our Promoters disassociated as promoters from	Name of the Promoters	Date of disassociation (in terms of share holding)	Reasons for disassociation
1.	AV Education Private Limited	Mr. Pranav Gupta	March 28, 2009	Resignation from directorship

Except as disclosed above, our Promoters have not disassociated themselves from any company or firm during the three years immediately preceding the date of filing of this Red Herring Prospectus with the SEBI.

## Interests of our Promoters and Group Entities

Other than as provided in the audited restated consolidated and standalone financial statements of our Company under “*Financial Statements – Statement of Related Party Disclosures*” on pages 178 and 206, respectively, our Promoters are interested in our Company to the extent of their shareholding in our Company and the dividends received by them on such shareholding.

Our Promoters, Mr. Pranav Gupta and Mr. Vineet Gupta are also Directors in the Company and receive remuneration from the Company. For further details, see “*Our Management*” on page 136.

Except as disclosed above and in the audited restated consolidated and standalone financial statements of our Company under “*Financial Statements – Statement of Related Party Disclosures*” on pages 178 and 206, respectively, our Group Entities and associates have no business interest in our Company.

Except as disclosed above and in the audited restated consolidated and standalone financial statements of our Company under “*Financial Statements – Statement of Related Party Disclosures*” on pages 178 and 206,

respectively, our Promoters and Group Entities confirm that they have no interest in the property acquired by the Company during the preceding two years prior to the date of filing of this Red Herring Prospectus.

Except as disclosed above and in the audited restated consolidated and standalone financial statements of our Company under “*Financial Statements – Statement of Related Party Disclosures*” on pages 178 and 206, respectively, our Promoters and Group Entities confirm that there has been no other transaction in acquisition of land.

#### **Payment or benefit to our Promoters**

Except as provided in the audited restated consolidated and standalone financial statements of our Company under “*Financial Statements – Statement of Related Party Disclosures*” on pages 178 and 206, respectively, no amount or benefit has been paid or given within two years preceding the filing of this Red Herring Prospectus or intended to be paid or given to any of our Promoters or persons belonging to our Promoter Group and there has been no consideration for payment of giving of the benefit.

#### **Common Pursuits**

One of our Promoters, PNG, is authorized under its Articles of Association to engage in similar business as ours. However, PNG is currently not carrying on any business in conflict with our Company. As and when such conflicts or competition may arise with PNG or any other Promoter or Group Entity, our Board shall determine appropriate conflict management policies in accordance with applicable law.

## **DIVIDEND POLICY**

Our Company has not paid any dividends on its Equity Shares in the past. Any future dividends declared would be at the discretion of our Board of Directors and would depend on our financial condition, results of operations, capital requirements, contractual obligations, the terms of our credit facilities and other financing arrangements at the time dividend is considered, and other relevant factors.

**SECTION V – FINANCIAL INFORMATION**  
**FINANCIAL STATEMENTS**

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## AUDITORS' REPORT

**The Board of Directors  
Parabolic Drugs Limited  
SCO 99-100  
Sector-17 B  
Chandigarh.**

- (1) We have examined the attached consolidated financial information of consolidated summary statement of profits and losses, as restated, consolidated summary statement of assets and liabilities, as restated, consolidated statement of cash flows, as restated and other consolidated financial information as explained in paragraph [e] below of **Parabolic Drugs Limited ('PDL' or 'the Company')** and its subsidiary, **Parabolic Research Labs Limited** as approved by the board of directors of the Company, prepared in terms of requirements of Paragraph B, Part II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India (Issue of Capital and Disclosure requirements), Regulation, 2009 ('SEBI ICDR') in connection with the proposed issue of equity shares of the Company in India.
- (2) The above financial information have been extracted by the management from the financial statements for the nine months period ended 31 December 2009 which have been audited and reported by us.
- (3) In accordance with the requirements of Paragraph B of Part II of Schedule II to the Companies Act 1956, SEBI ICDR and the Guidance Notes issued in this regard by the Institute of Chartered Accountants of India ('ICAI'), as amended from time to time, and in terms of our engagement as agreed with you, we further report that:
  - (a) We have examined the attached consolidated summary statement of profits and losses, as restated, of the Company, along with its subsidiary for the nine months period ended 31 December 2009, as set out in **Annexure I** to this report. These are after making adjustment, more fully described in the notes appearing in **Annexure IV** to this report. As a result of these adjustments, the amounts reported in the above-mentioned statement are not necessarily the same as those appearing in the audited financial statements of the Company and its subsidiaries for the reporting period.
  - (b) We have examined the attached consolidated summary statement of assets and liabilities, as restated, of the Company, along with its subsidiaries as at 31 December 2009, as set out in **Annexure II** to this report. These are after making adjustment, more fully described in the notes appearing in **Annexure IV** to this report. As a result of these adjustments, the amounts reported in the above-mentioned statement are not necessarily the same as those appearing in the audited financial statements of the Company and its subsidiaries for the relevant reporting period. .
  - (c) We have examined the attached consolidated cash flow statement, as restated, of the Company, along with its subsidiaries for the nine months period ended 31 December 2009, as set out in **Annexure III** to this report. These are after making adjustment, more fully described in the notes appearing in **Annexure IV** to this report. As a result of these adjustments, the amounts reported in the above-mentioned statement are not necessarily the same as those appearing in the audited financial statements of the Company and its subsidiaries for the relevant reporting period.
  - (d) Based on above we are of the opinion that the consolidated restated financial information, prepared by the management of the Company and approved by its Board of Directors, has been made after incorporating the following:
    - i. The impact of correction of accounting policies / changes in accounting policies have been adjusted with retrospective effect in the respective financial years to which they relate, to reflect the same accounting treatment as per changed / corrected accounting policy for all the reporting periods;
    - ii. Material amounts relating to previous years have been adjusted in the restated financial information in the respective financial years to which they relate;
    - iii. There are no extraordinary items, which need to be disclosed separately in the restated financial information in the reporting periods; and

- iv. There are no revaluation reserves, which need to be disclosed separately in the restated financial information in the reporting periods.
- (e) We have also examined the following other consolidated financial information set out in Annexures prepared by the management and approved by the Board of Directors relating to the Company and its subsidiaries and associates for nine months period ended 31 December 2009.
  - i. Consolidated statement of dividends paid by the Company, for the nine months period ended 31 December 2009, as appearing in **Annexure V** to this report;
  - ii. Consolidated statement of secured and unsecured loans, as restated as at 31 December 2009 and details of terms and conditions, including interest rates, principal terms of security and repayment terms of the loans outstanding as at 31 December 2009, as appearing in **Annexure VI** to this report;
  - iii. Consolidated statement of other income as restated for the nine months period ended 31 December 2009 as appearing in **Annexure VII** to this report;
  - iv. Consolidated statement of accounting ratios, for the nine months period ended 31 December 2009, as appearing in **Annexure VIII** to this report;
  - v. Consolidated Capitalisation statement, as restated as at 31 December 2009, as appearing in **Annexure IX** to this report;
  - vi. Statement of tax shelters, as restated for the nine months period ended 31 December 2009, as appearing in **Annexure X** to this report;
  - vii. Consolidated statement of sundry debtors, as restated as at 31 December 2009, as appearing in **Annexure XI** to this report;
  - viii. Consolidated statement of loans and advances, as restated as at 31 December 2009, as appearing in **Annexure XII** to this report;
  - ix. Consolidated statement of investments, as restated as at 31 December 2009, as appearing in **Annexure XIII** to this report;
  - x. Consolidated statement of related party disclosures for the nine months period ended 31 December 2009 as per Accounting Standard 18 on Related Parties prescribed by Companies (Accounting Standards) Rules, 2006, as appearing in **Annexure XIV** to this report; and

In our opinion, the above consolidated financial information of the Company, along with its subsidiaries and associates read with significant accounting policies appearing in **Annexure IV** to this report, after making adjustments and regroupings as considered appropriate and as set out in **Annexure IV** to this report, has been prepared in accordance with Paragraph B, Part II of Schedule II to the Companies Act, 1956, SEBI ICDR and the Guidance Notes issued in this regard by the Institute of Chartered Accountants of India ('ICAI'), as amended from time to time

- (4) Our report is intended solely for the use of management and for inclusion in India in the Offer Document in connection with the proposed issue of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

**Place: Chandigarh**  
**Date: May 3, 2010**

**For S.K. Bansal & Co**  
**Chartered Accountants**

**(S.K. Bansal)**  
**Partner**  
**M. No.13147**



## Annexure-1

Consolidated Summary Statement of Profit & Loss, as restated	
	(Rs. In lacs)
Particulars	For Nine Months Ended
	31-Dec-09
<b>INCOME</b>	
GROSS SALES	37452.39
LESS: EXCISE DUTY	2842.47
NET SALES	<b>34609.92</b>
INCOME FROM JOB WORK	12.05
OTHER INCOME	393.53
	<b>35015.50</b>
<b>EXPENDITURE</b>	
MATERIAL CONSUMED	24450.32
MANUFACTURING EXPENSES	1376.63
PERSONNEL EXPENSES	1029.04
ADMINISTRATIVE EXPENSES	337.52
SELLING & DISTRIBUTION EXPENSES	660.62
FINANCIAL EXPENSES	2956.62
RESEARCH & DEVELOPMENT W/OFF	431.35
PRELIMINARY EXPENSES W/OFF	12.91
FCM ITEM TRANSLATION DIFFERENCE LOSS	560.55
DEPRECIATION	405.35
	<b>32220.90</b>
PROFIT BEFORE TAX	2794.60
LESS: <b>PROVISION FOR TAXATION:</b>	
CURRENT YEAR TAX	493.72
DEFERRED TAX	159.60
	653.32
PROFIT AFTER TAX	<b>2141.28</b>

## Annexure- II

Consolidated Summary Statement of Assets & Liabilities, as restated	
	(Rs. In lacs)
	As At
	31-Dec-09
<b>FIXED ASSETS</b>	
GROSS BLOCK	16707.77
LESS: DEPRECIATION	1227.35
NET BLOCK	<b>15480.42</b>
<b>INVESTMENTS</b>	<b>2.50</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>	
INVENTORIES	23011.40
SUNDRY DEBTORS	15727.10
CASH AND BANK BALANCES	1797.08
LOANS AND ADVANCES	4876.36
	<b>45411.94</b>
<b>TOTAL ASSETS</b>	<b>60894.86</b>
<b>LIABILITIES &amp; PROVISIONS</b>	
<u>LOAN FUNDS</u>	
SECURED LOANS	30317.80
UNSECURED LOANS	6450.39
MINORITY INTEREST	5.00
CURRENT LIABILITIES & PROVISIONS	12265.06
DEFERRED TAX LIABILITY (NET)	687.83
<b>TOTAL LIABILITIES</b>	<b>49726.08</b>
<b>NET WORTH</b>	<b>11168.78</b>
<b>REPRESENTED BY</b>	
SHARE CAPITAL	3684.97
RESERVE & SURPLUS	11144.57
LESS : MISCELLANEOUS EXPENDITURE	3660.76
<b>NET WORTH</b>	<b>11168.78</b>

**Annexure- III**

<b>Consolidated Summary Cash Flow Statement, as restated</b>	
<b>Particulars</b>	<b>(Rs. In lacs)</b>
	For Nine
	<b>months ended</b>
	<b>31-Dec-09</b>
<b>Cash flow from operating activities</b>	
Net Profit (adjusted) before tax and after extraordinary items	2794.60
Depreciation	405.35
Financial Expenses	2956.62
Loss/(Profit) on sale of Fixed Assets	(15.65)
Provision for Tax	(493.86)
Amortization	444.26
<b>Total Operating Cash Flow before Working Capital changes</b>	<b>6091.31</b>
<b>Working Capital Changes</b>	
(Increase)/decrease in inventories	(4283.35)
(Increase)/decrease in receivables	(1140.51)
(Increase)/decrease in other Current Asset	(2268.41)
Increase/(decrease) in payables	662.70
<b>Net (increase)/decrease in Working Capital</b>	<b>(7029.56)</b>
<b>Total cash flow from operations including Working Capital (A)</b>	<b>(938.25)</b>
<b>Cash flow from investing activities</b>	
Purchase of fixed assets	(4088.78)
Sale of Fixed Assets	43.09
Preliminary Expenses	(68.78)
R&D Expenses	(1912.69)
<b>Total cash flow from investing activities (B)</b>	<b>(6027.16)</b>
<b>Cash flow from financing activities</b>	
Proceeds from borrowings	10364.96
Financial Expenses	(2956.62)
<b>Total cash flow from financing activities (C )</b>	<b>7408.34</b>
<b>Net Cash Inflows/(outflows) during the period (A - B +C )</b>	<b>442.93</b>
Cash and cash equivalents at the beginning of the year	1354.16
Cash and cash equivalents at the end of the year	1797.09

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS:****I. SIGNIFICANT ACCOUNTING POLICIES:****a. ACCOUNTING CONVENTION**

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting Standards) Rules 2006 issued by the Central Government in exercise of the power conferred under subsection (1) (a) of section 642 and relevant provisions of the Companies Act, 1956. The Financial statements have been prepared under the historical cost convention on accrual basis in accordance with Accounting Standard -1 "Disclosure of Accounting Policies". The accounting policies have been consistently applied by the company unless otherwise stated.

**b. PRINCIPLES OF CONSOLIDATION**

i) The consolidated financial statement relate to Parabolic Drugs Limited (the 'Company') and its subsidiary. The consolidated financial statements have been prepared on the following basis:

- The financial statements of the company and its subsidiary have been combined on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transaction resulting in unrealized profit or losses.
- The consolidated financial statements have been prepared using uniform accounting policies for like transaction and other event in similar circumstances and are presented to the extent possible in the same manner as in the company separate financial statements.

ii) The subsidiary considered in the consolidated financial Statement is: -

Name of Company	Country of Incorporation	% age voting power held as at 31.12.09
Parabolic Research Labs Limited	India	97.50

**c. OTHER SIGNIFICANT ACCOUNTING POLICIES**

These are set out in the notes to the financial statements under 'Significant accounting policies and notes to accounts' of the financial statements of the Parabolic Drugs Limited and its subsidiary.

**II. Major Changes in Accounting Policies**

In accordance with the Notification number GSR 225 (E) dt 31st March 2009 issued by the Ministry of Corporate Affairs, Govt of India (The MCA) and Accounting Standard 11, for the nine months period ended December 31, 2009, the Company has shown loss on maturity of derivative transactions under head "FCM Item Translation Difference" in Profit & Loss Account separately. This is a change in accounting policy as during FY 2008-09, the Company has deferred the loss on maturity of derivative transaction amounting to Rs.465.75 lacs and shown the same as "FCM Item Translation Difference account" under head Miscellaneous Expenditure on Asset side.

**III. Notes to Accounts.**

1. Debit or Credit Balances on whatever account are subject to confirmation/reconciliation.
2. The previous year figures have not been given as this is the first year of consolidation.
3. In the opinion of the Board of Directors, all current assets and loans and advances have a value on realization at least equal to the amount at which they are stated in the Balance Sheet. Adequate provisions have been made for all the known liabilities.
4. **Disclosure in accordance with accounting standard (AS 29) Provisions, Contingent Liabilities and Contingent Assets:**

Particulars	As at 1 <sup>st</sup> April 2009	Addition during the period	Amount Paid/ reversed during the period	Rs. In lacs
				As at Dec.31, 2009
Gratuity	42.20	12.93	-0.57	54.56
Leave Encashment	54.59	15.44	-3.60	66.43

**ii) Taxation Matters in respect of which Appeals are pending:**

S. No.	Particulars	Amount (Rs. In Lacs) As at 31.12.2009
1.	Income Tax	242.24*
2.	Central Excise Duty	5.93#

\*Rs.45.00 lacs have been deposited towards disputed liability. However the case has been decided in favour of the company at first stage in the month of March 2010.

#Rs.3.36 lacs have been deposited towards disputed liability.

**5. Contingent Liabilities**

	(Rs. In lacs) <u>As At 31.12.2009</u>
i) Letter of Credit (Foreign/Inland)	11498.23*
ii) Bank Guarantees	97.01
iii) Custom Duty	217.00**

\*Out of above material valuing Rs.9644.65 lacs has been received by 31.12.2009 and credited to respective creditors account.

\*\* The company has received show cause notices from the Jt. Director General of Foreign Trade towards the non-fulfilment of export obligation against the Advance Licenses obtained for import of duty free raw material. Though the company has taken up the matter with appropriate authority for the extension of export obligation period, in case the extension sought by the Company is not granted the estimated contingent liability is Rs.217 lacs towards the customs duty.

**6. Taxation**

(a) In order to comply with the requirement of section 211(3c) of the Companies Act, 1956 consequent to Accounting Standard –22 ‘‘ Accounting for Taxes on Income, the company has followed the deferred tax method of accounting. Consequently the company has accounted the deferred tax for the current period amounting to **Rs.159.60 Lacs** in the Profit & Loss Account.

(b) Deferred Tax Assets & Liability are attributable to the followings items: -

Particulars	Deferred Tax Asset/ (Liability) 31.03.2009	Charge/ Credit	Deferred Tax Asset/ (Liability) 31.12.2009
<b><u>Deferred Tax Liability:</u></b>			
Difference between Tax and Book written down Value of Fixed Assets	(-) 528.23	(-) 159.60	(-) 687.83
	(-) 528.23	(-) 159.60	(-) 687.83

7. Additional information pursuant to the provision of paragraph 3 and 4 of Part-II of Schedule-VI of the Companies Act, 1956 are same as those given in the separate financial statement of Parabolic Drugs Limited and its subsidiary wherever applicable.

8. The consolidated financial statements have been prepared in accordance with Accounting Standard (AS 21) – “Consolidated Financial Statements” of Companies (Accounting Standards) Rules 2006.

IV. Notes on Adjustments for Restated Financial Statements

a)

Reconciliation between the Audited and Restated Accumulated Profit & Loss balance as at 1.4.2009 is given below:		Amount (Rs. In Lacs)
<b>Profit &amp; Loss Account as at 1st April 2009</b>		7569.52
<b>Less: Prior Period Items</b>		
<b>Add:</b> Leave Encashment & Gratuity (refer Note IV (b)(i) (Excess Provision in FY 2007-08 reversed)	<b>8.96</b>	
<b>Add:</b> Research & Development Expenses Capitalized (refer Note IV (b)(ii))	736.65	
<b>Less:</b> Research & Development Expenses Written off (refer Note IV (b) (iii))	(96.42)	
<b>Less:</b> FCM Item Translation Difference Loss (refer Note IV (b) (iv))	(465.75)	
<b>Less:</b> Tax Adjustment Earlier Years (refer Note IV (b) (v))	(0.14)	183.15
Restated Profit & Loss account as at 1st April 2009		7752.67

**b) Cumulative effect of above increase/ (decrease) in statement of Assets & Liabilities and statement of profit & loss:**

- i) Excess provision of Leave Encashment & Gratuity of Rs.8.96 lacs in FY 2007-08 reversed resulting in decrease of Liability and increase of reserves.
- ii) As per the Accounting Standard -26 the expenditure incurred on Research & Development which is in the nature of revenue expenditure is recognized under intangible assets and amortized on a straight-line basis over a period of five years. The company had been following this policy till FY 2007. However during FY2007-08 and FY 2008-09, a part of the Company's Research & Development Expenditure was charged to profit & loss account. The same is now restated and shown as deferred revenue expenditure under Miscellaneous Expenditure in line with the Accounting Standard 26. Accordingly Rs.482.10 lacs and Rs.254.40 lacs for FY 2007-08 and FY 2008-09 respectively is shown under Misc. Expenditure and adjusted against the material consumed and the profit to this extent stands increased in the respective financial years.
- iii) The company recognizes R&D expenditure of revenue nature as intangible assets and the same is written off over a period of subsequent 5 years. Accordingly additional expenditure of Rs. 96.42 lacs and Rs.110.47 lacs has been written off in FY 2008-09 and the nine months period ended December 31, 2009 respectively on account of restatement of R & D Expenditure for FY 2007-08 and FY 2008-09, as per A (ii) above and the profit/reserves stands decreased to the same extent.
- iv) For the year ended 31st March 2009, the company's marked to market losses of Rs. 465.75 lacs on account of "Foreign Currency Monetary Items Translations Difference" was deferred and shown as "Miscellaneous Expenditure" in the balance sheet for the year ending 31st March 2009. In accordance with the Notification number GSR 225 (E) dtd. 31st March 2009 issued by the Ministry of Corporate Affairs, Govt of India (The MCA) and Accounting Standard 11, the marked to market losses are reclassified as revenue expenditure while preparing the financial statements for the nine months period ended 31st Dec, 2009 and are reflected in the Company's Profit and Loss Account. Accordingly the accounts for the prior period are restated by charging the marked to market loss of Rs 465.75 lacs pertaining to the year ended 31st March 2009 to the profit & Loss account and this amount which previously had been added to the head Miscellaneous Expenditure (to the extent not written off or adjusted) for the year ended 31st March 2009 was reduced from Miscellaneous Expenditure to that extent.
- v) The tax adjustment relating to FY 2008-09 has been made in the opening reserves.

V. Auditors' Qualifications - NIL

**Annexure- V**

<b>Consolidated Statement of Dividend paid , as restated</b>	
<b>(Rs. In lacs)</b>	
<b>Particulars</b>	<b>For Nine months ended</b>
	<b>31-Dec-09</b>
<b>Equity Share Capital (Face Value Rs. 10)</b>	3684.97
Rate of Dividend	Nil
Amount of Dividend	Nil
Corporate Dividend Tax	Nil
<b>Cumulative Convertible Preference Share Capital</b>	Nil
Rate of Dividend	Nil
Amount of Dividend	Nil
Corporate Dividend Tax	Nil

## Annexure-VI

Consolidated Statement of Secured & Unsecured Loans, as restated	
(Rs. In lacs)	
Particulars	For Nine months ended
	31-Dec-09
<b>A. SECURED LOANS</b>	
<b>i) Working Capital</b>	
Cash credit from Banks	13814.81
Export Packing Credit from Banks	1955.75
Buyers Credit from Banks	1993.78
FCNR	3308.18
<b>Total (i)</b>	<b>21072.52</b>
<b>ii) Term Loans</b>	
Term Loan from Banks	9169.14
Loan from Banks	76.14
<b>Total (ii)</b>	<b>9245.28</b>
<b>Total (i+ii)</b>	<b>30317.80</b>

The Terms and conditions of the secured loans outstanding as at 31st December, 2009 including interest rates, principal terms of security and repayment terms are given in the table below:					
A. SECURED LOANS					(Rs. In lacs)
Name of the Bank/Institution	Amount Sanctioned	Rate of Interest	Balance outstanding as on 31.12.2009	Nature of Security	Repayment Schedule
<b>1.State Bank of India</b>					
Cash Credit	6500.00	BPLR	1794.36	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Repayable on demand
Export Packing Credit		BPLR - 2.5%	1576.32		
FCNR		Libor + 6.50%	3308.18		
Buyers Credit	3500.00	Libor + 2 to 4% (variable)	886.02		As per maturity terms of buyers credit availed. Generally range from 90 to 180 days
Term Loan	3250.00	BPLR + 0.5%	1601.53	Term Loans from Banks are secured by way of 1st pari passu charge on all existing & future fixed assets of the company at all locations with equitable mortgage of land & building, 2nd pari passu charge on all the current assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company	20 Quarterly installments of Rs. 1.625 Crores with effect from 31.12.2010



<b>2.UCO BANK</b>					
Cash Credit	600.00	BPLR - .5%	455.09	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Repayable on demand
Packing Credit	1000.00	BPLR - 3.6%	379.42		
Buyers Credit	2600.00	Libor + 2 to 4% (variable)	593.89		As per maturity terms of buyers credit availed. Generally range from 90 to 180 days
Term Loan	1000.00	BPLR - .5%	1009.54	Term Loans from Banks are secured by way of 1st pari passu charge on all existing & future fixed assets of the company at all locations with equitable mortgage of land & building, 2nd pari passu charge on all the current assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	60 Monthly installment of Rs.16.67 Lacs each with effect from July, 2010
<b>3.Punjab National Bank</b>					
Cash Credit	1650.00	BPLR + 2%	1664.37	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Repayable on demand
<b>4.ICICI Bank Ltd.</b>					
Packing Credit/Cash Credit	2750.00	IBAR - 2%	2710.73	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Repayable on demand
Buyers Credit		Libor + 2 to 4% (variable)	0		
WCDL		Libor + 6.25%	0		
Term Loan	287.00	IBAR - 1.5%	50.07	Term Loans from Banks are secured by way of 1st pari passu charge on all existing & future fixed assets of the company at all locations with equitable mortgage of land & building, 2nd pari passu charge on all the current assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Principal amount of each tranche is to be repaid in equal Quarterly installments payable in 18 quarterly installments starting with December, 2005
	500.00	IBAR - 1.5%	145.28		Principal amount of each tranche is to be repaid in equal Quarterly installments payable in 18 quarterly with moratorium of 6 months.

	USD 2.15 Million	Libor + 1.75%	631.16		Repayable in eight equal semi-annual installments, first installment being due on end of eighteenth month from the Average Draw down Date
	1480.00	IBAR - 3.75%	1857.90		Principal amount of each tranche is to be repaid in 60 equal monthly installments payable commencing from April 30, 2009
	520.00	IBAR - 3.75%			Principal amount of each tranche is to be repaid in 48 equal monthly installments payable commencing from April 30, 2009
	2310.00	IBAR - 2%	1913.36		Principal amount of each tranche is to be repaid in 48 equal monthly installments payable commencing after one year from the date of first disbursement. TL tranche disbursed for liquidating the Buyers credit/ Capex LC shall be repaid in equal monthly installments for the balance tenor of repayment (the final maturity shall remain 5 years from the date of first disbursement).
<b>5. Central Bank of India</b>					
Cash Credit	3000.00	BPLR	3029.77	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Repayable on demand
Buyers Credit	1000.00	Libor + 2 to 4% (variable)	513.88		As per maturity terms of buyers credit availed. Generally range from 90 to 180 days
Term Loan	3000.00	BPLR	1960.30	Term Loans from Banks are secured by way 1st pari passu charge on all existing & future fixed assets of the company at all locations with equitable mortgage of land & building. 2nd pari passu charge on all the current assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company	
<b>6. Union Bank of India</b>					
Cash Credit	4000.00	BPLR	4037.60	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets	Repayable on demand

				of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	
<b>7.IDBI Bank</b>					
Buyers Credit	700.00	Libor + 2 to 4% (variable)	0	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	As per maturity terms of buyers credit availed. Generally range from 90 to 180 days
<b>8.HSBC Bank</b>					
Cash Credit	500.00	12.10% p.a.	122.89	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Repayable on demand
Buyers Credit	2000.00	Libor + 2 to 4% (variable)	0	M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	As per maturity terms of buyers credit availed. Generally range from 90 to 180 days
<b>9.Vehicle Loans</b>			76.14	Secured by way of hypothecation of respective vehicle	

## **B. UNSECURED LOANS**

Particulars				For Nine months ended
				31/12/2009
<b>i) From Promoters, Directors &amp; their Relatives</b>				
Charanji Lal Maya Devi Charitable Trust				4.00
Deepali Gupta				9.25
Pranav Gupta				0.31
<b>Total (i)</b>				<b>13.56</b>
<b>ii) From Others</b>				
Factoring from GTF				1651.77
Bill Discounting from Banks				4279.52
Bill Discounting from SIDBI				495.54
Deposit from Others				10.00
<b>Total (iii)</b>				<b>6436.83</b>
<b>Total (i+ii)</b>				<b>6450.39</b>
<b>The Terms and conditions of the unsecured loans outstanding as at 31st December, 2009 including interest rates, principal terms of security and repayment terms are given in the table below:</b>				
Name	Rate of Interest	Balance outstanding as on 31.12.2009	Nature of Security	Repayment Schedule
<b><u>From Promoters, Directors &amp; their Relatives</u></b>				

Chiranji Lal Maya Devi Charitable Trust	12.00%	4.00	unsecured	Repayable on demand
Ms. Deepali Gupta	0	9.25	Unsecured	Repayable on demand
Mr. Pranav Gupta	0	0.31	Unsecured	Repayable on demand
From Others				
Factoring from GTF	13.50%	1651.77	Secured against bill and personal guarantee of Sh. Pranav Gupta & Sh. Vineet Gupta, whole time directors	As per respective due date of bills.
Bill Discounting from Banks	8% to 11% (variable)	4279.52	Secured against bill and personal guarantee of Sh. Pranav Gupta & Sh. Vineet Gupta, whole time directors	As per respective due date of bills.
Bill Discounting from SIDBI	10.50%	495.54	Secured against bill and personal guarantee of Sh. Pranav Gupta & Sh. Vineet Gupta, whole time directors	As per respective due date of bills.
Deepak & Jyoti P Ltd	12%	6.00	unsecured	Repayable on demand
S K Food Product P Ltd	12%	4.00	unsecured	Repayable on demand

<b>Consolidated Statement of Other Income, as restated</b>		
<b>(Rs. In lacs)</b>		
<b>Particulars</b>	<b>For Nine Months ended</b>	<b>Nature of Income</b>
	<b>31-Dec-09</b>	
Interest	66.18	Recurring
DEPB Income	19.60	Recurring
Miscellaneous Income	307.75	Recurring
<b>Total</b>	<b>393.53</b>	

## Annexure- VIII

Consolidated Statement of Accounting Ratios, as restated	
(Rs. In lacs)	
Particulars	For Nine months ended
	31-Dec-09
Net Profit before extra ordinary items but after Adjusted Tax (Rs. Lacs) (A)	2141.28
Net Worth at the end of year/period (B)	11168.78
Net Worth excluding preference share capital at the end of year/period (Rs. Lacs) (C)	11168.78
Total number of equity shares outstanding at the end of the year/period (D)	36849726
<b>Earning Per Share (Rs.) :</b>	
Total weighted number of equity shares outstanding at the end of the year/period (E)	<b>33603770</b>
Total weighted number of diluted equity shares outstanding at the end of the year/period (F)	33603770
Basic (A/E)	6.37
Diluted (A/F)	6.37
Return on Net Worth (%) (A/B)	19.17%
Net Asset Value per Share (Rs) (C/D)	30.31

**Earning Per Share (Basic)**

$$\frac{\text{Net Profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$$

**Earning Per Share (Diluted)**

$$\frac{\text{Net Profit attributable to equity shareholders}}{\text{Weighted average number of equity shares including dilutive equity equivalent shares outstanding during the year/period}}$$

**Return on net worth**

$$\frac{\text{Net profit after adjusted tax} \times 100}{\text{Net worth as at the end of the year/period}}$$

**Net Asset value per equity share**

$$\frac{\text{Net worth as at the end of the year/period}}{\text{Number of equity share outstanding at the end of the year/period}}$$

## Annexure IX

Consolidated Capitalization Statement as at December 31, 2009, as restated		
(Rs. In lacs)		
Particulars	Pre-issue as at 31-Dec-09	Post-issue
<b>Borrowings:</b>		
Short Term Debt	27509.35	
Long Term Debt	9258.84	
<b>Total Borrowings</b>	<b>36768.19</b>	
<b>Shareholders funds:</b>		
<b>Share Capital</b>		
- Equity Share Capital	3684.97	
<b>Reserves</b>		
- Security Premium	1217.91	
- Capital Reserve	2.76	
- Capital Subsidy	30.00	
- Profit & Loss Account	9893.90	
Less: Miscellaneous expenditure (to the extent not w/off)	(3660.76)	
<b>Total Shareholders funds</b>	<b>11168.78</b>	
<b>Long term debt / equity</b>	0.83	
<b>Total debt/equity</b>	3.29	
<b>Notes:</b>		
1. The capitalization statement post issue shall be prepared on conclusion of the book building process.		
2. Long term debt represents Term Loans, Vehicles Loan & Loans from promoters, directors & their relatives.		
<b>3. Long term debt / equity ratio</b>	Long Term Debt	
	Total shareholders fund	
<b>3. Total debt / equity ratio</b>	Total debt	
	Total shareholders fund	

## Annexure- X

Consolidated Statement of Tax Shelters, as restated		
(Rs. In lacs)		
	Particulars	For Nine months ended
		31-Dec-09
<b>A</b>	Restated Profit before Tax	2794.60
<b>B</b>	Tax Rate (Notional)	33.99%
<b>C</b>	Tax at Notional Rate (A*B)	949.88
	<b>Adjustments :</b>	
<b>D</b>	<b>Permanent Differences :</b>	
	Donation disallowance	0.08
	Interest & Penalties	1.42
	R & D Expenses. W.off	431.35
	Loss on sale of fixed assets	(15.65)
	R & D u/s 35 (2AB)	(3046.58)
	Total	<b>(2629.38)</b>
<b>E</b>	<b>Timing Differences:</b>	
	Difference Between tax depreciation & book depreciation	(294.11)
	Gratuity	12.36
	Leave Encashment	10.74
	Total	<b>(271.01)</b>
<b>F</b>	Net Adjustments (D + E)	(2900.39)
<b>G</b>	Tax Expense/(Saving) thereon (F*B)	(985.84)
<b>H</b>	Tax Liability (C + G)	(35.96)
	<b>Book Profit</b>	
	Profit Before Tax	2794.60
	<b>Book Profit</b>	<b>2794.60</b>
	Tax Rate under MAT	17.00%
<b>I</b>	Tax Liability under MAT	474.94
<b>J</b>	Net Tax liability	474.94
<b>K</b>	Interest u/s 234 A, B, C	51.96
<b>L</b>	Total Tax Liability	526.90
<b>M</b>	MAT Credit Entitlement	0.00
<b>N</b>	Taxable profit/(Loss) before Tax After Adjustments as restated (A + F)	(105.80)
<b>O</b>	Total Tax Liability after tax impact of adjustments (L + M)	526.90



## Annexure XI

<b>Consolidated Statement of Sundry Debtors, as restated</b>	
<b>(Rs. In lacs)</b>	
<b>Particulars</b>	<b>For Nine months ended</b>
	<b>31-Dec-09</b>
<b>Debts outstanding for a period exceeding six months:</b>	
- Considered good	1290.75
- Considered doubtful	0.00
<b>Others debts</b>	
- Considered good	14436.35
- Considered doubtful	
Sub Total	15727.10
<b>Less: Provision for doubtful debts</b>	0.00
<b>Total</b>	<b>15727.10</b>
<b>There are no debts outstanding from promoters, directors and their relatives, group companies, subsidiaries and material associates.</b>	

## Annexure XII

<b>Consolidated Statement of Loans and Advances, as restated</b>	
	<b>(Rs. In lacs)</b>
<b>Particulars</b>	<b>For Nine months ended</b>
	<b>31-Dec-09</b>
CENVAT	1063.12
Security Deposit	64.34
Prepaid Expenses	112.36
Advances to Suppliers	2358.56
Export Incentive Recoverable	941.57
Advances to Staff	18.69
Deposit with Revenue Authority	61.20
Others	256.52
<b>Total</b>	<b>4876.36</b>

**Annexure XIII**

<b>Consolidated Statement of Investments, as restated</b>	
<b>(Rs. In lacs)</b>	
<b>Particulars</b>	<b>For Nine months ended</b>
	<b>31-Dec-09</b>
Nimbuja Greenfield (Punjab) Ltd.	2.50
(25,000 equity shares of Rs. 10 each, fully paid up) - Unquoted	
<b>Total</b>	<b>2.50</b>

## Annexure XIV

Annexure XIV

Consolidated Statement of Related Party Disclosures, as restated		
(Rs. In lacs)		
Name of part	Nature of transaction	For the Nine months ended
		31-Dec-09
Key Managerial Personnel & their Relatives		
	Remuneration to Key Managerial Personnel	
	- Pranav Gupta	36.89
	- Vineet Gupta	32.13
	- Deepali Gupta	3.00
	Rent Paid	
	- Rama Gupta	3.60
	- J D Gupta (HUF)	1.35
	Purchase of Fixed Assets	
	- Deepali Gupta	0.95
Associates		
	Purchase of Goods	7.61
	- Vineet Packaging	

## AUDITORS' REPORT

**The Board of Directors  
Parabolic Drugs Limited  
SCO-99-100  
Sector-17-B  
Chandigarh**

- (1) We have examined the attached financial information of **Parabolic Drugs Limited** ('PDL' or 'the Company'), comprising summary statement of profits and losses, as restated, summary statement of assets and liabilities, as restated, and statement of cash flows, as restated and other financial information explained in paragraph [e] below, as approved by the board of directors of the Company, prepared in terms of requirements of Paragraph B, Part II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India (Issue of Capital and Disclosure requirements), Regulation, 2009 ('SEBI ICDR') and in terms of our engagement agreed upon with you in accordance with our engagement letter dated May 3<sup>rd</sup>, 2010 in connection with the proposed issue of equity shares of the Company in India.
- (2) The above financial information have been extracted by the management from the financial statements for the financial year ended 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 and for the nine months period ended 31 December 2009 which have been audited and reported by us.
- (3) In accordance with the requirements of Paragraph B of Part II of Schedule II to the Companies Act 1956, SEBI ICDR and the Guidance Notes issued in this regard by the Institute of Chartered Accountants of India ('ICAI'), as amended from time to time, we further report that:
  - (a) The summary statement of profit and loss of the Company, as restated, for the financial year ended 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 and for the nine month period ended 31st December 2009 as set out in **Annexure I** to this report are after making adjustments and regroupings, as in our opinion, were appropriate and more fully described in the notes appearing in **Annexure IV** to this report. As a result of these adjustments and regroupings, the amounts reported in the above-mentioned statement are not necessarily the same as those appearing in the financial statements for the relevant financial years.
  - (b) The summary statement of assets and liabilities of the Company, as restated, as at 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008, 31 March 2009 and 31 December 2009 as set out in **Annexure II** to this report are after making adjustments and regroupings, as in our opinion, were appropriate and more fully described in the notes appearing in **Annexure IV** to this report. As a result of these adjustments and regroupings, the amounts reported in the above-mentioned statement are not necessarily the same as those appearing in the financial statements for the relevant financial year.
  - (c) The statement of cash flows of the Company, as restated, for the financial year ended 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 and the nine month period ended 31 December 2009 as set out in **Annexure III** to this report are after making adjustments and regroupings, as in our opinion, were appropriate and more fully described in the notes appearing in **Annexure IV** to this report. As a result of these adjustments, the amounts reported in the above-mentioned statement are not necessarily the same as those appearing in the financial statements for the relevant financial years.
  - (d) Based on above we are of the opinion that the restated financial information, prepared by the management of the Company and approved by its Board of Directors, has been made after incorporating the following:
    - i. The impact of correction of accounting policies / changes in accounting policies have been adjusted with retrospective effect in the respective financial years to which they relate, to reflect the same accounting treatment as per changed / corrected accounting policy for all the reporting periods;
    - ii. Material amounts relating to previous years have been adjusted in the restated financial information in the respective financial years to which they relate;
    - iii. Qualifications in the auditors' report which do not require any corrective adjustments in the restated financial information as disclosed in **Note V of Annexure IV**;

- iv. There are no extraordinary items, which need to be disclosed separately in the restated financial information in the respective financial years; and
  - v. There are no revaluation reserves, which need to be disclosed separately in the restated financial information in the respective financial years.
- (e) We have also examined the following other financial information set out in Annexures prepared by the management and approved by the Board of Directors relating to the Company for the financial year ended 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 and the nine month period ended 31 December 2009.
- i. Statement of dividends paid by the Company, for the financial years ended 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 and the nine month period ended 31 December 2009, as appearing in **Annexure V** to this report;
  - ii. Statement of secured and unsecured loans, as restated as at 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008, 31 March 2009 and 31 December 2009 and details of terms and conditions, including interest rates, principal terms of security and repayment terms of the loans outstanding as at 31 December 2009, as appearing in **Annexure VI** to this report;
  - iii. Statement of other income as restated for the financial years ended 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 and the nine month period ended 31 December 2009, as appearing in **Annexure VII** to this report;
  - iv. Statement of accounting ratios, for the financial years ended 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 and the nine month period ended 31 December 2009, as appearing in **Annexure VIII** to this report;
  - v. Capitalization statement, as restated as at 31 December 2009, as appearing in **Annexure IX** to this report;
  - vi. Statement of tax shelters, as restated for the financial years ended 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 and the nine month period ended 31 December 2009, as appearing in **Annexure X** to this report;
  - vii. Statement of sundry debtors, as restated as at 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008, 31 March 2009 and 31 December 2009, as appearing in **Annexure XI** and to this report;
  - viii. Statement of loans and advances, as restated as at 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008, 31 March 2009 and 31 December 2009, as appearing in **Annexure XII** and to this report;
  - ix. Statement of investments, as restated as at 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008, 31 March 2009 and 31 December 2009, as appearing in **Annexure XIII** to this report;
  - x. Statement of related party disclosures for the financial years ended 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 and the nine month period ended 31 December 2009 as per Accounting Standard 18 on Related Parties prescribed by Companies (Accounting Standards) Rules, 2006, as appearing in **Annexure XIV** to this report; and

In our opinion, the above financial information of the Company read with significant accounting policies appearing in **Annexure IV** to this report, after making adjustments and regroupings as considered appropriate and as set out in **Annexure IV** to this report, has been prepared in accordance with Paragraph B, Part II of Schedule II to the Companies Act, 1956, SEBI ICDR and the Guidance Notes issued in this regard by the Institute of Chartered Accountants of India ('ICAI'), as amended from time to time

- (4) Our report is intended solely for the use of management and for inclusion in India in the Offer Document in connection with the proposed issue of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

**Place: Chandigarh**

**For S.K. Bansal and Co**

**Date: May 3, 2010**

**Chartered Accountants**

**(S.K. Bansal)  
Partner  
M.No.013147**

## Annexure- I

Summary Statement of Profit & Loss, as restated						
(Rs. In lacs)						
Particulars	For Nine Month period Ended	For the Year Ended				
	31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
<b>INCOME</b>						
GROSS SALES	37452.39	42967.43	30025.49	16683.39	9806.27	5682.39
LESS: EXCISE DUTY	2842.47	3530.63	2696.01	1748.97	1078.46	673.16
NET SALES	<b>34609.92</b>	<b>39436.80</b>	<b>27329.48</b>	<b>14934.42</b>	<b>8727.81</b>	<b>5009.23</b>
INCOME FROM JOB WORK	12.05	54.95	2.55	79.89	118.12	70.36
OTHER INCOME	393.53	201.95	61.89	42.02	165.98	9.95
	<b>35015.50</b>	<b>39693.70</b>	<b>27393.92</b>	<b>15056.33</b>	<b>9011.91</b>	<b>5089.54</b>
<b>EXPENDITURE</b>						
MATERIAL CONSUMED	24450.32	28996.34	19756.40	11468.91	6917.79	4092.38
MANUFACTURING EXPENSES	1376.63	1727.82	1071.53	660.55	414.09	230.65
PERSONNEL EXPENSES	1029.04	1082.58	607.73	177.87	96.45	58.66
ADMINISTRATIVE EXPENSES	337.52	448.05	313.67	139.23	103.84	63.02
SELLING & DIST. EXPENSES	660.62	664.53	473.98	135.33	65.20	63.75
FINANCIAL EXPENSES	2956.62	2833.55	1192.58	589.20	405.79	160.56
RESEARCH & DEVELOPMENT W/OFF	431.35	424.09	292.60	169.59	28.71	6.75
PRELIMINARY EXPENSES W/OFF	12.91	8.05	6.14	4.16	0.36	0.25
FCM ITEM TRANSLATION DIFFERENCE LOSS	560.55	465.75	18.04	0.00	0.00	0.00
DEPRECIATION	405.35	360.86	182.55	90.27	61.51	38.64
	<b>32220.90</b>	<b>37011.62</b>	<b>23915.22</b>	<b>13435.11</b>	<b>8093.74</b>	<b>4714.66</b>
PROFIT BEFORE TAX	2794.60	2682.08	3478.70	1621.22	918.18	374.88
LESS: <b>PROVISION FOR TAXATION:</b>						
CURRENT YEAR TAX	493.72	345.00	367.70	206.37	77.54	28.50
DEFERRED TAX	159.60	219.99	137.89	52.87	16.76	19.23
FRINGE BENEFIT TAX	0.00	7.89	5.67	3.00	2.08	0.00
	653.32	572.88	511.26	262.24	96.39	47.73
PROFIT AFTER TAX	<b>2141.28</b>	<b>2109.20</b>	<b>2967.43</b>	<b>1358.98</b>	<b>821.79</b>	<b>327.15</b>

## Annexure- II

Summary Statement of Assets & Liabilities, as restated						
						(Rs. In lacs)
	AS AT	AS AT	AS AT	AS AT	AS AT	AS AT
	31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
<b>FIXED ASSETS</b>						
GROSS BLOCK	16511.98	12470.04	7846.72	3570.08	1569.45	1078.68
LESS: DEPRECIATION	1227.35	841.41	488.46	305.91	217.14	155.63
NET BLOCK	<b>15284.63</b>	<b>11628.63</b>	<b>7358.26</b>	<b>3264.17</b>	<b>1352.31</b>	<b>923.05</b>
<b>INVESTMENTS</b>	<b>198.12</b>	<b>198.12</b>	<b>62.82</b>	<b>2.50</b>	<b>0.00</b>	<b>0.00</b>
<b>CURRENT ASSETS, LOANS</b>						
<b>AND ADVANCES</b>						
INVENTORIES	23011.40	18728.06	10209.70	5559.79	2983.56	1598.96
SUNDRY DEBTORS	15727.10	14586.59	8926.70	4486.52	2092.52	1032.01
CASH AND BANK BALANCES	1793.12	1350.61	734.99	307.04	296.36	247.17
LOANS AND ADVANCES	4877.44	2607.96	1265.69	745.41	600.95	606.96
<b>TOTAL</b>	<b>45409.06</b>	<b>37273.21</b>	<b>21137.08</b>	<b>11098.76</b>	<b>5973.39</b>	<b>3485.11</b>
<b>TOTAL ASSETS</b>	<b>60891.81</b>	<b>49099.97</b>	<b>28558.16</b>	<b>14365.43</b>	<b>7325.71</b>	<b>4408.15</b>
<b>LIABILITIES &amp; PROVISIONS</b>						
<b>LOAN FUNDS</b>						
SECURED LOANS	30317.80	21252.53	11651.06	4744.02	2779.24	1146.74
UNSECURED LOANS	6450.08	5150.40	4291.09	2222.23	1354.10	1082.59
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>						
DEFERRED TAX LIABILITY (NET)	12264.97	11602.36	6076.79	3969.93	1613.81	1301.43
	687.83	528.23	308.24	170.35	117.48	100.72
<b>TOTAL LIABILITIES</b>	<b>49720.68</b>	<b>38533.52</b>	<b>22327.19</b>	<b>11106.54</b>	<b>5864.63</b>	<b>3631.47</b>
<b>NET WORTH</b>	<b>11171.13</b>	<b>10566.45</b>	<b>6230.98</b>	<b>3258.89</b>	<b>1461.08</b>	<b>776.68</b>
<b>REPRESENTED BY</b>						
SHARE CAPITAL	3684.97	3574.95	1099.25	1669.95	769.95	400.00
RESERVE & SURPLUS	11144.57	9113.31	6836.62	2915.79	1556.81	495.22
LESS : MISC.EXPENDITURE	3658.41	2121.82	1704.90	1326.85	865.68	118.54
<b>NET WORTH</b>	<b>11171.13</b>	<b>10566.45</b>	<b>6230.98</b>	<b>3258.89</b>	<b>1461.08</b>	<b>776.68</b>



## Annexure- III

Summary Cash Flow Statement, as restated						
(Rs. In lacs)						
Particulars	For the Nine month period ended	For the Year Ended				
	31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
<b>Cash flow from operating activities</b>						
Net Profit (adjusted) before tax and after extraordinary items	2794.60	2682.08	3478.70	1621.22	918.18	374.88
Depreciation	405.35	360.86	182.55	90.27	61.51	38.64
Financial Expenses	2956.62	2833.55	1192.58	589.20	405.79	160.56
Loss/(Profit) on sale of Fixed Assets	(15.65)	2.34	0	4.03	0	0
Provision for Tax	(493.72)	(352.89)	(373.37)	(209.37)	(79.62)	(28.50)
Amortization	444.26	432.14	298.75	173.75	29.06	7.00
<b>Total Operating Cash Flow before Working Capital changes</b>	<b>6091.45</b>	<b>5958.07</b>	<b>4779.20</b>	<b>2269.10</b>	<b>1334.91</b>	<b>552.58</b>
<b>Working Capital Changes</b>						
(Increase)/decrease in Inventories	(4283.35)	(8518.36)	(4649.90)	(2576.23)	(1384.60)	(879.72)
(Increase)/decrease in Receivables	(1140.51)	(5659.89)	(4440.19)	(2393.99)	(1060.52)	(397.08)
(Increase)/decrease in Other Current Assets	(2269.49)	(1342.27)	(520.28)	(144.46)	6.02	(262.05)
Increase/(decrease) in Payables	662.61	5525.57	2106.86	2356.13	312.37	798.40
<b>Net (increase)/decrease in working capital</b>	<b>(7030.73)</b>	<b>(9994.94)</b>	<b>(7503.51)</b>	<b>(2758.56)</b>	<b>(2126.73)</b>	<b>(740.44)</b>
<b>Total cash flow from operations including Working Capital (A)</b>	<b>(939.28)</b>	<b>(4036.87)</b>	<b>(2724.31)</b>	<b>(489.46)</b>	<b>(791.81)</b>	<b>(187.86)</b>
<b>Cash flow from investing activities</b>						
Purchase of Fixed Assets	(4088.78)	(4643.36)	(4276.65)	(2008.87)	(490.77)	(443.70)
Sale of Fixed Assets	43.09	9.79	0	2.72	0	0
Preliminary Expenses	(68.16)	(93.87)	(19.36)	(19.82)	(38.09)	(1.01)
R&D Expenses	(1912.69)	(755.18)	(657.43)	(615.10)	(738.12)	(109.81)
Investment	0	(135.30)	(60.32)	(2.50)	0	0
<b>Total cash flow from investing activities (B)</b>	<b>(6026.54)</b>	<b>(5617.93)</b>	<b>(5013.76)</b>	<b>(2643.57)</b>	<b>(1266.98)</b>	<b>(554.51)</b>
<b>Cash flow from financing activities</b>						
Proceeds from Issue of Share Capital	0	2643.19	382.70	900.00	609.75	198.90
Proceeds from Borrowings	10364.95	10460.78	8975.90	2832.91	1904.02	880.77
Financial Expenses	(2956.62)	(2833.55)	(1192.58)	(589.20)	(405.79)	(160.56)
<b>Total cash flow from financing activities (C)</b>	<b>7408.33</b>	<b>10270.41</b>	<b>8166.03</b>	<b>3143.71</b>	<b>2107.98</b>	<b>919.11</b>
<b>Net Cash Inflows/(outflows) during the period (A - B +C)</b>	<b>442.51</b>	<b>615.61</b>	<b>427.95</b>	<b>10.68</b>	<b>49.19</b>	<b>176.73</b>
Cash and cash equivalents at the beginning of the year	1350.61	734.99	307.04	296.36	247.17	70.44
Cash and cash equivalents at the end of the year	1793.12	1350.61	734.99	307.04	296.36	247.17

## Significant accounting policies and notes to accounts

**I. SIGNIFICANT ACCOUNTING POLICIES:****a. ACCOUNTING CONVENTION**

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting Standards) Rules 2006 issued by the Central Government in exercise of the power conferred under subsection (1) (a) of section 642 and relevant provisions of the Companies Act, 1956. The Financial statements have been prepared under the historical cost convention on accrual basis in accordance with Accounting Standard -1 “Disclosure of Accounting Policies”. The accounting policies have been consistently applied by the company unless otherwise stated.

**b. FIXED ASSETS AND DEPRECIATION**

- (i) All fixed assets are stated at cost of acquisition less accumulated depreciation & impairment losses. The company capitalized all direct cost relating to the acquisition and installation of fixed assets as per Accounting Standard 10- “Accounting for Fixed Assets”. Depreciation on all fixed assets have been provided on continuous process basis at the rates and in the manner specified in Schedule –XIV to the Companies Act, 1956. During the year, depreciation on all the Fixed Assets has been provided at the rate applicable to continuous process industry on the straight-line method.

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily take substantial period of time to get ready for their intended use are capitalized in accordance with Accounting Standard -16 “Borrowing costs”.

Expenditure and outlays of money on uncompleted Fixed Assets are shown as capital work in progress until such time the same are completed. Capital work in progress is stated at cost.

**(ii) Pre-Operative Expenses**

Pre-operative expenses represent expenses incurred prior to the date of commencement of commercial production for setting up new manufacturing facilities or expansion of existing facilities. Until capitalization, all expenses are disclosed under pre-operative expenses pending allocation/capitalization and allocated to cost of fixed assets on capitalization.

**c. VALUATION OF INVENTORIES**

Inventories are valued in accordance with Accounting Standard -2 “Valuation of Inventories” and the method of valuation is given as under:

(i) Raw Material, Stores and Spares and Packing Materials	Lower of Cost or Net Realizable Value whichever is less on FIFO Basis. However, materials and other items held for use in the production of finished goods are not written down below cost if the products in which they will be used are expected to be sold at or above cost.
(ii) Works in Process	At cost up to estimated stage of completion. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
(iii) Stock at shop floor	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
(iv) Finished Goods	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of Finished goods includes excise duty.

**d. REVENUE RECOGNITION**

As per Accounting Standard -9 “Revenue Recognition”, revenue is recognized to the extent that it can be reliably measured and is probable that the economic benefits will flow to the company

**Sales of Goods:**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of goods are transferred to the customer and is stated net of Trade Discount, Sales return & sales tax, but inclusive of excise duty.

### **Interest**

Interest Revenue is recognized on time proportion basis taking into account amount outstanding and rate applicable.

### **Income from Job Work**

Income from job work is recognized on the basis of work executed as per the contract/agreement.

### **DEPB Income**

DEPB income is recognized by the Company after the admission of export benefit credited against the DEPB license realized from the Director General of Foreign Trade on eligible exports made by the Company and the gain (recognized on the basis of discount amount and the resultant difference between the license value and purchase value) on purchase of DEPB licenses from exporters for the purpose of payment of customs duty on import of raw material by the Company is also included within DEPB income.

### **e. FOREIGN CURRENCY TRANSACTIONS**

Foreign Currency Transactions are accounted for in accordance with Accounting Standard-11-“The Effects of changes in Foreign Exchange Rates”. Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rate prevailing as on the balance sheet date.

Exchange differences arising on the settlement of monetary items or on reporting company’s monetary items at rates different from those at which they were initially recorded during the year are recognized as income or expenses in the year in which they arise.

Foreign Currency Monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Any gains or losses are recognized in the profit and loss account.

### **f. INVESTMENTS**

The company follows AS-13 “Accounting for investments” for treatment of its investments. Long Term investments are stated at cost. However, provision for diminution in value, other than temporary is made. Current investments are stated at the lower of cost and fair value, which is determined on an individual investment basis.

### **g. RETIREMENT BENEFITS**

Retirement Benefits are accounted in accordance with Accounting Standard -15 “Accounting for retirement benefits in the financial statements of employers” as follows:

#### **Defined Benefit Plans**

(i) Liability in respect of defined benefit plans i.e. gratuity and leave encashment, are determined based on actuarial valuation made by an independent actuary as at balance sheet date .The actuarial gains or losses are recognized immediately in the profit and loss account.

#### **Defined Contribution Plans**

(ii) Contribution towards Provident Fund is made to statutory authorities by the management and is charged to profit & loss account on accrual basis.

### **h. BORROWING COSTS**

Borrowing costs include interest and commitment charges on borrowings. As per Accounting Standard -16 “Borrowing Costs” Costs incurred on borrowings directly attributable to development projects, which take substantial period of time to complete, are capitalized to respective projects and all other borrowing costs are recognized in the profit and loss account in the period in which they are incurred which is in accordance with Accounting Standard -16 Borrowing Costs.

### **i. SEGMENTAL REPORTING**

The company has considered Manufacturing of Bulk Drugs as only one business segment. Since there is not more than one reportable segment therefore the disclosure in the context of Accounting Standard 17 “Segment Reporting” has not been considered necessary.

### **j. TAXES ON INCOME**

As per Accounting Standard -22 “Accounting for Taxes on Income”, Tax expenses comprise current tax and deferred tax.

- i. Provision for taxation represent income tax including surcharge and education cess as per provision contained in the Income Tax Act, 1961

- ii. Deferred Tax is recognized in respect of deferred tax assets (subject to the consideration of prudence) and to the extent there is virtual certainty that the asset will be realized in future and deferred tax liabilities on timing differences, being the difference between Taxable Income & Accounting Income that originate in the period and are capable of reversal in one or more subsequent years. Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the balance sheet date.

**k. EARNING PER SHARE**

In accordance with Accounting Standard-20 –“Earnings Per Share” Basic Earning per Share is calculated by dividing the net earnings after tax for the period attributable to equity shareholders by weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earning per share net profit or loss for the period attributable to equity shareholders and weighted average number of equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**l. RESEARCH AND DEVELOPMENT EXPENSES**

Cost incurred on research and development expenses of revenue nature are recognized as intangible assets and amortized on a straight line basis over a period of five years. Subsequent expenditure on research and development of revenue nature are also added to the cost of intangibles and also written off in succeeding five years.

Capital expenditure on Research & Development is shown under “R&D Equipment” under Fixed Assets and depreciation have been provided at the rates and in the manner provided according to Schedule VI of the Companies Act 1956.

The above treatment is in accordance with Accounting Standard -26 “Intangible Assets”

**m. IMPAIRMENT LOSS**

The carrying value of assets of the Cash Generating Unit at each Balance Sheet date is reviewed for impairment as per Accounting Standard -28 “Impairment of Assets”. If any indication of such impairment exists, the recoverable amount of those assets is estimated. Impairment loss is recognized, if carrying amount of those assets exceeds their recoverable amount. Recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discount factor.

**n. AMORTISATION OF EXPENSES**

Preliminary Expenses are amortized over a period of ten years.

**o. EXPORT BENEFITS/INCENTIVES**

Export entitlements under Duty Entitlement pass Book [DEPB] Scheme are recognized in the Profit & Loss Account when the right to receive credit as per terms of the scheme is established in respect of export made.

Obligations/entitlements on account of Advance license scheme for import of raw material are accounted for on purchase of raw material and / or export sales.

**p. CONTINGENT LIABILITIES AND PROVISIONS**

In accordance with Accounting Standard -29- “Provisions, Contingent Liabilities and Contingent Assets”, which are material and where future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed in notes on accounts to financial statements after careful evaluation by the management of the facts and legal aspects of the matters involved.

**q. USE OF ESTIMATES**

In preparing companies financial statement in conformity with the accounting principles generally accepted in India, management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**r. FINANCIAL DERIVATIVES HEDGING TRANSACTIONS**

The use of Financial Derivatives Hedging Contracts is governed by the Company’s policies which provide principles on the use of such financial derivatives consistent with the company’s risk management strategy. The company does not use derivative financial instruments for speculative purposes.

Financial Derivatives Hedging Contracts are accounted on the date of their settlement/termination and realized gain/loss in respect of the settled/terminated contracts is recognized in the profit and loss account.

## II. OTHER SIGNIFICANT NOTES TO ACCOUNTS

In the opinion of the Board of Directors, all current assets and loans and advances have a value on realization at least equal to the amount at which they are stated in the Balance Sheet. Adequate provisions have been made for all the known liabilities.

1. Debit or Credit Balances on whatever account are subject to confirmation/reconciliation.
2. The DEPB Income comprises export benefit against the DEPB licenses realized from Director General of Foreign Trade, Ministry of Commerce, Government of India, on the eligible exports made by the Company and the gain (i.e. the discount amount and the resultant difference between the license value and purchase value) on purchase of DEPB licenses from exporters for the purpose of payment of customs duty on import of raw material by the Company
3. **Disclosure in accordance with Accounting Standard (AS 29) Provisions, Contingent Liabilities and Contingent Assets:**

i) (Rs. In Lacs)

Particulars	As at 31 <sup>st</sup> Dec. 2009	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007	As at 31 <sup>st</sup> March 2006	As at 31 <sup>st</sup> March 2005
Gratuity	54.56	42.20	31.99	10.28	6.81	5.45
Leave Encashment	66.43	54.59	31.62	10.33	5.50	4.32

ii) **Taxation Matters in respect of which Appeals are pending:**

(Rs. In Lacs)

S. No.	Particulars	Amount (Rs. lacs) Nine Months Ended 31.12.09	Amount (Rs. Lacs) 2008-09
1.	Income Tax	242.24*	242.24
2.	Central Excise Duty	5.93#	5.93

\*Rs.45.00 lacs have been deposited towards disputed liability. However the case has been decided in favour of the company at first stage in the month of March 2010.

#Rs.3.36 lacs have been deposited towards disputed liability.

4. **Contingent Liabilities**

(Rs in Lacs)

	As at 31 <sup>st</sup> Dec. 2009	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007	As at 31 <sup>st</sup> March 2006	As at 31 <sup>st</sup> March 2005
Letter of Credit (Foreign/ Inland)	11498.23*	8507.70	5458.00	2003.50	1113.49	736.67
Bank Guarantees	97.01	163.96	101.00	99.90	51.90	91.95
Custom Duty	217.00@	0.00	0.00	0.00	0.00	0.00

\*Out of above material valuing Rs.9644.65 lacs has been received by 31.12.2009 and credited to respective creditors account.

@ The company has received show cause notices from the Jt. Director General of Foreign Trade towards the non-fulfilment of export obligation against the Advance Licenses obtained for import of duty free raw material. Though the company has taken up the matter with appropriate authority for the extension of export obligation period, in case the extension sought by the Company is not granted the estimated contingent liability is Rs.217 lacs towards the customs duty

5. **TAXATION**

In order to comply with the requirement of section 211(3c) of the Companies Act, 1956 consequent to Accounting Standard -22 "Accounting for Taxes on Income", the company has followed the deferred tax method of accounting. Consequently the company has accounted the deferred tax for the current period amounting to **Rs.159.61 Lacs** in the Profit & Loss Account.

Deferred Tax Assets & Liability are attributable to the followings items: -

(Rs. in Lacs)

Particulars	As at 31st Dec. 2009	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007	As at 31 <sup>st</sup> March 2006	As at 31 <sup>st</sup> March 2005
<b><u>Deferred Tax Liability:</u></b>						
Difference between Tax And Book written down Value of Fixed Assets	687.83	528.23	308.24	170.35	117.48	100.72

6. Additional information pursuant to the provision of paragraph 3 and 4 of Part-II of Schedule-VI of the Companies Act, 1956. [As certified by the Management and accepted by the Auditors]

(a). **Licensed & Installed Capacity**

Tons

Particulars	As at 31st Dec. 2009	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007	As at 31 <sup>st</sup> March 2006	As at 31 <sup>st</sup> March 2005
Semi Synthetic Penicillin	840	840	840	840	600	600
Cephalosporin	323	323	198	120	60	24
6-APA	720	720	720	720	360	360

(b). **Production, Turnover and Stocks (Finished Goods):**

Tons

Particulars	As at 31st Dec. 2009	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007	As at 31 <sup>st</sup> March 2006	As at 31 <sup>st</sup> March 2005
<b>Production (inc. purchase)</b>						
Semi Synthetic Penicillin	694.39	1023.49	632.96	638.82	491.20	348.96
Cephalosporin	233.00	191.35	92.19	39.96	16.08	0.20
6-APA	375.88	698.49	601.49	617.54	311.62	287.66

**Turnover (Excluding Excise Duty)**

Particulars	As at 31 <sup>st</sup> Dec. 2009		As at 31 <sup>st</sup> March 2009		As at 31 <sup>st</sup> March 2008		As at 31 <sup>st</sup> March 2007		As at 31 <sup>st</sup> March 2006		As at 31 <sup>st</sup> March 2005	
	Qty	Rs	Qty	Rs	Qty	Rs	Qty	Rs	Qty	Rs	Qty	Rs
	Ton	Lacs	Ton	Lacs	Ton	Lacs	Ton	Lacs	Ton	Lacs	Ton	Lacs
Semi Synthetic Penicillin	654.71	9625.92	977.95	17620.04	754.16	13771.10	633.94	7601.75	491.20	5111.57	348.96	3532.39
Cephalosporin	215.89	19124.88	149.84	14065.05	73.40	7587.00	37.68	3751.60	16.15	1574.62	0.10	17.20
6-APA	274.14	3533.71	357.48	6051.17	296.24	5209.10	262.13	2997.00	130.58	1299.07	79.62	1063.85
By products		2325.41		1700.54		762.30		584.05		742.55		395.79
<b>Total</b>		<b>34609.92</b>		<b>39436.80</b>		<b>27329.50</b>		<b>14934.40</b>		<b>8727.81</b>		<b>5009.23</b>

<b>III. Notes to Summary Statement of Profit &amp; Loss, as restated Annexure - I and Summary Statement of Assets &amp; Liabilities, as restated Annexure-II</b>						
<b>Rs in Lacs</b>						
<b>Below mentioned is the summary of results of adjustments/rectifications made in the audited accounts of the respective years and its impact on profit &amp; losses and assets &amp; liabilities :</b>						
<b>Adjustment (income)/expense in statement of profit &amp; loss arising out of</b>	<b>For Nine Month Ended 31st Dec. 2009</b>	<b>For the year Ended 31st March 2009</b>	<b>For the year Ended 31st March 2008</b>	<b>For the year Ended 31st March 2007</b>	<b>For the year Ended 31st March 2006</b>	<b>For the year Ended 31st March 2005</b>
<b>A. Change in accounting policy/correction of accounting policies</b>						
Accounting for foreign currency transactions (refer Note A (i))	0.00	465.75	0.00	0.00	0.00	0.00
Accounting for gratuity and leave encashment (refer Note A (iv))	0.00	0.00	0.00	(4.73)	(0.50)	(1.29)
Accounting for R&D expenditure incurred (refer Note A (ii))	0.00	254.40	482.10	0.00	0.00	0.00
Accounting for R&D Expenditure written off (refer Note A (iii))	(110.47)	(96.42)	0.00	0.00	0.00	0.00
<b>B. Prior Period Items</b>						
Depreciation (refer Note B (i))	0.00	0.00	0.00	0.00	0.00	6.44
Leave Encashment (refer Note B (i))	0.00	0.00	0.00	0.00	0.00	1.41
Gratuity (refer Note B (i))	0.00	0.00	0.00	0.00	0.00	2.61
Insurance Claim Receivable (refer Note B (i))	0.00	0.00	0.00	0.00	0.00	3.38
Provision for Tax (refer Note B (i))	0.00	23.82	0.12	(23.71)	(0.23)	(0.90)
<b>C. Re-groupings</b>						
Other Income (refer Note C (i) (ii))	0.00	0.00	0.00	6.62	(13.52)	(262.19)
Material Consumed (refer Note C (i))	0.00	0.00	0.00	0.00	(4.58)	(250.97)
Administrative expenses (refer Note C (iii)(iv)(v)(vi)(vii))	0.00	0.00	0.00	0.64	(30.72)	(21.04)
Manufacturing Expenses (refer Note C (iii) (iv)(v))	0.00	0.00	0.00	(0.64)	1.66	1.23
Preliminary Expenses w. off (refer Note C (vi))	0.00	0.00	0.00	0.00	0.00	0.00
Financial Expenses (refer Note C (i)(vii))	0.00	0.00	0.00	6.62	(8.94)	(11.14)

						<b>(Rs. In lacs)</b>
<b>Cumulative effect of above increase/(decrease) in statement of Assets &amp; Liabilities</b>	<b>AS AT 31.12.2009</b>	<b>AS AT 31.03.2009</b>	<b>AS AT 31.03.2008</b>	<b>AS AT 31.03.2007</b>	<b>AS AT 31.03.2006</b>	<b>AS AT 31.03.2005</b>
<b>A. Change in accounting policy/correction of accounting policies</b>						
Misc. Expenditure :	0.00	(465.75)	0.00	0.00	0.00	0.00
Financial Expenses (FCTM) (refer Note A (i))						
Current Liabilities (refer Note A (iv))	(8.96)	(8.96)	(8.96)	7.63	2.90	2.40
Misc. Expenditure :	110.47	157.98	482.10	0.00	0.00	0.00

Deferred R & D Expenditure (refer Note A (ii)(iii))						
Reserve & Surplus (refer Note A (ii)(iii))	110.47	157.98	500.14	(16.58)	0.00	0.00
<b>B. Prior Period Items</b>						
Reserve & Surplus (refer Note B (i)(ii))	0.00	23.82	0.12	(23.71)	(0.23)	(12.94)
Current Liabilities (refer Note B (i)(ii))	0.00	(23.82)	(0.12)	23.71	0.23	0.00
<b>C. Re-groupings</b>						
Gross Block (refer Note C (ix))	0.00	0.00	0.00	23.78	9.45	0.00
Loans & Advances (refer Note C (ix)(x))	0.00	0.00	0.00	(23.78)	41.70	0.00
Current Liabilities (refer Note C (x))	0.00	0.00	0.00	0.00	51.15	0.00
Secured Loans (refer Note C (viii))	0.00	0.00	(1554.89)	(839.63)	(444.24)	(496.40)
Unsecured Loans (refer Note C (viii))	0.00	0.00	1554.89	839.63	444.24	496.40
Financial Expenses (refer Note C (xi))	0.00	0.00	(18.04)	0.00	0.00	0.00
FCM Item translation Difference (refer Note C (xi))	0.00	0.00	18.04	0.00	0.00	0.00

Reconciliation between the Audited and Restated Accumulated Profit & Loss balance as at 1.4.2004 is given below :		Amount (Rs. Lacs)
Profit & Loss Account as at 1st April 2004		181.01
Less : Prior Period Items		
Depreciation	6.44	
Leave Encashment	1.41	
Gratuity	2.61	
Insurance Claim	3.38	13.84
		167.17
Add : Provision for Tax		0.90
<b>Restated Profit &amp; Loss account as at 1st April 2004</b>		<b>168.07</b>

#### NOTES ON RESTATEMENT:

##### A. Change in accounting policy/correction of accounting policies

##### i) Foreign Currency Monetary Items Translations Difference :

For the year ended 31st March, 2009, the company's marked to market losses of Rs. 465.75 lacs on account of "Foreign Currency Monetary Items Translations Difference" were deferred and shown as "Miscellaneous Expenditure" in the balance sheet for the year ending 31st March 2009. In accordance with the Notification number GSR 225 (E) dtd. 31st March 2009 issued by the Ministry of Corporate Affairs, Govt. of India (The MCA) and Accounting Standard 11, the marked to market losses are reclassified as revenue expenditure while preparing the financial statements for the nine months period ended 31st Dec., 2009 and are reflected in the Company's Profit and Loss Account. Accordingly the accounts for the prior period are restated by charging the marked to market loss of Rs 465.75 lacs pertaining to the year ended 31st March 2009 to the profit & Loss account and this amount which previously had been added to the head Miscellaneous Expenditure (to the extent not written off or adjusted) for the year ended 31st March 2009 was reduced from Miscellaneous Expenditure to that extent

##### ii) Research & Development Expenditure Incurred :



As per the Accounting Standard -26 the expenditure incurred on Research & Development which is in the nature of revenue expenditure is recognized under intangible assets and amortized on a straight line basis over a period of five years. The company had been following this policy till FY 2007. However during FY2007-08 and FY 2008-09, a part of the Company's Research & Development Expenditure was charged to profit & loss account. The same is now restated and shown as deferred revenue expenditure under Misc. Expenditure in line with the Accounting Standard 26. Accordingly Rs.482.10 lacs and Rs.254.40 lacs for FY 2007-08 and FY 2008-09 respectively is shown under Misc. Expenditure and adjusted against the material consumed and the profit to this extent stands increased in the respective financial years.

**iii) Research & Development Expenditure Written Off :**

The company recognizes R&D expenditure of revenue nature as intangible assets and the same is written off over a period of subsequent 5 years. Accordingly additional expenditure of Rs. 96.42 lacs and Rs.110.47 lacs has been written off in FY 2008-09 and the nine months period ended December 30, 2009 respectively on account of restatement of R & D Expenditure for FY 2007-08 and FY 2008-09, as per A (ii) above and the profit/reserves stands decreased to the same extent.

**iv) Provision for Gratuity & Leave Encashment :**

The company has restated the liability towards Gratuity and Leave Encashment on Actuarial Valuation, thus liability increased by Rs.1.29 lacs in FY 2004-05; Rs.0.50 lacs in FY 2005-06; Rs.4.73 lacs in FY 2006-07 and accordingly the personnel expenses have restated in the respective year and also the profit/reserves stands restated by same amount. Further, excess provision of Rs. 8.96 lacs on account of gratuity and leave encashment made in FY 2007-08 is also restated and accordingly the currently liability stands reduced in FY 2007-08, FY 2008-09 & FY 2009-10(31.12.2009).

**B. Prior Period Items**

i) The expenditure relating to the period prior to FY 2004-05 i.e. Depreciation: Rs.6.44 lacs; Leave Encashment: Rs.1.54 lacs; Gratuity: Rs.1.37 lacs; Insurance claim: Rs.3.38 lacs has been restated and adjusted in the respective year(s). Corresponding adjustments have been made to the reserves as on 1st April 2004. Further Leave encashment is reduced by Rs.0.13 lacs and Gratuity increased by Rs.1.24 lacs on the basis of liability restated on Actuarial Valuation. The excess provision of tax for Rs.0.90 lacs made in the period prior to 2004-05 is also restated and corresponding adjustments made to profit/reserves as on 1st April, 2004.

ii) The additional provision for tax made in the subsequent years has been restated and charged to the respective financial year. The additional provision for tax made in FY 2008-09:Rs.23.82 lacs; FY 2007-08:Rs.23.94 lacs; FY 2006-07: Rs.0.23 lacs has been charged in the respective years i.e. FY 2007-08: Rs.23.82 lacs; FY 2006-07: Rs.23.94 lacs; FY 2005-06: Rs.0.23 lacs, the profit/reserves also stand adjusted to the same extent.

**C. Re-Grouping**

i) The material consumed is net-off of export incentives from FY 2006-07, the export incentive being shown under other income in FY 2004-05 and FY 2005-06 has been regrouped and shown net-off against the material consumed.

ii) Gain/loss due to exchange fluctuations on exports is grouped under Financial Expenses from FY 2007-08. Accordingly gain/loss due to exchange fluctuation till FY 2006-07 which were earlier grouped under other income is re-grouped under Financial Expenses

iii) Insurance Expenses of Rs.0.64 lacs in FY 2006-07; Rs.1.11 lacs in FY 2005-06 and Rs.0.81 lacs in FY 2004-05 shown under manufacturing expenses is regrouped under Administrative Expenses

iv) Laboratory Expenses of Rs. 2.77 lacs in FY 2005-06 and Rs.1.89 lacs in FY 2004-05 shown under Administrative Expenses is regrouped under Manufacturing Expenses

v) ETP charges of Rs.0.15 lacs in FY 2004-05 shown under Administrative Expenses is regrouped under Manufacturing Expenses

vi) Preliminary Expenses W. off of Rs.0.36 lacs in FY 2005-06 and Rs.0.25 lacs in FY 2004-05 and R & D Expenditure Written off of Rs.28.70 lacs in FY 2005-06 and Rs.6.75 lacs in FY 2004-05 shown under Administrative Expenses have been shown separately in Profit & Loss Account

vii) Interest on Sales Tax of Rs. 0.08 lacs in FY 2004-05 shown under Administrative Expenses is re-grouped under Financial Expenses

viii) Bills Discounting Facility from various banks of Rs.1154.89 lacs in FY 2007-08; Rs.839.63 lacs in FY 2006-07; Rs.444.24 lacs in FY 2005-06 and Rs.496.40 lacs in FY 2004-05 shown under Secured Loans is regrouped under Unsecured Loans

ix) Amount paid towards the land cost in FY 2005-06 Rs.9.45 lacs, FY 2006-07 Rs.23.78 lacs shown under Loans & Advances is regrouped under Fixed Assets

x) VAT payable of Rs.41.70 lacs shown under Loans & Advances in FY 2005-06 is regrouped under Current Liabilities

xi) FCM Item Translation Difference of Rs.18.04 Lacs shown under Financial Expenses in FY 2007-2008 is regrouped under Profit & Los Account as a separate item of expenditure

**IV) Major Changes in Accounting Policies**

i) For the nine months period ended December 31, 2009, the Company has shown loss on maturity of derivative transactions under head "FCM Item Translation Difference Loss" in Profit & Loss Account separately. This is a

change in accounting policy as during FY 2008-09, the Company had deferred the loss on maturity of derivative transaction amounting to Rs.465.75 lacs and shown the same as “FCM Item Translation Difference account” under head Miscellaneous Expenditure on Asset side.

ii) With effect from Financial Year 2007-08 the company has provided the liability in respect of defined benefit plans i.e. gratuity and leave encashment, based on actuarial valuation made by an independent actuary as at balance sheet date. The actuarial gains or losses are recognized immediately in the profit and loss account.

**V. Auditors Qualifications**

**(Not requiring any accounting corrections and not having any financial implications on the restated financial statements)**

**Financial Year 2004-2005**

- i The Company has maintained records showing full particulars including quantitative details and situation of fixed assets. But records are not reconciled with Financial Books of Accounts.
- ii. The Company has not maintained cost records as prescribed by Central Government under section 209(1) (d) of the Companies Act 1956.

**Annexure- V**

Summary Statement of Dividend, as restated						
(Rs. In lacs)						
Particulars	For the Nine month period ended	For the Year Ended				
	31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
<b>Equity Share Capital (Face Value Rs. 10)</b>	3684.97	1074.95	1049.25	769.95	769.95	400.00
Rate of Dividend	Nil	Nil	Nil	Nil	Nil	Nil
Amount of Dividend	Nil	Nil	Nil	Nil	Nil	Nil
Corporate Dividend Tax	Nil	Nil	Nil	Nil	Nil	Nil
<b>Cumulative Convertible Preference Share Capital</b>	Nil	2500.00 (Face value Of Rs 10/- Each)	Nil	900.00 (Face value Of Rs 100/- Each)	Nil	Nil
Rate of Dividend	Nil	Nil	Nil	Nil	Nil	Nil
Amount of Dividend	Nil	Nil	Nil	Nil	Nil	Nil
Corporate Dividend Tax	Nil	Nil	Nil	Nil	Nil	Nil

## Annexure-VI

## Statement of Secured and Unsecured Loans, as restated

(Rs. In lacs)						
Particulars	For the Nine month period ended	For the Year Ended				
	31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
A. SECURED LOANS						
i) Working Capital						
Cash credit from Banks	13814.81	9097.68	2794.56	452.18	210.77	201.79
Export Packing Credit from Banks	1955.75	4952.72	2052.77	971.31	820.83	654.00
Buyers Credit from Banks	1993.78	433.18	0	0	0	0
WCDL from banks	0	2049.64	500.00	200.00	0	0
Short Term Loans	0		1025.32	100.00	0	0
Pre-shipment/Post Shipment Credit	0	76.43	1218.71	1101.95	750.00	0
Vendors Discounting from Banks	0	229.37	0	0	0	0
FCNR	3308.18	0	0	0	0	0
Total (i)	21072.52	16839.02	7591.37	2825.44	1781.60	855.80
ii) Term Loans						
Term Loan from banks	9169.14	4311.55	3959.98	1871.77	963.11	268.88
Vehicle Loan from banks	76.14	101.96	99.71	46.81	34.53	22.06
Total (ii)	9245.28	4413.51	4059.69	1918.58	997.64	290.94
Total (i+ii)	30317.80	21252.53	11651.06	4744.02	2779.24	1146.74

The Terms and conditions of the secured loans outstanding as at 31st December, 2009 including interest rates, principal terms of security and repayment terms are given in the table below:

A. SECURED LOANS					(Rs. In lacs)
Name of the Bank/Institution	Amount Sanctioned	Rate of Interest	Balance outstanding as on 31.12.2009	Nature of Security	Repayment Schedule
<b>I.State Bank of India</b>					
Cash Credit	6500.00	BPLR	1794.36	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Repayable on demand
Export Packing Credit		BPLR - 2.5%	1576.32		
FCNR		Libor + 6.50%	3308.18		
Buyers Credit	3500.00	Libor + 2 to 4% (variable)	886.02		As per maturity terms of buyers credit availed. Generally range from 90 to 180 days

Term Loan	3250.00	BPLR + 0.5%	1601.53	Term Loans from Banks are secured by way 1st pari passu charge on all existing & future fixed assets of the company at all locations with equitable mortgage of land & building, 2nd pari passu charge on all the current assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company	20 Quarterly installments of Rs. 1.625 Crores with effect from 31.12.2010
<b>2.UCO BANK</b>					
Cash Credit	600.00	BPLR - .5%	455.09	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Repayable on demand
Packing Credit	1000.00	BPLR - 3.6%	379.42		
Buyers Credit	2600.00	Libor + 2 to 4% (variable)	593.89		As per maturity terms of buyers credit availed. Generally range from 90 to 180 days
Term Loan	1000.00	BPLR - .5%	1009.54	Term Loans from Banks are secured by way 1st pari passu charge on all existing & future fixed assets of the company at all locations with equitable mortgage of land & building, 2nd pari passu charge on all the current assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company	60 Monthly installment of Rs.16.67 Lacs each with effect from July, 2010
<b>3.Punjab National Bank</b>					
Cash Credit	1650.00	BPLR + 2%	1664.37	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Repayable on demand
<b>4.ICICI Bank Ltd.</b>					
Packing Credit/Cash Credit	2750.00	IBAR - 2%	2710.73	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Repayable on demand
Buyers Credit		Libor + 2 to 4% (variable)	0		
WCDL		Libor + 6.25%	0		

Term Loan	287.00	IBAR - 1.5%	50.07	Term Loans from Banks are secured by way 1st pari passu charge on all existing & future fixed assets of the company at all locations with equitable mortgage of land & building, 2nd pari passu charge on all the current assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company	Principal amount of each tranche is to be repaid in equal Quarterly installments payable in 18 quarterly installments starting with December, 2005
	500.00	IBAR - 1.5%	145.28		Principal amount of each tranche is to be repaid in equal Quarterly installments payable in 18 quarterly with moratorium of 6 months.
	USD 2.15 Million	Libor + 1.75%	631.16		Repayable in eight equal semi-annual installments, first installment being due on end of eighteenth month from the Average Draw down Date
	1480.00	IBAR - 3.75%	1857.90		Principal amount of each tranche is to be repaid in 60 equal monthly installments payable commencing from April 30, 2009
	520.00	IBAR - 3.75%			Principal amount of each tranche is to be repaid in 48 equal monthly installments payable commencing from April 30, 2009
	2310.00	IBAR - 2%	1913.36		Principal amount of each tranche is to be repaid in 48 equal monthly installments payable commencing after one year from the date of first disbursement. TL tranche disbursed for liquidating the Buyers credit/ Capex LC shall be repaid in equal monthly installments for the balance tenor of repayment (the final maturity shall remain 5 years from the date of first disbursement).
5.Central Bank of India					
Cash Credit	3000.00	BPLR	3029.77	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd &	Repayable on demand
Buyers Credit	1000.00	Libor + 2 to 4% (variable)	513.88	also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	As per maturity terms of buyers credit availed. Generally range from 90 to 180 days

Term Loan	3000.00	BPLR	1960.30	Term Loans from Banks are secured by way 1st pari passu charge on all existing & future fixed assets of the company at all locations with equitable mortgage of land & building, 2nd pari passu charge on all the current assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company	
<b>6.Union Bank of India</b>					
Cash Credit	4000.00	BPLR	4037.60	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Repayable on demand
<b>7.IDBI Bank</b>					
Buyers Credit	700.00	Libor + 2 to 4% (variable)	0	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	As per maturity terms of buyers credit availed. Generally range from 90 to 180 days
<b>8.HSBC Bank</b>					
Cash Credit	500.00	12.10% p.a.	122.89	Working Capital borrowings from Banks are secured by way of hypothecation of entire present & future current assets of the Company, Second charge on all fixed assets of the Company, pari passu charge on the collateral properties of M/s Parabolic Infrastructure P Ltd, Corporate guarantee of M/s PNG Trading P Ltd & also personally guaranteed by Mr. Pranav Gupta and Mr. Vineet Gupta Whole Time Directors of the Company.	Repayable on demand
Buyers Credit	2000.00	Libor + 2 to 4% (variable)	0		As per maturity terms of buyers credit availed. Generally range from 90 to 180 days
<b>9.Vehicle Loans</b>			76.14	Secured by way of hypothecation of respective vehicle	

Particulars	For the Nine month period ended	For the Year Ended				
		31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
	31-Dec-09					
B. UNSECURED LOANS						
i) From Promoters, Directors & their Relatives						
Chiranji Lal Maya Devi Charitable Trust	4.00	4.21	3.63	6.50	6.85	6.67

Ms. Deepali Gupta	9.25	9.25	9.25	10.85	10.85	14.85
Ms. Ashita Agarwal	0	0	0.29	7.38	7.00	7.36
Ms. Sneha Agarwal	0	0	0.41	10.54	10.00	10.33
Sh. Pranav Gupta	0	0	0	0	2.51	4.51
<b>Total (i)</b>	<b>13.25</b>	<b>13.46</b>	<b>13.58</b>	<b>35.27</b>	<b>37.21</b>	<b>43.72</b>
<b>ii)From group companies</b>						
PNG Trading Pvt Limited	0	0	0	12.92	13.00	39.45
<b>Total (ii)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12.92</b>	<b>13.00</b>	<b>39.45</b>
<b>iii)From Others</b>						
Factoring from GTF	1651.77	2940.97	1831.27	706.75	712.30	119.64
Bill Discounting from Banks	4279.52	2195.97	2446.24	1237.47	444.24	496.40
Bill Discounting from SIDBI	495.54	0	0	0	0	0
Deposits from others	10.00	0	0	229.82	147.35	383.38
<b>Total (iii)</b>	<b>6436.83</b>	<b>5136.94</b>	<b>4277.51</b>	<b>2174.04</b>	<b>1303.89</b>	<b>999.42</b>
<b>Total (i+ii+iii)</b>	<b>6450.08</b>	<b>5150.40</b>	<b>4291.09</b>	<b>2222.23</b>	<b>1354.10</b>	<b>1082.59</b>

**The Terms and conditions of the unsecured loans outstanding as at 31st December, 2009 including interest rates, principal terms of security and repayment terms are given in the table below:**

<b>Name</b>	<b>Rate of Interest</b>	<b>Balance outstanding as on 31.12.2009</b>	<b>Nature of Security</b>	<b>Repayment Schedule</b>
<b>From Promoters, Directors &amp; their Relatives</b>				
Chiranji Lal Maya Devi Charitable Trust	12.00%	4.00	unsecured	Repayable on demand
Ms. Deepali Gupta	0	9.25	unsecured	Repayable on demand
<b>From Others</b>				
Factoring from GTF	13.50%	1651.77	Secured against bill and personal guarantee of Sh. Pranav Gupta & Sh. Vineet Gupta, whole time directors	As per respective due date of bills
Bill Discounting from Banks	8% to 11% (variable)	4279.52	Secured against bill and personal guarantee of Sh. Pranav Gupta & Sh. Vineet Gupta, whole time directors	As per respective due date of bills
Bill Discounting from SIDBI	10.50%	495.54	Secured against bill and personal guarantee of Sh. Pranav Gupta & Sh. Vineet Gupta, whole time directors	As per respective due date of bills
Deepak & Jyoti P Ltd	12%	6.00	unsecured	Repayable on demand
S K Food Product P Ltd	12%	4.00	unsecured	Repayable on demand



## Annexure- VII

Statement of Other Income, as restated							
(Rs. In lacs)							
Particulars	For the Nine month period ended	For the Year Ended					Nature of Income
		31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
Interest	66.18	116.47	48.71	28.44	19.96	5.83	Recurring
DEPB Income	19.60	77.78	0.00	0.00	0.00	0.00	Recurring
Miscellaneous Income	307.75	7.70	13.18	13.58	146.02	4.12	Recurring
<b>Total</b>	<b>393.53</b>	<b>201.95</b>	<b>61.89</b>	<b>42.02</b>	<b>165.98</b>	<b>9.95</b>	

## Annexure- VIII

Annexure - VIII

Statement of Accounting Ratios, as restated						
(Rs. Lacs)						
Particulars	For the Nine month period ended	For the Year Ended				
	31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
Net Profit before extra ordinary items but after Adjusted Tax (A)	2141.28	2109.20	2967.43	1358.98	821.79	327.15
Net Worth at the end of year/period (B)	11171.13	10566.45	6230.98	3258.89	1461.08	776.68
Net Worth excluding preference share capital at the end of year/period (C )	11171.13	8066.45	6230.98	2358.89	1461.08	776.68
Total number of equity shares outstanding at the end of the year/period (D)	36849726	10749500	10492540	7699500	7699500	4000000
Earning Per Share (Rs) :						
Total weighted number of equity shares outstanding during the year/period (E ) (refer note 2 below)	33603770	31969716	23360635	23098500	17426425	7731327
Total weighted number of diluted equity shares outstanding during the year/period (F) (refer note 2 below)	33603770	36369243	26060635	24305898	17426425	7731327
Basic (A/E)	6.37	6.60	12.70	5.88	4.72	4.23
Diluted (A/F)	6.37	5.80	11.39	5.59	4.72	4.23
Return on Net Worth (%) (A/B)	19.17%	19.96%	47.62%	41.70%	56.25%	42.12%
Net Asset Value per Share (Rs) (C/D)	30.32	75.04	59.38	30.64	18.98	19.42
Notes:						
The ratios have been computed as follows:						
Earnings Per Share (Basic)	Net Profit attributable to equity shareholders					
	Weighted average number of equity shares outstanding during the year/period					
Earnings Per Share (Diluted)	Net Profit attributable to equity shareholders					
	Weighted average number of equity shares including dilutive equity					
	equivalent shares outstanding during the year/period					
Return on Net Worth	Net profit after adjusted tax x 100					
	Net worth as at the end of the year/period					
Net Asset Value per Equity Share	Net worth as at the end of the year/period					
	Number of equity share outstanding at the end of the year/period					

1. Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings per Share"
2. For the purpose of computing weighted average number of equity shares outstanding during the respective years and weighted average number of dilutive equity shares outstanding during the respective years, the impact of bonus shares issued on December 10, 2009 in the ratio of 2:1 aggregating to 2,45,66,484 equity shares has been considered in all respective years presented above. These bonus shares have been issued by capitalizing the share premium account of the Company.

## Annexure IX

Capitalization Statement as at December 31, 2009, as restated		
		(Rs. In lacs)
Particulars	Pre-issue as at December 31, 2009	Post-issue
<b>Borrowings:</b>		
Short Term Debt	27509.35	[•]
Long Term Debt	9258.53	[•]
<b>Total Borrowings</b>	<b>36767.88</b>	<b>[•]</b>
<b>Shareholders funds:</b>		
<b>Share Capital</b>		
- Equity Share Capital	3684.97	[•]
<b>Reserves</b>		
- Security Premium	1217.91	[•]
- Capital Reserve	2.76	[•]
- Capital Subsidy	30.00	[•]
- Profit & Loss Account	9893.90	[•]
Less: Miscellaneous expenditure (to the not w/off)	(3658.41)	[•]
<b>Total Shareholders funds</b>	<b>11171.13</b>	<b>[•]</b>
<b>Long term debt / equity</b>	<b>0.83</b>	<b>[•]</b>
<b>Total debt/equity</b>	<b>3.29</b>	<b>[•]</b>
<b>Notes:</b>		
1.The capitalization statement post issue shall be prepared on conclusion of the book building process		
2. Long term debt represents Term Loans, Vehicle Loans & Loans from promoters, directors & their relatives.		
3. Long term debt / equity ratio	Long Term Debt	
	Total shareholders fund	
4. Total debt / equity ratio	Total Debt	
	Total shareholders fund	

## Annexure- X

## Statement of Tax Shelters, as restated

(Rs. In lacs)

(Rs. in lacs)							
	Particulars	For the Nine month period ended	For the Year Ended				
		31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
A	Restated Profit before Tax	2794.60	2682.08	3478.70	1621.22	918.18	374.88
B	Tax Rate (Notional)	33.99%	33.99%	33.99%	33.66%	33.66%	36.59%
C	Tax at Notional Rate (A*B)	949.88	911.64	1182.41	545.70	309.06	137.17
	Adjustments :						
D	Permanent Differences :						
	Donation disallowance	0.08	0.20	0.53	0.32	1.36	0.50
	Interest & Penalties	1.42	4.06	8.51	3.76	0.00	0.26
	R & D exp. W. off	431.35	424.09	292.60	169.59	28.71	0.00
	Disallowance u/s 40 (a)(ia)	0.00	0.66	2.19	2.14	0.00	0.00
	Loss on sale of fixed assets	(15.65)	2.34	0.00	4.03	0.00	0.00
	R & D u/s 35 (2AB)	(3046.58)	(2057.49)	(2149.92)	(891.47)	(814.25)	(206.39)
	Total	(2629.38)	(1626.15)	(1846.09)	(711.64)	(784.18)	(205.63)
E	Timing Differences :						
	Difference Between tax depreciation & book depreciation	(294.11)	(610.47)	(529.63)	(262.88)	(48.03)	(63.51)
	Unpaid bonus	0.00	0.31	0.00	0.00	0.00	0.00
	Gratuity	12.36	10.21	16.43	0.74	1.99	1.73
	Leave Encashment	10.74	22.97	19.58	4.05	0.76	2.73
	Total	(271.01)	(576.99)	(493.61)	(258.09)	(45.28)	(59.05)
F	Net Adjustments (D + E)	(2900.39)	(2203.14)	(2339.71)	(969.73)	(829.46)	(264.68)
G	Tax Expense/(Saving) thereon (F*B)	(985.84)	(748.85)	(795.27)	(326.41)	(279.20)	(96.85)
H	Tax Liability (C + G)	(35.96)	162.79	387.14	219.29	29.86	40.32
	Book Profit						
	Profit Before Tax	2794.60	2682.08	3478.70	1621.22	918.18	374.88
	Add : Provision for Gratuity	0.00	11.25	17.12	0.74	1.99	1.73
	Add : Provision for Leave Encashment	0.00	26.04	21.39	4.05	0.76	2.73
	Book Profit	2794.60	2719.36	3517.20	1626.01	920.93	379.34
	Tax Rate under MAT	17.00%	11.33%	11.33%	11.22%	8.42%	8.42%
I	Tax Liability under MAT	474.94	308.10	398.50	182.44	77.50	31.92
J	Net Tax liability	474.94	308.10	398.50	219.29	77.50	40.32
K	Interest u/s 234 A, B, C	51.96	31.33	42.74	19.43	7.16	3.13
L	Total Tax Liability	526.90	339.43	441.24	238.72	84.65	43.45
M	MAT Credit Entitlement	0.00	0.00	0.00	(36.85)	0.00	(8.40)
N	Taxable profit/(Loss) before Tax after Adjustments as restated (A + F)	(105.80)	478.94	1138.99	651.49	88.72	110.20
O	Total Tax Liability after tax impact of adjustments (L + M)	526.90	339.43	441.24	201.87	84.65	35.05

## Annexure XI

Statement of Sundry Debtors, as restated						
(Rs. In lacs)						
Particulars	For the Nine month period ended	For the Year Ended				
	31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
<b>Debts outstanding for a period exceeding six months:</b>						
- Considered good	1290.75	177.26	70.49	73.00	29.51	5.35
-Considered doubtful	0.00	0.00	0.00	0.00	0.00	0.00
<b>Others debts</b>						
- Considered good	14436.35	14409.33	8856.22	4413.51	2063.02	1026.65
-Considered doubtful	0.00	0.00	0.00	0.00	0.00	0.00
	<b>15727.10</b>	<b>14586.59</b>	<b>8926.70</b>	<b>4486.52</b>	<b>2092.52</b>	<b>1032.01</b>
<b>There are no debts outstanding from promoters, directors and their relatives, group companies, subsidiaries and material associates</b>						

## Annexure XII

Statement of Loans and Advances, as restated						
(Rs. In lacs)						
Particulars	For the Nine month period ended	For the Year Ended				
	31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
CENVAT	1063.12	1176.78	256.31	157.46	58.90	237.27
Security Deposit	64.34	62.73	41.77	33.02	13.61	13.58
Prepaid Expenses	112.36	186.77	63.49	42.46	17.13	11.79
Advance to Supplier	2359.64	218.11	520.25	155.09	172.14	18.82
Export Incentive Recoverable	941.57	456.43	185.11	252.45	312.22	307.64
Advance to Staff	18.69	28.04	25.37	18.53	0.48	0.16
Deposit with Revenue authority	61.20	203.87	115.55	48.98	17.57	9.07
Others	256.52	275.22	57.83	37.42	8.91	8.64
<b>Total</b>	<b>4877.44</b>	<b>2607.96</b>	<b>1265.69</b>	<b>745.41</b>	<b>600.95</b>	<b>606.96</b>

**Details of loans and advances to promoters, directors and their relatives, group companies, subsidiaries and material associates:**

Particulars	For the Nine month period ended	For the Year Ended				
	31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
Advances to Parabolic Research Labs Ltd (Subsidiary)	1.08	0	0	0	0	0
<b>Total</b>	<b>1.08</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Annexure XIII

Statement of Investments, as restated						
(Rs. In lacs)						
Particulars	For the Nine month period ended	For the Year Ended				
	31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
Nimbuja Greenfield (Punjab) Ltd. (25,000 equity shares of Rs. 10 each, fully paid up) -Unquoted	2.50	2.50	2.50	2.50	0.00	0.00
Parabolic Research Labs Ltd. (1,950,000 equity shares of Rs. 10 each, fully paid up) - Unquoted	195.62#	195.62*	60.32*	0.00	0.00	0.00
<b>Total</b>	<b>198.12</b>	<b>198.12</b>	<b>62.82</b>	<b>2.50</b>	<b>0.00</b>	<b>0.00</b>
# Includes Rs. 0.62 lacs towards share application money pending allotment						
* Towards share application money pending allotment						

Annexure A1

Statement of Related Party Disclosures, as restated							
(Rs. In lacs)							
Name of part	Nature of transaction	For the Nine month period ended	For the Year Ended				
		31-Dec-09	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
Key Managerial Personnel & their Relatives							
	Remuneration to Key Managerial Personnel						
	- Pranav Gupta	36.89	39.51	24.70	13.00	9.00	3.60
	- Vineet Gupta	32.13	34.38	22.20	11.20	7.50	3.00
	- Deepali Gupta	3.00	0.00	0.00	0.00	0.00	0.00
	Issue of Shares						
	- Sachin Gupta	0.00	50.00	150.00	0.00	0.00	0.00
	- Deepali Gupta	0.00	0.00	0.00	0.00	4.00	0.00
	Rent Paid						
	Smt. Rama Gupta	3.60	4.80	4.80	1.14	0.00	0.00
	J D Gupta (HUF)	1.35	1.80	1.80	0.81	0.00	0.00
	Repayment of Loan						
	- Deepali Gupta	0.00	0.00	1.60	0.00	0.00	0.00
	- Pranav Gupta	0.00	0.00	0.00	2.51	2.00	0.00
	Payment of Interest						
	- Charanji Lal Maya Devi Charitable Trust	0.00	0.44	0.73	0.00	0.00	0.00
	Purchase of Fixed Assets						
	- Deepali Gupta	0.95	0.00	0.00	0.00	0.00	0.00
	Advance for purchase of land						
	- Mrs. Rama Gupta	0.00	16.00	176.00	0.00	0.00	0.00
Associates							
	Rent Paid						
	- Parabolic Infrastructure P Ltd	0.00	0.00	2.00	0.00	0.00	0.00
	Advance for Purchase of Land						
	- Parabolic Infrastructure P Ltd	0.00	0.00	95.00	0.00	0.00	0.00
	- PNG Trading P Ltd	0.00	0.00	85.00	0.00	0.00	0.00
	Rent Security						
	- Parabolic Infrastructure P Ltd	0.00	0.00	0.50	0.00	0.00	0.00
	Investment						
	- Parabolic Research Lab Ltd	0.00	135.30	60.30	0.00	0.00	0.00
	Issue of Shares						
	- Parabolic Infrastructure P Ltd	0.00	0.00	94.80	0.00	0.00	0.00



	- PNG Trading P Ltd	0.00	0.00	84.50	0.00	200.00	0.00
	<b>Sale of Goods</b>						
	- PNG Trading P Ltd	0.00	0.00	25.77	0.00	0.00	0.00
	<b>Purchase of Goods</b>	7.61	10.03	11.42	1.00	0.36	0.00
	- Vineet Packaging						
	<b>Acceptance of Unsecured Loans</b>						
	- PNG Trading P Ltd	0.00	0.00	0.00	0.00	173.55	0.00
<b>Subsidiary</b>							
	<b>Issue of Shares</b>						
	- Parabolic Research Lab Ltd	195.00	0.00	0.00	0.00	0.00	0.00

## AUDITORS' REPORT

**The Board of Directors  
Parabolic Drugs Limited**

**SCO-99-100**

**Sector-17-B  
Chandigarh**

- (1) We have examined the attached financial information of **Parabolic Research Labs Limited** ('PRL' or 'the Company'), comprising summary statement of assets and liabilities, as restated, and statement of cash flows, as restated and other financial information explained in paragraph 3[e] below, as approved by the board of directors of the Company, prepared in terms of requirements of Paragraph B, Part II of Schedule II to the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Issue of Capital and Disclosure requirements), Regulation, 2009 ('SEBI ICDR') and in terms of our engagement agreed upon with you in accordance with our engagement letter dated May 03, 2010 in connection with the proposed issue of equity shares of Parabolic Drugs Limited, the holding Company of Parabolic Research Labs Limited in India.
- (2) The above financial information have been extracted by the management from the financial statements for the financial year ended 31 March 2008 and 31 March 2009 and for the nine months period ended 31 December 2009 which have been audited and reported by us.
- (3) In accordance with the requirements of Paragraph B of Part II of Schedule II to the Companies Act 1956, SEBI ICDR and the Guidance Notes issued in this regard by the Institute of Chartered Accountants of India ('ICAI'), as amended from time to time, we further report that:
  - (a) The summary statement of profit and loss of the Company, as restated, for the financial year ended 31 March 2008, 31 March 2009 and the nine month period ended 31 December 2009 has not been prepared since the Company has not commenced revenue operations.
  - b) The summary statement of assets and liabilities of the Company, as restated, as on 31 March 2008, 31 March 2009 and 31 December 2009 as set out in **Annexure I** to this report are after making adjustments and regroupings, as in our opinion, were appropriate and more fully described in the notes appearing in **Annexure III** to this report. As a result of these adjustments and regroupings, the amounts reported in the above-mentioned statement are not necessarily the same as those appearing in the financial statements for the relevant financial year.
  - (c) The statement of cash flows of the Company, as restated, for the financial year ended 31 March 2008, 31 March 2009 and the nine month period ended 31 December 2009 as set out in **Annexure II** to this report are after making adjustments and regroupings, as in our opinion, were appropriate and more fully described in the notes appearing in **Annexure III** to this report. As a result of these adjustments, the amounts reported in the above-mentioned statements are not necessarily the same as those appearing in the financial statements for the relevant financial years.
  - (d) Based on above we are of the opinion that the restated financial information, prepared by the management of the Company and approved by its Board of Directors, has been made after incorporating the following:
    - (i) There has been no change in accounting policy since incorporation of the Company, hence no restatement is required to give effect for any changes in the accounting policies of the Company
    - (ii) There are no prior period items which need to be readjusted in the restated financial statements in the respective financial years.
    - (iii) There are no extraordinary items, which need to be disclosed separately in the restated financial information in the respective financial years; and
    - (iv) There are no revaluation reserves, which need to be disclosed separately in the restated financial information in the respective financial years.

- (e) We have also examined the following other financial information set out in Annexures prepared by the management and approved by the Board of Directors relating to the Company for the financial year ended 31 March 2008 ,31 March 2009 and the nine month period ended 31 December 2009.
- (i) Statement of dividends paid by the Company, for the financial years ended 31 March 2008, 31 March 2009 and the nine month period ended 31 December 2009, as appearing in **Annexure IV** to this report;
  - (ii) Statement of unsecured loans, as restated as at 31 March 2008, 31 March 2009 and 31 December 2009 and details of terms and conditions, including interest rates, principal terms of security and repayment terms of the loans outstanding as at 31 December 2009, as appearing in **Annexure V** to this report;
  - (iii) Statement of accounting ratios, for the financial years ended 31 March 2008 ,31 March 2009 and the nine month period ended 31 December 2009, as appearing in **Annexure VI** to this report;
  - (iv) Statement of related party disclosures for the financial years ended 31 March 2008, 31 March 2009 and the nine month period ended 31 December 2009 as per Accounting Standard 18 on Related Parties prescribed by Companies (Accounting Standards) Rules, 2006, as appearing in **Annexure VII** to this report; and

In our opinion, the above financial information of the Company read with significant accounting policies appearing in **Annexure III** to this report, after making adjustments and regroupings as considered appropriate and as set out in **Annexure III** to this report, has been prepared in accordance with Paragraph B, Part II of Schedule II to the Companies Act, 1956, SEBI ICDR and the Guidance Notes issued in this regard by the Institute of Chartered Accountants of India ('ICAI'), as amended from time to time.

- (4) Our report is intended solely for the use of management and for inclusion in India in the Offer Document in connection with the proposed issue of equity shares of Parabolic Drugs Limited, the holding Company of Parabolic Research Labs Limited and is not to be used, referred to or distributed for any other purpose without our written consent.

**Place: Chandigarh**

**For S.K. Bansal and Co**

**Date: May 3, 2010**

**Chartered Accountants**

**(S.K. Bansal)**  
**Partner**  
**M.No.013147**

Parabolic Research Labs Ltd.

Annexure- I

Summary Statement of Assets & Liabilities, as restated			
	(Rs. In lacs)		
	AS AT	AS AT	AS AT
	31-Dec-09	31-Mar-09	31-Mar-08
<b>FIXED ASSETS</b>			
CAPITAL WORK IN PROGRESS	195.80	195.80	60.33
NET BLOCK	<b>195.80</b>	<b>195.80</b>	<b>60.33</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
CASH AND BANK BALANCES	3.96	3.55	5.09
TOTAL	<b>3.96</b>	<b>3.55</b>	<b>5.09</b>
<b>TOTAL ASSETS</b>	<b>199.76</b>	<b>199.35</b>	<b>65.42</b>
<b>LIABILITIES &amp; PROVISIONS</b>			
<u>LOAN FUNDS</u>			
UNSECURED LOANS	0.31	0.31	0.31
CURRENT LIABILITIES & PROVISIONS	1.18	0.16	0.00
<b>SHARE APPLICATION MONEY PENDING ALLOTMENT</b>	<b>0.62</b>	<b>195.62</b>	<b>60.32</b>
<b>TOTAL LIABILITIES</b>	<b>2.11</b>	<b>196.09</b>	<b>60.63</b>
<b>NET WORTH</b>	<b>197.65</b>	<b>3.26</b>	<b>4.79</b>
<b>REPRESENTED BY</b>			
SHARE CAPITAL	200.00	5.00	5.00
LESS : MISCELLANEOUS EXPENDITURE	2.35	1.74	0.21
<b>NET WORTH</b>	<b>197.65</b>	<b>3.26</b>	<b>4.79</b>

Parabolic Research Labs Ltd.

Annexure- II

Summary Cash Flow Statement , as restated			
(Rs. In lacs)			
Particulars	For the Nine month period ended	For the Year Ended	
	31-Dec-09	31-Mar-09	31-Mar-08
<b>Cash flow from operating activities</b>			
Net Profit (adjusted) before tax and after extraordinary items	0.00	0.00	0.00
<b>Total Operating Cash Flow before working capital changes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Working Capital Changes</b>			
(Increase) in payables	(1.03)	(0.16)	0.00
<b>Net (increase)/decrease in working capital</b>	<b>(1.03)</b>	<b>(0.16)</b>	<b>0.00</b>
<b>Total cash flow from operations including working capital changes (A)</b>	<b>1.03</b>	<b>0.16</b>	<b>0.00</b>
<b>Cash flow from investing activities</b>			
Purchase of fixed assets	0.00	135.47	60.33
Preliminary Expenses	0.62	1.53	0.21
<b>Total cash flow from investing activities (B)</b>	<b>0.62</b>	<b>137.00</b>	<b>60.54</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of share capital/share application money	0.00	135.30	65.32
Unsecured Loans	0.00	0.00	0.31
<b>Total cash flow from financing activities (C )</b>	<b>0.00</b>	<b>135.30</b>	<b>65.63</b>
<b>Net Cash Inflows/(outflows) during the period (A - B +C )</b>	<b>0.41</b>	<b>(1.54)</b>	<b>5.09</b>
Cash and cash equivalents at the beginning of the year	3.55	5.09	0.00
Cash and cash equivalents at the end of the year	3.96	3.55	5.09

**PARABOLIC RESEARCH LABS LIMITED****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****I SIGNIFICANT ACCOUNTING POLICIES:****A. ACCOUNTING CONVENTION**

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting Standard) Rule 2006 issued by the Central Government in exercise of the power conferred under subsection (1) (a) of section 642 and relevant provisions of the Companies Act, 1956. The Financial statements have been prepared under the historical cost convention on accrual basis in accordance with Accounting Standard -1 "Disclosure of Accounting Policies". The accounting policies have been consistently applied by the company unless otherwise stated.

**B. FIXED ASSETS**

(i) All fixed assets are stated at cost of acquisition less accumulated depreciation & impairment losses. The company capitalized all direct cost relating to the acquisition and installation of fixed assets as per Accounting Standard 10- "Accounting for Fixed Assets".

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily take substantial period of time to get ready for their intended use are capitalized in accordance with Accounting Standard -16 "Borrowing costs".

Expenditure and outlays of money on uncompleted Fixed Assets are shown as capital work in progress until such time the same are completed. Capital work in progress is stated at cost.

(ii) **Pre-Operative Expenses**

Pre-operative expenses represent expenses incurred prior to the date of commencement of commercial production for setting up new manufacturing facilities or expansion of existing facilities. Until capitalization, all expenses are disclosed under pre-operative expenses pending allocation/capitalization and allocated to cost of fixed assets on capitalization.

**C. AMORTISATION OF EXPENSES**

Preliminary Expenses are to be amortized over a period of 10 years in accordance with provisions contained in Income Tax Act, 1961.

**D. CONTINGENT LIABILITIES AND PROVISIONS**

In accordance with Accounting Standard -29- "Provisions, Contingent Liabilities and Contingent Assets", which are material and where future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed in notes on accounts to financial statements after careful evaluation by the management of the facts and legal aspects of the matters involved.

**E. USE OF ESTIMATES**

In preparing companies financial statements in conformity with the accounting principles generally accepted in India, management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**II. NOTES ON ACCOUNTS:**

1. Debit or Credit Balances on whatever account are subject to confirmation/reconciliation.
2. The figures for previous years have been regrouped, rearranged and reclassified wherever necessary.
3. In the opinion of the Board of Directors, all current assets and loans and advances have a value on realization at least equal to the amount at which they are stated in the Balance Sheet. Adequate provisions have been made for all the known liabilities.
4. No profit and Loss Account has been prepared since the Company has not commenced revenue operations.
5. Capital Work in Progress represents advance paid to HSIIDC against plot in Sector 22 Panchkula.

**Parabolic Research Labs Ltd.**

**Annexure- III (a)**

<b>Notes to Summary Statement of Assets &amp; Liabilities, as restated Annexure-I</b>			
<b>(Rs. In lacs)</b>			
Below mentioned is the summary of results of adjustments/rectifications made in the audited accounts of the respective years and its impact on assets & liabilities :			
	<b>AS AT</b>	<b>AS AT</b>	<b>AS AT</b>
	<b>31-Dec-09</b>	<b>31-Mar-09</b>	<b>31-Mar-08</b>
<b>Cumulative effect of above increase/(decrease) in statement of Assets &amp; Liabilities</b>			
<b>Re-groupings</b>			
Fixed Assets (refer Note A (i))	0.00	0.00	60.20
Loans & Advances (refer Note A (i))	0.00	0.00	(60.20)
Fixed Assets (refer Note A (ii))	0.30	0.30	0.13
Misc. Expenditure ( refer Note A(ii))	(0.30)	(0.30)	(0.13)
<b>NOTES :</b>			
<b>A. Re-Grouping</b>			
i) The amount paid towards the cost of land in 2007-08 shown under Loans & Advances is re-grouped under Fixed Assets in the restated financial statements.			
ii) The Pre-operative Expenses shown under Misc. Expenditure in FY 2008, FY 2009 and period ended 31st Dec. 2009 amounting to Rs. 0.13 lacs, Rs.0.30 lacs and Rs. 0.30 lacs for the respective years are regrouped under Fixed Assets in the restated Financial Statements			

Parabolic Research Labs Ltd.

Annexure- IV

Summary Statement of Dividend , as restated			
(Rs. In lacs)			
Particulars	For the Nine month period ended	For the Year Ended	
	31-Dec-09	31-Mar-09	31-Mar-08
Equity Share Capital (Face Value Rs. 10)	200.00	5.00	5.00
Rate of Dividend	Nil	Nil	Nil
Amount of Dividend	Nil	Nil	Nil
Corporate Dividend Tax	Nil	Nil	Nil



**Parabolic Research Labs Ltd.**

**Annexure-V**

<b>Statement of Unsecured Loans, as restated</b>			
<b>(Rs. In lacs)</b>			
<b>Particulars</b>	<b>For the Nine month period ended</b>	<b>For the Year Ended</b>	
	<b>31-Dec-09</b>	<b>31-Mar-09</b>	<b>31-Mar-08</b>
<b>From Promoters, Directors &amp; their Relatives</b>			
Sh. Pranav Gupta	0.31	0.31	0.31
<b>Total</b>	<b>0.31</b>	<b>0.31</b>	<b>0.31</b>

<b>The Terms and conditions of the unsecured loans outstanding as at 31st December, 2009 including interest rates, principal terms of security and repayment terms are given in the table below:</b>				
<b>(Rs. In lacs)</b>				
<b>Name</b>	<b>Rate of Interest</b>	<b>Balance outstanding as on 31.12.2009</b>	<b>Nature of Security</b>	<b>Repayment Schedule</b>
<b>From Promoters, Directors &amp; their Relatives</b>				
Pranav Gupta		0.31	Unsecured	Repayable on demand

Parabolic Research Labs Ltd.

Annexure- VI

Statement of Accounting Ratios, as restated			
Particulars	For the Nine month period ended	For the Year Ended	
	31-Dec-09	31-Mar-09	31-Mar-08
Net Worth at the end of year/period (Rs. Lacs) (A)	197.65	3.26	4.79
Total number of equity shares outstanding at the end of the year/period (B)	2000000	50000	50000
Net Asset Value per Share (Rs) (A/B)	9.88	6.52	9.58
Notes:			
Earnings per share and Return on Net Worth cannot be calculated, as the company has not yet started commercial activities.			
The ratios have been computed as follows:			
Net Asset value per equity share	Net worth as at the end of the year/period		
	Number of equity share outstanding at the end of the year/period		

Parabolic Research Labs Ltd.

Annexure VII

Annexure VII

Statement of related party disclosures, as restated				
(Rs. In lacs)				
Name of party	Nature of transaction	For the Nine month period ended	For the Year Ended	
		31-Dec-09	31-Mar-09	31-Mar-08
Key Managerial Personnel & their Relatives				
	Issue of Shares			
	- Pranav Gupta	0.00	0.00	2.25
	- Vineet Gupta	0.00	0.00	2.25
	- Jai Dev Gupta	0.00	0.00	0.10
	- Rama Gupta	0.00	0.00	0.10
	- Deepali Gupta	0.00	0.00	0.10
	Unsecured Loans			
	- Pranav Gupta	0.31	0.31	0.31
Holding Company				
	Share Application Money Received			
	- Parabolic Drugs Limited	0.00	135.30	60.32
	Issue of Shares			
	- Parabolic Drugs Limited	195.00	0.00	0.00

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

*The following discussion and analysis of our financial condition and results of operations is based on our audited restated standalone financial statements as at and for the fiscal years ended March 31, 2007, 2008, 2009 and the nine month period ended December 31, 2009. The Company's fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. This discussion should be read together with our audited restated standalone and consolidated financial statements and related notes, under "Financial Statements" on page 156. This discussion also contains forward-looking statements and reflects management's current views of the Company with respect to plans, estimates and beliefs as well as future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors beyond our control, such as those set forth under "Risk Factors" on page 12.*

### Overview

We were founded in 1996 by our Promoters Mr. Pranav Gupta and Mr. Vineet Gupta, who are professionally qualified first generation entrepreneurs. We are presently engaged in the manufacturing, including contract manufacturing, of APIs and API intermediates for the domestic market as well as for exports to international markets, including regulated markets. APIs, also known as 'bulk drugs' or 'bulk actives' are the principal ingredient used in making finished dosages in the form of capsules, tablets, liquid, or other forms of dosage, with the addition of other APIs or inactive ingredients. We currently produce the SSP and Cephalosporin range of antibiotics in oral and sterile form, along with their intermediates.

We currently own and operate two manufacturing facilities at Derabassi, Punjab, and Panchkula, Haryana. We commenced commercial operations in February 1998 by setting up a unit at Sundhran, Derabassi, to manufacture SSPs. We currently have six units at Sundhran, Derabassi, for manufacturing the oral and sterile range of Cephalosporin APIs and intermediates. The facility at Sundhran, Derabassi, is WHO-GMP and ISO-14001 certified. We started our second facility at Panchkula in fiscal 2005. Currently, the Panchkula facility has two units manufacturing SSPs and API intermediates such as 6-APA. We have also set up a custom synthesis and R&D centre at Barwala, Haryana, in fiscal 2010, for development and scale-up of new APIs and APIs intermediates in all therapeutic segments, including non-antibiotic products. This facility focuses on providing contract research services to innovator companies. In addition, we are in the process of setting up another manufacturing facility at Chachrauli, Derabassi, to manufacture the non-antibiotic range of APIs, which is expected to commence commercial operations in fiscal 2012.

Our product portfolio presently comprises 44 APIs and seven API intermediates which are marketed domestically and exported. We supply our products to approximately 45 countries, including regulated markets. We have filed 17 dossiers with the relevant regulatory authorities to increase our penetration in the regulated markets. This includes seven DMFs filed with the USFDA, one DMF filed with the Bureau of Pharmaceutical Sciences, Canada and nine dossiers filed with the EDQM, including two for which we have received CoS from the EDQM, for supplying Amoxicillin and Flucloxacillin Sodium for the European markets. Currently, we supply 6-APA from our Panchkula facility for the US markets conforming to the regulations prescribed by the USFDA.

We have an established R&D setup which comprises chemical and analytical research laboratories at our facility at Sundhran, Derabassi. Our focus is on developing non-infringing processes for new molecules for expansion of our product portfolio, existing process improvements and production cost efficiencies. Our R&D department has led the Company to successfully launch additional sterile and oral products over the years. During fiscal 2010, products such as Ceftazidime, Cefotiam, Ceftizoxime and Cephalothin were launched to further widen our product range. We have made 10 applications for process patents, of which nine patent applications have been filed with the Indian Patent Office, and one international process patent for manufacturing Cefuroxime Axetil filed under the PCT. As at April 15, 2010 our research team comprised 85 scientists, including 16 Ph.Ds. Our dedicated custom synthesis and R&D facility at Barwala is the centre of our research activities. The Barwala facility also houses a custom synthesis site and a pilot manufacturing plant (kilo lab) to provide CRAMS services to innovator companies.

We seek to establish long term relationships with our customers and expand our business opportunities with them. As at December 31, 2009, we catered to 487 customers worldwide, including some of the leading generic companies in the world.

As per our audited restated standalone financial statements, our total income has increased from Rs. 15,056.33 lacs in fiscal 2007 to Rs. 39,693.70 lacs in fiscal 2009, and our profit after tax has increased from Rs. 1,358.98 lacs to Rs. 2,109.20 lacs during this period. Our total income and profit after tax as at December 31, 2009 were Rs. 35,015.50 lacs and Rs. 2,141.28 lacs, respectively. Our net sales have increased at a CAGR of 62.50% from fiscal 2007 to fiscal 2009. Direct exports constituted 27.65% of our net sales in fiscal 2009, and 27.93% as at December 31, 2009. For further information, see “*Our Business*” on page 107.

### **Factors Affecting our Results of Operations**

Our results of operations have been, and will continue to be, influenced by a number of factors, some of which are beyond our control. This section discusses certain specific items which have impacted our results of operations in the fiscal years ended March 31, 2007, 2008 and 2009, and the nine month period ended December 31, 2009.

#### ***Macroeconomic Factors***

Macroeconomic factors, both in the Indian and international contexts, such as economic instability, political uncertainty, social upheavals or natural calamities could influence our performance. In addition, fluctuations in interest rates, exchange rates and inflation could have a material effect on key aspects of our operations, including the costs of raw materials, prices at which we can sell our products, the cost of borrowing required to fund our operations and profit margins.

#### ***Competitive Pressures***

The API industry is subject to increased competition from the introduction of competing products and new entrants, including international players, to expand or augment existing operations or products lines and extend the scope of their geographical operations. Further, adequate availability of key raw materials at manageable price levels is critical and price fluctuations exacerbated by competitive pricing pressures may materially affect our margins. Such factors may have a significant adverse effect on our income and financial condition and render our goals to enter into non-antibiotics and other niche therapeutic segments and continually expand our customer base a significant challenge.

We seek to address competitive pressures through our focus on R&D initiatives. For instance, during fiscal 2010, products such as Ceftazidime, Cefotiam, Ceftizoxime, Cefditoren Pivoxil and Cephalothin were launched to widen our product range. As of the date of this Red Herring Prospectus, we have filed nine applications for process patents, including eight applications with the Indian Patent Office, and one international application (for manufacturing Cefuroxime Axetil) under the PCT. Our product portfolio presently comprises 44 APIs and seven API intermediates which are marketed domestically and exported.

#### ***Government and Other Regulatory Approvals***

We operate in an industry and certain geographical markets that are subject to a high degree of regulation. We continue to develop new products in the antibiotics segment as well as new therapeutic segments. Any delay in the grant of approvals for new products, or any withdrawal of approvals for existing products would adversely affect our results of operations. To sell our products in regulated markets, we have filed and continue to file DMFs for a number of our products. Our inability to file new DMFs and renewal of existing DMFs would adversely affect our results of operations. Sustained sales of our existing products, expansion into new therapeutic segments and entry into new markets for the sale of our products depends on our being able to obtain the requisite government and other regulatory approvals, and on such government and regulatory agencies not withdrawing or suspending such approvals.

We seek to address competitive pressures through our focus on R&D initiatives. We have filed 17 dossiers with the relevant regulatory authorities to increase our penetration in the regulated markets, which includes seven DMFs filed with the USFDA, one DMF filed with the Bureau of Pharmaceutical Sciences, Canada and nine dossiers with the EDQM, including two for which we have received CoS from the EDQM for supplying Amoxicillin and Flucloxacillin Sodium for European markets. Currently, we supply 6-APA from our Panchkula facility for the US markets conforming to the regulations prescribed by the USFDA. Further, as of the date of this Red Herring Prospectus, we have filed nine applications for process patents, including eight applications

with the Indian Patent Office, and one international application (for manufacturing Cefuroxime Axetil) under the PCT.

### ***Research and Development***

Our R&D focus is on increasing our cost competitiveness through improving operational efficiencies, and on developing non infringing processes. Further, we continually invest in R&D to complement our existing antibiotics product portfolio and also seek to develop products in the non-antibiotics and niche therapeutic segments. Additionally we intend to leverage our R&D capabilities to expand in the CRAMS segment. Our growth is dependent on strengthening our existing product portfolio and expanding our presence in CRAMS.

### ***Foreign currency fluctuations***

A significant portion of our earnings is denominated in foreign currency. In the periods ended December 31, 2009 and March 31, 2009, the freight-on-board, or FOB, value of exports was Rs. 9,666.68 lacs and Rs. 10,904.10 lacs, respectively. Further, a significant portion of raw materials consumed by us is imported. In the periods ended December 31, 2009 and March 31, 2009, the values of imported raw material consumed by us were Rs. 14,448.21 lacs and Rs. 23,106.65 lacs, respectively.

Our revenues from outside India are denominated mostly in U.S. Dollars, and our foreign currency expenditures are mostly denominated in U.S. Dollars. Any fluctuation in the value of the rupee against such currencies may adversely affect our results of operations. During times of a strengthening rupee our reported sales and earnings from our international sales will be reduced because the U.S. Dollar or other currency received will be converted into fewer rupees. For instance, the rupee changed from Rs. 42.78 to the U.S. Dollar in the year ended March 31, 2007 to Rs. 51.96 to the U.S. Dollar in the year ended March 31, 2009.

### **Significant Accounting Policies**

#### ***Accounting Conventions***

The audited restated financial information in this Red Herring Prospectus have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting Standards) Rules 2006 issued by the Central Government in exercise of the power conferred under subsection (1) (a) of section 642 and relevant provisions of the Companies Act, read with the requirements of the ICDR Regulations.

The audited restated financial information in this Red Herring Prospectus has been prepared under the historic cost convention on accrual basis in accordance with Accounting Standard -1 “Disclosure of Accounting Policies”.

#### ***Fixed Assets and Depreciation***

All fixed assets are stated at cost of acquisition less accumulated depreciation and impairment losses. We capitalize all direct costs relating to the acquisition and installation of fixed assets as per Accounting Standard 10- “Accounting for Fixed Assets”.

Depreciation on all fixed assets is provided on a continuous process basis at the rates and in the manner specified in Schedule XIV to the Companies Act. During the year, depreciation on all the fixed assets has been provided at the rate applicable to continuous process industry on the straight-line method.

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily take a substantial period of time to get ready for their intended use are capitalized in accordance with Accounting Standard -16 “Borrowing costs”.

Expenditures and outlays of money on uncompleted fixed assets are shown as capital work in progress until such time the same are completed. Capital work in progress is stated at cost.

#### ***Pre-Operative Expenses***

Pre-operative expenses represent expenses incurred prior to the date of commencement of commercial production for setting up new manufacturing facilities or expansion of existing facilities. Until capitalization, all

expenses are disclosed under pre-operative expenses pending allocation / capitalization and allocated to cost of fixed assets on capitalization.

### ***Inventories***

Inventories are valued in accordance with Accounting Standard -2 “Valuation of Inventories” and the method of valuation is given as under:

(i) Raw material, stores and spares and packing materials	Lower of cost or net realisable value, whichever is less on First-in-First-Out, or FIFO, basis. However, materials and other items held for use in the production of finished goods are not written down below cost if the products in which they will be used are expected to be sold at or above cost.
(ii) Works in process	At cost up to estimated stage of completion. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
(iii) Stock at shop floor	Lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
(iv) Finished goods	Lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

### ***Revenue Recognition***

As per Accounting Standard 9 “Revenue Recognition”, revenue is recognized to the extent that it can be reliably measured and is probable that the economic benefits will flow to the Company.

### ***Sales of Goods***

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods are transferred to the customer and is stated net of trade discount, sales return and sales tax, but inclusive of excise duty.

### ***Interest***

Interest revenue is recognised on time proportion basis taking into account amount outstanding and rate applicable.

### ***Income from Job Work***

Income from job work is recognized on the basis of work executed as per the contract/agreement.

### ***DEPB Income***

DEPB income is recognized by the Company after the admission of export benefit credited against the DEPB license realized from the Director General of Foreign Trade on eligible exports made by the Company and the gain (recognized on the basis of discount amount and the resultant difference between the license value and purchase value) on purchase of DEPB licenses from exporters for the purpose of payment of customs duty on import of raw material by the Company is also included within DEPB income.

### ***Foreign Currency Transactions***

Foreign Currency Transactions are accounted for in accordance with Accounting Standard-11-“The Effects of changes in Foreign Exchange Rates”. Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rate prevailing as at the balance sheet date. Exchange differences arising on the settlement of monetary items or on reporting Company’s monetary items at rates different from those at which they were initially recorded during the year are recognized as income or expenses in the year in which they arise. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Any gains or losses are recognized in the profit and loss account.

### ***Investments***

The Company follows AS-13 “Accounting for investments” for treatment of its investments. Long term investments are stated at cost. However, provision for diminution in value, other than temporary is made. Current investments are stated at the lower of cost and fair value, which is determined on an individual investment basis.

### ***Retirement Benefits***

Retirement Benefits are accounted in accordance with Accounting Standard 15 “Accounting for retirement benefits in the financial statements of employers” as follows:

#### ***Defined Benefit Plans***

- (i) Liability in respect of defined benefit plans i.e. gratuity and leave encashment, are determined based on actuarial valuation made by an independent actuary as at balance sheet date. The actuarial gains or losses are recognized immediately in the profit and loss account.

#### ***Defined Contribution Plans***

- (ii) Contribution towards provident fund is made to statutory authorities by the management and is charged to profit & loss account on accrual basis.

### ***Borrowing Costs***

Borrowing costs include interest and commitment charges on borrowings. As per Accounting Standard 16 “Borrowing Costs” costs incurred on borrowings directly attributable to development projects, which take substantial period of time to complete, are capitalized to respective projects. All other borrowing costs are recognized in the profit and loss account in the period in which they are incurred which is in accordance with Accounting Standard 16 on Borrowing Costs.

### ***Segmental Reporting***

We have considered manufacturing of bulk drugs as only one business segment. Since there is not more than one reportable segment, the disclosure in the context of Accounting Standard 17 “Segment Reporting” has not been considered necessary.

### ***Taxation***

As per Accounting Standard -22 “Accounting for Taxes on Income”, tax expenses comprise current tax and deferred tax on income.

- i. Provision for taxation represents income tax including surcharge and education cess as per provisions of the I.T. Act
- ii. Deferred tax is recognised in respect of deferred tax assets (subject to the consideration of prudence) and to the extent there is virtual certainty that the asset will be realized in future and deferred tax liabilities on timing differences, being the difference between taxable income and accounting income that originate in the period and are capable of reversal in one or more subsequent years. Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the balance sheet date.

### ***Earnings per Share***

In accordance with Accounting Standard-20 –“Earnings Per Share”, basic earnings per share is calculated by dividing the net earnings after tax for the period attributable to equity shareholders by weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earning per share net profit or loss for the period attributable to equity shareholders and weighted average number of equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.



### ***Research and Development Expenses***

Cost incurred on R&D expenses of revenue nature are recognized as intangible assets and amortised on a straight line basis over a period of five years. Subsequent expenditure on R&D of revenue nature are also added to the cost of intangibles and also written off in succeeding five years. Capital expenditure on R&D is shown under 'R&D Equipment' under fixed assets and depreciation has been provided at the rates and in the manner provided according to Schedule VI of the Companies Act. The above treatment is in accordance with Accounting Standard -26 "Intangible Assets"

### ***Impairment Loss***

The carrying value of assets of the cash generating unit at each balance sheet date is reviewed for impairment as per Accounting Standard -28 "Impairment of Assets". If any indication of such impairment exists, the recoverable amount of those assets is estimated. Impairment loss is recognised, if carrying amount of those assets exceeds their recoverable amount. Recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discount factors.

### ***Amortisation of Expenses***

Preliminary expenses are amortised over a period of ten years.

### ***Export Benefits / Incentives***

Export entitlements under the Duty Entitlement Pass Book ("DEPB") Scheme are recognized in the profit and loss account when the right to receive credit as per terms of the DEPB Scheme is established in respect of export made. Obligations / entitlements on account of advance license scheme for import of raw material are accounted for on purchase of raw material and / or export sales.

### ***Contingent Liabilities and Provisions***

In accordance with Accounting Standard -29- "Provisions, Contingent Liabilities and Contingent Assets", liabilities which are material and where future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed in notes on accounts to financial statements after careful evaluation by the management of the facts and legal aspects of the matters involved.

### ***Use of Estimates***

In preparing companies financial statement in conformity with the accounting principles generally accepted in India, management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### ***Financial Derivatives Hedging Transactions***

Our use of financial derivatives hedging contracts is governed by our Company's policies which provide principles on the use of such financial derivatives consistent with our risk management strategy. We do not use derivative financial instruments for speculative purposes.

Financial derivatives hedging contracts are accounted on the date of their settlement / termination and realized gain / loss in respect of the settled / terminated contracts are recognized in the profit and loss account.

### ***Results of Operations***

The following table sets out our audited standalone restated profit and loss statement, the components of which are expressed as a percentage of total income for the periods indicated.

(Rs. in lacs)

Particulars	Nine month period ended December 31		Year ended March 31,					
	2009	% of Total Income	2009	% of Total Income	2008	% of Total Income	2007	% of Total Income
<b><u>Income</u></b>								
Gross Sales	37,452.39	106.96	42,967.43	108.25	30,025.49	109.61	16,683.39	110.81
less: Excise Duty	2,842.47	8.12	3,530.63	8.89	2,696.01	9.84	1,748.97	11.62
Net Sales	<b>34,609.92</b>	98.84	<b>39,436.80</b>	99.35	<b>27,329.48</b>	99.76	<b>14,934.42</b>	99.19
Income from Job Work	12.05	0.03	54.95	0.14	2.55	0.01	79.89	0.53
Other Income	393.53	1.12	201.95	0.51	61.89	0.23	42.02	0.28
<b>Total Income</b>	<b>35,015.50</b>	<b>100.00</b>	<b>39,693.70</b>	<b>100.00</b>	<b>27,393.92</b>	<b>100.00</b>	<b>15,056.33</b>	<b>100.00</b>
<b><u>Expenditure</u></b>								
Materials Consumed	24,450.32	69.83	28,996.34	73.05	19,756.40	72.12	11,468.91	76.17
Manufacturing Expenses	1,376.63	3.93	1,727.82	4.35	1,071.53	3.91	660.55	4.39
Personnel Expenses	1,029.04	2.94	1,082.58	2.73	607.73	2.22	177.87	1.18
Administration Expenses	337.52	0.96	448.05	1.13	313.67	1.15	139.23	0.92
Selling and Distribution Expenses	660.62	1.89	664.53	1.67	473.98	1.73	135.33	0.90
<b>Total</b>	<b>27,854.13</b>	<b>79.55</b>	<b>32,919.32</b>	<b>82.93</b>	<b>22,223.31</b>	<b>81.12</b>	<b>12,581.89</b>	<b>83.57</b>
<b>Profit before Interest, Depreciation &amp; Tax</b>	<b>7,161.37</b>	<b>20.45</b>	<b>6,774.38</b>	<b>17.07</b>	<b>5,170.61</b>	<b>18.88</b>	<b>2,474.44</b>	<b>16.43</b>
Financial Expenses	2,956.62	8.44	2,833.55	7.14	1,192.58	4.35	589.20	3.91
FCM Item Translation Difference Loss	560.55	1.60	465.75	1.17	18.04	0.07	0.00	0.00
Depreciation	405.35	1.16	360.86	0.91	182.55	0.67	90.27	0.60
R&D Written off	431.35	1.23	424.09	1.07	292.60	1.07	169.59	1.13
Preliminary Expenses Written Off	12.91	0.04	8.05	0.02	6.14	0.02	4.16	0.03
<b>Profit before Tax (PBT)</b>	<b>2,794.60</b>	<b>7.98</b>	<b>2,682.08</b>	<b>6.76</b>	<b>3,478.70</b>	<b>12.70</b>	<b>1,621.22</b>	<b>10.77</b>
Tax	653.32	1.87	572.88	1.44	511.26	1.87	262.24	1.74
<b>Profit after Tax (PAT)</b>	<b>2,141.28</b>	<b>6.12</b>	<b>2,109.20</b>	<b>5.31</b>	<b>2,967.43</b>	<b>10.83</b>	<b>1,358.98</b>	<b>9.03</b>

Note:

The increase in the figures reflecting the sales of the Company from Rs. 16,683.39 lacs on March 31, 2007 to Rs. 42,967.43 lacs on March 31, 2009 was due to increase in the sales of Cephalosporins, Semi-synthetic Penicillins, 6-APA and other by-products of the Company between March 31, 2007 to March 31, 2009. Similarly the increase in profits from Rs. 1,358.98 lacs for the year ended March 31, 2007 to Rs. 2,967.43 lacs for the year ended March 31, 2008 was due to the corresponding increase in sales of the Company from Rs. 16,683.39 lacs for the year ended March 31, 2007 to Rs. 30,025.49 lacs for the year ended March 31, 2008.

A comparative table showing the increase in the sales figures between March 31, 2007, March 31, 2008 and March 31, 2009 is provided below:

Product	March 31, 2009		March 31, 2008		March 31, 2007	
	Quantity (Tons)	Amount (Rs. lacs)	Quantity (Tons)	Amount (Rs. lacs)	Quantity (Tons)	Amount (Rs. lacs)
Cephalosporins & intermediates	149.84	14,065.05	73.40	7,587.60	37.68	3,751.60
Semi-synthetic Penicillins & intermediates	1,335.43	23,671.21	1,048.40	18,980.20	896.05	10,598.77
By-products	-	1,700.54	-	761.68	-	584.05
Excise duty		3,530.63		2,696.01		1,748.97
<b>Total</b>		<b>42,967.43</b>		<b>30,025.49</b>		<b>16,683.39</b>

The increase in the Company's inventories from as on March 31, 2008 to as on December 31, 2009 was primarily due to the commissioning of two new plants at Derabassi, pursuant to which there was a corresponding increase in net sales in that period. The Company's net sales rose from Rs. 27,329.48 lacs for the year ended March 31, 2008 to Rs. 39,436.80 lacs for the year ended March 31, 2009 and to Rs. 34,609.92 lacs for the nine month period ended December 31, 2009. Correspondingly, the Company's inventories rose from Rs. 10,209.70 lacs as on March 31, 2008 to Rs. 18,728.06 lacs as on March 31, 2009 and to Rs. 23,011.40 lacs as on December 31, 2009.

### Description of Profit and Loss Statement Line Items

*Income:* Our income mainly comprises sales of APIs and API intermediates, income from job work and other income. Payment terms for our products and services vary with the terms of the respective purchase orders or contracts under which such sales are made.

*Net sales:* Our net sales mainly comprise income from sale of APIs such as SSPs and Cephalosporins in both oral and sterile forms and sale of API intermediates such as 6-APA. Our net sales have increased at a CAGR of 62.50% from fiscal 2007 to fiscal 2009. We sell our products in both the domestic and the export market and over the years we have increased our focus on the export markets which is reflected in the table below:

(Rs. in lacs)

Revenue break up	Nine month period ended December 31, 2009		Fiscal 2009		Fiscal 2008		Fiscal 2007	
Direct Exports	9,666.68	27.93%	10,904.10	27.65%	6,508.47	23.81%	1,528.96	10.24%
Domestic (including deemed & third party exports)	24,943.23	72.07%	28,532.70	72.35%	20,821.01	76.19%	13,405.46	89.76%
<b>Total</b>	<b>34,609.92</b>	<b>100.00%</b>	<b>39,436.80</b>	<b>100.00%</b>	<b>27,329.48</b>	<b>100.00%</b>	<b>14,934.42</b>	<b>100.00%</b>

Over the years we have increased our focus on selling value added products which give higher realization per unit sold. We have also diversified our product portfolio and have added Cephalosporin products which give higher realization per unit sold as compared to SSPs. This has resulted in an increase in average realization of our products sold as given in the table below:

Particulars	Nine month period ended December 31, 2009	Fiscal 2009	Fiscal 2008	Fiscal 2007
Net Sales excluding by-products (Rs. in lacs)	32,284.51	37,736.26	26,567.19	14,350.38
Quantity sold (kg)	1,144,728	1,485,288	1,123,801	933,013
Average realization (Rs per kg)	2,820.28	2,540.67	2,364.05	1,538.07

We constantly strive to increase our customer base and reduce dependence on any particular customer. Details of our customers and percentage of sales derived from top customers is given below:

Particulars	Nine month period ended December 31, 2009	Fiscal 2009	Fiscal 2008	Fiscal 2007
Total number of customers served	487	487	379	244
Sales to top customer	15.25%	13.56%	20.04%	39.33%
Sales to top 5 customers	40.37%	34.84%	45.14%	57.59%

*Income from job work:* Company is presently engaged in the manufacturing, including contract manufacturing, of APIs and API intermediates for formulations companies as well as other third party manufacturers, in the domestic market and for exports to international markets, including regulated markets. Income from job work refers to the charges recovered by the Company for processing and manufacturing goods for other third party manufacturers.

*Other income:* Other income mainly comprises interest income earned from fixed deposits which are kept as margin money for availing letter of credit facilities from banks, DEPB income and other miscellaneous income.

*Expenditure:* Our expenditures mainly consist of materials consumed, personnel expenses, manufacturing expenses, administrative expenses, selling and distribution expenses and research & development and miscellaneous expenditure amortized.

*Materials consumed:* Cost of materials consumed includes cost of raw materials, packing materials and consumables and cost incurred in finished goods and work in progress. The two main raw materials consumed by us are Penicillin G (BOU) and 7ACA. Raw materials consumed by us are both indigenously sourced and imported. For instance, in the periods ended December 31, 2009 and March 31, 2009, approximately 51.02 % and 62.59 %, respectively, of the raw materials by value consumed by us were imported.

*Manufacturing Expenses:* Manufacturing expenses mainly comprise water and electricity charges, repairs and maintenance expenses, job work charges, lab expenses and hire charges

*Personnel Expenses:* Personnel expenses mainly comprise salaries, wages and other allowances paid to our employees, contribution to statutory funds and other staff and labour welfare expenditure.

*Administration Expenses:* Administrative expenses mainly comprise printing and stationery, insurance expenses, director's remuneration, travelling and conveyance and office expenses.

*Selling and Distribution Expenses:* Selling and distribution expenses mainly comprise freight and cartage outward, clearing and forwarding expenses, commissions paid and business promotion expenses.

*Financial Expenses:* Our finance costs represent interest paid on loans availed from banks, bank charges and bill discounting cost.

*FCM Item Translation Difference Loss:* The financial derivatives hedging contracts are accounted on the date of their settlement / termination and the realized gain or loss in respect of the settled / terminated contracts are recognized in the profit and loss account under the head 'FCM item translation difference gain / loss'.

*Depreciation:* Depreciation relates primarily to the manufacturing facilities and equipment and is calculated using the straight-line method.

*Research & Development Expenses Written Off:* Costs incurred on R&D of revenue nature are capitalized and amortized on a straight line basis over a period of five years. The cost amortized each year is included in the profit and loss account under the head 'research & development expenses written off'.

*Preliminary Expenses Written off:* Cost incurred on fee paid for increase in authorized share capital is amortized over a period of 10 years. The cost amortized each year is included in the profit and loss account under the head 'preliminary expenses written off'.

*Taxation:* Our provision for taxation encompasses income tax, fringe benefit tax, and deferred tax. Deferred tax liability arises mainly due to the difference between tax and book written down value of assets.

#### ***Nine month period ended December 31, 2009***

*Net Sales:* Our net sales amounted to Rs. 34,609.92 lacs in the nine month period ended December 31, 2009 out of which domestic sales and direct export sales amounted to Rs. 24,943.23 lacs and Rs. 9,666.68 lacs, respectively. During the nine month period ended December 31, 2009, the net sales comprised 55.26 % of sale of Cephalosporin products, 38.02 % of SSP sales and 6.72 % of sale of by-products.

*Income from job work:* Our income from job work for the nine month period ended December 31, 2009 amounted to Rs. 12.05 lacs.

*Other income:* Our other income was Rs. 393.53 lacs in the nine month period ended December 31, 2009, consisting of Rs. 66.18 lacs of interest income, Rs. 19.60 lacs of DEPB income and miscellaneous income of Rs. 307.75 lacs.

*Materials consumed* Our material consumption amounted to Rs. 24,450.32 lacs for the nine month period ended December 31, 2009.

*Manufacturing expenses:* Our manufacturing expenses amounted to Rs. 1,376.63 lacs in the nine month period ended December 31, 2009.

*Personnel expenses:* Our personnel expenses amounted to Rs. 1,029.04 lacs for the nine month period ended December 31, 2009. During this period, we hired additional resources in connection with our CRAMS expansion.

*Administration expenses:* Our administration expenses amounted to Rs. 337.52 lacs for the nine month period ended December 31, 2009.

*Selling and distribution expenses:* Our selling and distribution expenses aggregated Rs. 660.62 lacs for the nine month period ended December 31, 2009.

*Profit before interest, depreciation and tax:* Our profit before interest, depreciation and tax amounted to Rs. 7,161.37 lacs for the nine month period ended December 31, 2009. As a percentage of total income, this amounted to 20.45%, reflecting the impact of higher share of Cephalosporins in sales, introduction of certain new products such as ceftazidime sodium sterile, and cefepime sodium sterile and a revival in global economic conditions during this period.

*Financial Expenses:* Our financial expenses amounted to Rs. 2,956.62 lacs for the nine month period ended December 31, 2009.

*FCM Item Translation Difference Loss:* Loss incurred on hedging contracts which were settled during the nine month period ended December 31, 2009 amounted to Rs. 560.55 lacs.

*Depreciation:* Our depreciation expense was Rs. 405.35 lacs during the nine month period ended December 31, 2009. During the nine month period ended December 31, 2009, the net additions to the gross block amounted to Rs. 4,041.94 lacs.

*Research & development expenses written off:* During the nine month period ended December 31, 2009, the R&D expenses written off amounted to Rs. 431.35 lacs.

*Preliminary expenses written off:* During the nine month period ended December 31, 2009, the preliminary expenses written off amounted to Rs. 12.91 lacs.

*Profit before Tax.* Our profit before tax was Rs. 2,794.60 lacs during the nine month period ended December 31, 2009.

*Taxation:* Our total tax liability was Rs. 653.32 lacs during the nine month period ended December 31, 2009.

*Profit after Tax as restated:* Our profit after tax was Rs. 2,141.28 lacs during the nine month period ended December 31, 2009.

#### ***Fiscal 2009 compared to Fiscal 2008***

*Net sales:* Our net sales increased by 44.30 % from Rs. 27,329.48 lacs in fiscal 2008 to Rs. 39,436.80 lacs in fiscal 2009. Breakup of the net sales is as under:

Particulars	Fiscal 2009			Fiscal 2008			% Growth		
	Value (Rs. lacs)	Quantity (kg)	Average Realisation (Rs. per kg)	Value (Rs. lacs)	Quantity (kg)	Average Realisation (Rs. per kg)	Value	Quantity	Average Realisation
Net Sales excluding by products	37,736.26	1,485,288	2,540.67	26,567.19	1,123,801	2,364.05	42.04	32.17	7.47
By products*	1,700.54			762.29			123.08		
<b>Total</b>	<b>39,436.80</b>	<b>1,485,288</b>		<b>27,329.48</b>	<b>1,123,801</b>		<b>44.30</b>		

\*Quantities of, and average realisation on, by-products are not reported in our notes to accounts, as the quantities sold are negligible compared to net sales excluding by-products.

During fiscal 2009, the quantity of APIs and API intermediates sold by us increased by 32.17 % as compared to fiscal 2008. Also the share of Cephalosporin products sold increased from 27.76 % of net sales in fiscal 2008 to 35.66 % of net sales in fiscal 2009. In addition, the average realization from the sale of our products increased by 7.47 % from Rs. 2,364.05 per kg to Rs. 2,540.67 per kg. This was mainly due to addition of new sterile Cephalosporin products to our portfolio such as Ceftriaxone Sodium Sterile and Cefuroxime Sodium Sterile and increase in the quantity of existing Cephalosporin products sold, which have shown a higher realization per unit as compared to SSPs. However, during this period, unit sale prices for some of our products declined due to pricing pressures on account of the global economic slowdown.

*Income from job work:* Our income from job work in fiscal 2009 amounted to Rs. 54.95 lacs, as compared to Rs. 2.55 lacs in fiscal 2008. This was mainly on account of additional job work orders undertaken to utilize the additional capacities available on account of commercialization of new plants for production of Cephalosporins during the year.

*Other income:* Our Company's other income was Rs. 201.95 lacs in fiscal 2009 as compared to Rs. 61.89 lacs in fiscal 2008 which is an increase of 226.30 %. The other income in fiscal 2009 consisted of Rs. 116.47 lacs of interest income, Rs. 77.78 lacs of income under the DEPB Scheme, and other miscellaneous income of Rs. 7.70 lacs. Other income in fiscal 2008 consisted of Rs. 48.71 lacs of interest income and other miscellaneous income of Rs. 13.18 lacs. The increase in other income during this period was mainly on account of increase in interest income earned from fixed deposits kept as margin money for availing of letter of credit facilities from banks and DEPB income earned.

*Materials consumed:* Our expenditure on materials consumed amounted to Rs. 28,996.34 lacs in fiscal 2009, as compared to Rs. 19,756.40 lacs in fiscal 2008 which is an increase of 46.77 %. Materials consumed as a percentage of net sales increased from 72.29 % in fiscal 2008 to 73.53 % in fiscal 2009. The increase was primarily as a result of increase in prices of raw materials imported by us such as Penicillin-G and fluctuation in exchange rate.

*Manufacturing expenses:* In fiscal 2009, our Company's manufacturing expenses amounted to Rs. 1,727.82 lacs, which is an increase of 61.25% as compared to Rs. 1,071.53 lacs incurred in fiscal 2008. Manufacturing expenses as a percentage of net sales increased from 3.92% in fiscal 2008 to 4.38% in fiscal 2009. The increase was mainly on account of commissioning of new plants at Derabassi involving multi step complex manufacturing processes for Cephalosporins. Also additional expenditure was incurred with a view to making our manufacturing processes GMP compliant.

*Personnel expenses:* Our personnel expenses increased by 78.14% from Rs. 607.73 lacs in fiscal 2008 to Rs. 1,082.58 lacs in fiscal 2009. Personnel expenses as a percentage of net sales increased from 2.22% in fiscal 2008 to 2.75% in fiscal 2009. The increase in personnel expenses was mainly on account of additional staff hired for our new plants commissioned during the year at Derabassi, additional resources hired in our R&D department and hiring at senior management levels.

*Administration expenses:* Our administration expenses increased by 42.84% from Rs. 313.67 lacs in fiscal 2008 to Rs. 448.05 lacs in fiscal 2009 in line with our increase in operations. Administration expenses as a percentage of net sales reduced marginally from 1.15% in fiscal 2008 to 1.14% in fiscal 2009.

*Selling and distribution expenses:* Our selling and distribution expenses increased by 40.20% from Rs. 473.98 lacs in fiscal 2008 to Rs. 664.53 lacs in fiscal 2009 in line with our increase in sales. Selling and distribution expenses as a percentage of net sales reduced from 1.73% in fiscal 2008 to 1.69% in fiscal 2009.

*Profit before interest, depreciation and tax:* Our profit before interest, depreciation and tax increased from Rs. 5,170.61 lacs in fiscal 2008 to Rs. 6,774.38 lacs in fiscal 2009 which is an increase of 31.02%. Profit before interest, depreciation and tax as a percentage of total income reduced from 18.88% in fiscal 2008 to 17.07% in fiscal 2009. The decline was mainly due to pricing pressures with respect to some of our products on account of the global economic slowdown, as well as due to an increase in cost of material consumed, personnel expenses and manufacturing expenses as explained above.

*Financial Expenses:* Our financial expenses increased by 137.60% from Rs. 1,192.58 lacs in fiscal 2008 to Rs. 2,833.55 lacs in fiscal 2009. This increase was primarily due to increase in borrowings and increase in interest rates charged by banks during fiscal 2009. Our secured loans increased from Rs. 11,651.06 lacs in 2008 to Rs. 21,252.53 lacs in fiscal 2009. In addition our unsecured loans increased from Rs. 4,291.09 lacs in fiscal 2008 to Rs. 5,150.40 lacs in fiscal 2009. The increase in borrowings during this period was primarily on account of working capital facilities drawn in connection with our existing operations.

*FCM Item Translation Difference Loss:* Loss incurred on hedging contracts which were settled during the period amounted to Rs. 465.75 lacs in fiscal 2009 as compared to Rs. 18.04 lacs in fiscal 2008.

*Depreciation:* Our Company's depreciation expense was Rs.360.86 lacs in fiscal 2009 as compared to Rs. 182.55 lacs in fiscal 2008. During fiscal 2009, the net additions to the gross block amounted to Rs. 4,623.32 lacs.

*Research & development expenses written off:* R&D expenses written off during fiscal 2009 amounted to Rs. 424.09 lacs as compared to Rs. 292.60 lacs in fiscal 2008. During fiscal 2009 we incurred expenses of Rs. 755.18 lacs on R&D activities as compared to Rs. 657.43 lacs incurred during fiscal 2008. As a result of the R&D effort we launched two new products in Cephalosporin sterile range, two new niche penicillin APIs for the regulated markets and commercialized a new process for manufacturing Cefuroxime Axetil.

*Preliminary expenses written off:* Preliminary expenses written off during fiscal 2009 amounted to Rs. 8.05 lacs as compared to Rs. 6.14 lacs in fiscal 2008.

*Profit before tax:* Our profit before tax was Rs. 2,682.08 lacs in fiscal 2009 as compared to Rs. 3,478.70 lacs in fiscal 2008 which is a decline of 22.90 %. Profit before tax as a percentage of total income reduced from 12.70 % in fiscal 2008 to 6.76 % in fiscal 2009. The decline was mainly due to loss booked on hedging contracts which amounted to Rs. 465.75 lacs, increase in cost of material consumed, personnel expenses, manufacturing expenses and increasing in our borrowing costs as explained above.

*Taxation:* Our total tax liability was Rs. 572.88 lacs in fiscal 2009 as compared to Rs. 511.26 lacs in fiscal 2008.

*Profit after tax as restated:* Our profit after tax was Rs. 2,109.20 lacs in fiscal 2009 as compared to Rs. 2,967.43 lacs in fiscal 2008 which is a decline of 28.92 %. Profit after tax as a percentage of total income reduced from 10.83 % in fiscal 2008 to 5.31 % in fiscal 2009. The decline was mainly due to the reasons mentioned above.

#### ***Fiscal 2008 compared to Fiscal 2007***

*Net sales:* Our net sales increased by 83.00 % from Rs. 14,934.42 lacs in fiscal 2007 to Rs. 27,329.48 lacs in fiscal 2008. Breakup of the net sales is as under:

Particulars	Fiscal 2008			Fiscal 2007			% Growth		
	Value (Rs. lacs)	Quantity (kg)	Average Realisation (Rs. per kg)	Value (Rs. lacs)	Quantity (kg)	Average Realisation (Rs. per kg)	Value	Quantity	Average Realisation
Net Sales excluding by products	26,567.19	1,123,801	2,364.05	14,350.38	933,012	1,538.07	85.13	20.45	53.70
By products*	762.29			584.05			30.52		
<b>Total</b>	<b>27,329.48</b>	<b>1,123,801</b>		<b>14,934.43</b>	<b>933,012</b>		<b>83.00</b>		

*\*Quantities of, and average realisation on, by-products are not reported in our notes to accounts, as the quantities sold are negligible compared to net sales excluding by-products.*

During fiscal 2008, the quantity of APIs and API intermediates sold by us showed an increase of 20.45 % as compared to fiscal 2007. Also the share of Cephalosporin products sold increased from 25.12 % of net sales in fiscal 2007 to 27.76 % of net sales in fiscal 2008. In addition, the average realization from the sale of our products increased by 53.70% from Rs. 1,538.07 per kg to Rs. 2,364.05 per kg. This was mainly due to addition of new Cephalosporin products to our portfolio which have shown a higher realization per unit, such as Cefuroxime Axetil Amorphous, and increased sales of existing products sold by us.

*Income from job work:* Our income from job work in fiscal 2008 amounted to Rs. 2.55 lacs as compared to Rs. 79.89 lacs in fiscal 2007. This decline of 96.81 % in income from job work was on account of higher utilization of our manufacturing capacities for our Company's direct sales instead of job work.

*Other income:* Our Company's other income increased from Rs. 42.02 lacs in fiscal 2007 to Rs. 61.89 lacs in fiscal 2008 which is an increase of 47.29 %. The other income in fiscal 2008 consisted of Rs. 48.71 lacs of interest income and other miscellaneous income of Rs. 13.18 lacs. The other income in fiscal 2007 consisted of Rs. 28.44 lacs of interest income and other miscellaneous income of Rs. 13.58 lacs. The increase in other income during this period was mainly on account of increase in interest income earned as a result of higher amount of fixed deposits kept with the banks as margin for letters of credit.

*Materials consumed:* Our expenditure on materials consumed amounted to Rs. 19,756.40 lacs in fiscal 2008, as compared to Rs. 11,468.91 lacs in fiscal 2007 which is an increase of 72.26 %. Materials consumed as a percentage of net sales reduced from 76.80 % in fiscal 2007 to 72.29 % in fiscal 2008. The reduction was on account of downward trend in prices of raw materials imported by us such as Penicillin-G and favourable exchange rate fluctuation.

*Manufacturing expenses:* In fiscal 2008, our Company's manufacturing expenses amounted to Rs. 1,071.53 lacs, which is an increase of 62.22 % as compared to Rs. 660.55 lacs incurred in fiscal 2007. Manufacturing expenses as a percentage of net sales reduced from 4.42 % in fiscal 2007 to 3.92 % in fiscal 2008. The decline in percentage terms was mainly because the manufacturing expenses did not increase in the same proportion as increase in net sales.

*Personnel expenses:* Our personnel expenses increased by 241.67 % from Rs. 177.87 lacs in fiscal 2007 to Rs. 607.73 lacs in fiscal 2008. Personnel expenses as a percentage of net sales increased from 1.19 % in fiscal 2007 to 2.22 % in fiscal 2008. The increase in personnel expenses was mainly due to increase in headcount on account of commissioning of our new plants for manufacturing of Cephalosporin oral and sterile APIs, at Derabassi.

*Administration expenses:* Our administration expenses increased by 125.29 % from Rs. 139.23 lacs in fiscal 2007 to Rs. 313.67 lacs in fiscal 2008. Administration expenses as a percentage of net sales increased from 0.93 % in fiscal 2007 to 1.15 % in fiscal 2008 on account of increase in operations.

*Selling and distribution expenses:* Our selling and distribution expenses increased by 250.24 % from Rs. 135.33 lacs in fiscal 2007 to Rs. 473.98 lacs in fiscal 2008 mainly on account of our efforts in increasing our market presence outside India. Our export sales increased from 10.24 % of net sales in fiscal 2007 to 23.81 % of net sales in fiscal 2008 leading to increase in costs like freight and clearing and forwarding expenses. Selling and distribution expenses as a percentage of net sales increased from 0.91 % in fiscal 2007 to 1.73 % in fiscal 2008.

*Profit before interest, depreciation and tax:* Our profit before interest, depreciation and tax increased from Rs. 2,474.44 lacs in fiscal 2007 to Rs. 5,170.61 lacs in fiscal 2008 which is an increase of 108.96 %. Profit before interest, depreciation and tax as a percentage of total income increased from 16.43 % in fiscal 2007 to 18.88 % in fiscal 2008. The increase was mainly due to reduction in cost of materials consumed, manufacturing expenses as explained above.

*Financial Expenses:* Our interest and finance charges increased by 102.41 % from Rs. 589.20 lacs in fiscal 2007 to Rs. 1,192.58 lacs in fiscal 2008. This increase was primarily due to increase in borrowings. Our secured and unsecured loans increased from Rs. 4,744.02 lacs and Rs. 2,222.23 lacs respectively in fiscal 2007 to Rs. 11,651.06 lacs and Rs. 4,291.09 lacs respectively in fiscal 2008.



*FCM Item Translation Difference Loss:* Loss incurred on hedging contracts which were settled during the period amounted to Rs. 18.04 lacs in fiscal 2008. There was no gain / loss incurred on hedging contracts during fiscal 2007.

*Depreciation:* Our Company's depreciation expense was Rs.182.55 lacs in fiscal 2008 as compared to Rs. 90.27 lacs in fiscal 2007. During fiscal 2008, the net additions to the gross block amounted to Rs. 4,276.64 lacs.

*Research & development expenses written off:* R&D expenses written off during fiscal 2008 amounted to Rs. 292.60 lacs as compared to Rs. 169.59 lacs in fiscal 2007. During fiscal 2008 we incurred Rs. 657.43 lacs on R&D activities as compared to Rs. 615.10 lacs incurred during fiscal 2007.

*Preliminary expenses written off:* Preliminary expenses written off during fiscal 2008 amounted to Rs. 6.14 lacs as compared to Rs.4.16 lacs in fiscal 2007.

*Profit before Tax.* Our profit before tax was Rs. 3,478.70 lacs in fiscal 2008 as compared to Rs. 1,621.22 lacs in fiscal 2007 which is an increase of 114.57 %. Profit before tax as a percentage of total income increased from 10.77 % in fiscal 2007 to 12.70 % in fiscal 2008. The increase was mainly due to reduction in cost of materials consumed and manufacturing expenses as explained above

*Taxation:* Our total tax liability was Rs. 511.26 lacs in fiscal 2008 as compared to Rs. 262.24 lacs in fiscal 2007, which is an increase of 94.96 %.

*Profit after Tax as restated:* Our profit after tax was Rs. 2,967.43 lacs in fiscal 2008 as compared to Rs. 1,358.98 lacs in fiscal 2007 which is an increase of 118.36 %. Profit after tax as a percentage of total income increased from 9.03 % in fiscal 2007 to 10.83 % in fiscal 2008. The increase was mainly due to the reasons mentioned above.

## **Liquidity and Capital Resources**

We finance our working capital requirements primarily through funds generated from our operations and bank financing. Our principal sources of liquidity are cash, cash equivalents and the cash flow that we generate from operations. We had combined cash and cash equivalents of Rs. 1,793.12 lacs and Rs. 1,350.61 lacs as at December 31, 2009 and March 31, 2009, respectively.

Set forth below is a table of selected cash flow statement data for the periods stated in the table.

Particulars	Nine month period ended December 31, 2009	(Rs. in lacs)		
		Fiscal 2009	Fiscal 2008	Fiscal 2007
Net cash from / (used in) operating activities	(939.28)	(4,036.87)	(2,724.31)	(489.46)
Net cash from / (used in) investing activities	(6,026.54)	(5,617.93)	(5,013.76)	(2,643.57)
Net cash from / (used in) financing activities	7,408.33	10,270.41	8,166.02	3,143.72
Net increase / (decrease) in cash and cash equivalents	442.51	615.62	427.94	10.69
Cash and cash equivalents as at the end of the period	1,793.12	1,350.61	734.99	307.05

### *Net cash used in operating activities*

Net cash generated from operating activities before working capital changes for the nine month period ended December 31, 2009 amounted to Rs. 6,091.45 lacs which consisted of net profit before tax of Rs. 2,794.60 lacs as adjusted for depreciation of Rs. 405.35 lacs, financial expenses of Rs.2,956.62 lacs, provision for tax of Rs. 493.72 lacs, amortization of R&D and preliminary expenses of Rs. 444.26 lacs and profit on sale of fixed assets of Rs. 15.65 lacs. Working capital changes amounted to Rs. 7,030.73 lacs including an increase in inventories of Rs. 4283.35 lacs, increase in receivables of Rs. 1,140.51 lacs, increase in other current assets of Rs. 2,269.49 lacs and increase in payables of Rs. 662.61 lacs. Net cash used in operating activities after working capital changes as explained above amounted to Rs. 939.28 lacs.

Net cash generated from operating activities before working capital changes for fiscal 2009 amounted to Rs. 5,958.07 lacs which consisted of net profit before tax of Rs. 2,682.08 lacs as adjusted for depreciation of Rs. 360.86 lacs, financial expenses of Rs. 2,833.55 lacs, loss on sale of fixed assets of Rs. 2.34 lacs, provision for tax of Rs. 352.89 lacs and amortization of R&D and preliminary expenses of Rs. 432.14 lacs. Working capital changes amounted to Rs. 9,994.94 lacs including an increase in inventories of Rs. 8,518.36 lacs, increase in

receivables of Rs. 5,659.89 lacs, increase in other current assets of Rs. 1,342.27 lacs and increase in payables of Rs. 5,525.57 lacs. Net cash used in operating activities after working capital changes as explained above amounted to Rs. 4,036.87 lacs.

Net cash generated from operating activities before working capital changes for fiscal 2008 amounted to Rs. 4,779.20 lacs which consisted of net profit before tax of Rs. 3,478.70 lacs as adjusted for depreciation of Rs. 182.55 lacs, financial expenses of Rs. 1,192.58 lacs, provision for tax of Rs. 373.37 lacs and amortization of R&D and preliminary expenses of Rs. 298.75 lacs. Working capital changes amounted to Rs. 7,503.51 lacs including an increase in inventories of Rs. 4,649.90 lacs, increase in receivables of Rs. 4,440.19 lacs, increase in other current assets of Rs. 520.28 lacs and increase in payables of Rs. 2,106.86 lacs. Net cash used in operating activities after working capital changes as explained above amounted to Rs. 2,724.31 lacs.

Net cash generated from operating activities before working capital changes for fiscal 2007 amounted to Rs. 2,269.10 lacs which consisted of net profit before tax of Rs. 1,621.22 lacs as adjusted for depreciation of Rs. 90.27 lacs, financial expenses of Rs. 589.20 lacs, loss on sale of fixed assets of Rs. 4.03 lacs, provision for tax of Rs. 209.37 lacs and amortization of R&D and preliminary expenses of Rs. 173.75 lacs. Working capital changes amounted to Rs. 2,758.56 lacs including an increase in inventories of Rs. 2,576.23 lacs, increase in receivables of Rs. 2,393.99 lacs, increase in other current assets of Rs. 144.46 lacs and increase in payables of Rs. 2,356.13 lacs. Net cash used in operating activities after working capital changes as explained above amounted to Rs. 489.46 lacs.

#### *Net cash used in investing activities*

Net cash used in investing activities for the nine month period ended December 31, 2009 amounted to Rs. 6,026.54 lacs. This included purchase of fixed assets amounting to Rs. 4,088.78 lacs, preliminary expenses amounting to Rs. 68.16 lacs, R&D expenses amounting to Rs. 1,912.69 lacs. This was partially offset by income from sale of fixed assets amounting to Rs. 43.09 lacs.

Net cash used in investing activities for fiscal 2009 amounted to Rs. 5,617.93 lacs. This included purchase of fixed assets amounting to Rs. 4,643.36 lacs, preliminary expenses amounting to Rs. 93.87 lacs, R&D expenses amounting to Rs. 755.18 lacs and investment in shares of companies amounting to Rs. 135.30 lacs. This was partially offset by income from sale of fixed assets amounting to Rs. 9.79 lacs.

Net cash used in investing activities for fiscal 2008 amounted to Rs. 5,013.76 lacs. This included purchase of fixed assets amounting to Rs. 4,276.65 lacs, preliminary expenses amounting to Rs. 19.36 lacs, R&D expenses amounting to Rs. 657.43 lacs and investment in shares of companies amounting to Rs. 60.32 lacs.

Net cash used in investing activities for fiscal 2007 amounted to Rs. 2,643.57 lacs. This included purchase of fixed assets amounting to Rs. 2,008.87 lacs, preliminary expenses amounting to Rs. 19.82 lacs, R&D expenses amounting to Rs. 615.10 lacs and investment in shares of companies amounting to Rs. 2.50 lacs. This was partially offset by income from sale of fixed assets amounting to Rs. 2.72 lacs.

#### *Net cash from financing activities*

Net cash from financing activities for nine month period ended December 31, 2009 amounted to Rs. 7,408.33 lacs. This included proceeds from secured and unsecured loans amounting to Rs. 10,364.95 lacs, partially offset by financial expenses amounting to Rs. 2,956.62 lacs, primarily on account of interest payments.

Net cash from financing activities for fiscal 2009 amounted to Rs. 10,270.41 lacs. This included proceeds from issue of share capital amounting to Rs. 2,643.19 lacs, proceeds from secured and unsecured loans amounting to Rs. 10,460.78 lacs, partially offset by financial expenses amounting to Rs. 2,833.55 lacs primarily on account of interest payments.

Net cash from financing activities for fiscal 2008 amounted to Rs. 8,166.02 lacs. This included proceeds from issue of share capital amounting to Rs. 382.70 lacs, proceeds from secured and unsecured loans amounting to Rs. 8,975.89 lacs, partially offset by financial expenses amounting to Rs. 1,192.58 lacs primarily on account of interest payments.

Net cash from financing activities for fiscal 2007 amounted to Rs. 3,143.72 lacs. This included proceeds from issue of share capital amounting to Rs. 900.00 lacs, proceeds from secured and unsecured loans amounting to

Rs. 2,832.92 lacs, partially offset by financial expenses amounting to Rs. 589.20 lacs primarily on account of interest payments.

### Off balance sheet arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet transactions.

### Capital Expenditures

Historically, our Company has incurred capital expenditures in the normal course of its business in relation to the expansion of existing facilities and is expected to continue incurring such capital expenditures in the future. Our Company's capital expenditures, classified as additions to Gross Block, amounted to Rs. 4,041.94 lacs during the nine month period ended December 31, 2009, Rs. 4,623.32 lacs for fiscal 2009, Rs. 4,276.64 lacs for fiscal 2008 and Rs. 2,000.63 lacs for fiscal 2007.

### Statement of Indebtedness and Contingent Liabilities

#### Borrowings

Our secured loans mainly consist of term loans, which are secured against our fixed assets and working capital facilities which are secured by way of hypothecation of our current assets. Our unsecured loans primarily consist of bill discounting facilities from banks which are secured by documentary bills and guarantees by our Promoters and / or Directors.

The following table sets forth details of our borrowings:

(Rs. in lacs)				
Particulars	Nine month period ended December 31, 2009	Fiscal 2009	Fiscal 2008	Fiscal 2007
Secured Loans	30,317.80	21,252.53	11,651.06	4,744.02
Unsecured Loans	6,450.08	5,150.40	4,291.09	2,222.23
<b>Total</b>	<b>36,767.88</b>	<b>26,402.93</b>	<b>15,942.15</b>	<b>6,966.25</b>

#### Contractual Obligations and Commercial Commitments

Our contractual obligations as at December 31, 2009 comprised an estimated amount of Rs.726.11 lacs for contracts remaining to be executed on capital account (net of advances). We also have lease obligations with respect to our registered and corporate offices and sales depots and godowns. See "**Business - Property**" on page 120.

#### Contingent Liabilities

The table below sets forth our contingent liabilities not provided for as at December 31, 2009:

Nature of Contingent Liability	Amount (Rs. in lacs)
Letter of Credit (Foreign / Inland)	11,498.23*
Bank Guarantees	97.01
Income Tax dispute pending	242.24**
Central Excise Duty dispute pending	5.93#
Customs Duty	217.00@
<b>Total</b>	<b>12,060.41</b>

\*Out of above material valuing Rs. 9,644.65 lacs has been received by December 31, 2009 and credited to respective creditors account.

\*\* Rs.45.00 lacs have been deposited towards disputed liability. However the case has been decided in favour of the Company at first stage in the month of March 2010.

#Rs.3.36 lacs have been deposited towards disputed liability.

@ The Company has received show cause notices from the DGFT towards the non-fulfilment of export obligation against the Advance Licenses obtained for import of duty free raw material. Though the Company has taken up the matter with the GRC for the extension of export obligation period, in case the extension sought by the Company is not granted the estimated contingent liability is Rs.217 lacs towards the customs duty.

## **Quantitative and Qualitative Disclosures about Market Risk**

### ***Commodity Price Risk***

We are exposed to market risk with respect to commodity prices from our purchase and sale of raw materials, such as Penicillin G and 7ACA, utilized in the manufacturing of API intermediates and APIs. Prices for raw material components are volatile, and raw material expense forms the largest portion of our operating expenses. The cost of materials consumed represented 73.05 % of our total income in fiscal 2009. We evaluate and manage our commodity price risk exposure through our sourcing policies and operating procedures. In the normal course of business, we purchase raw materials under purchase orders based on prevailing market conditions. Accordingly, significant increases in the prices of raw materials could affect our results of operations.

### ***Foreign Currency Exchange Rate Risk***

We are exposed to exchange rate risk primarily due to payables in respect of our imported raw material and from receivables, which are mainly denominated in foreign currencies. Approximately 51.02 % and 62.59 % of our raw materials by value were imported in the nine month period ended December 31, 2009 and March 31, 2009, which were mainly denominated in foreign currencies such as the U.S. Dollar. Approximately 27.93 % of our net sales for the nine month period ended December 31, 2009 were derived from direct exports, which were mainly denominated in foreign currencies such as the U.S. Dollar.

We hedge exposure to fluctuations in foreign exchange fluctuations through the use of derivative financial instruments such as foreign currency options, interest rate swaps or forward rate agreements or futures contracts. None of our hedging contracts are speculative in nature.

### ***Interest Rate Risk***

We are exposed to market risk with respect to changes in interest rates related to its borrowings. Interest rate risk exists with respect to our indebtedness that bears interest at floating rates tied to certain benchmark rates as well as borrowings where the interest rate is reset primarily based on changes in the short-term interest rates set by Indian banks, as well as due to changes in interest rates set by the RBI, which are generally announced through credit policy measures issued twice a year. We have not entered into agreements to hedge risks associated with changes in interest rates. As at December 31, 2009, our secured loan funds aggregated to Rs. 30,317.80 lacs, all of which were at floating rates of interest.

### ***Unusual or infrequent events or transactions***

- Our Company has made two changes in its accounting policies as described in Note IV of Annexure IV of the audited restated standalone financial statements on page 192 of this Red Herring Prospectus.
- During fiscal 2009, our Company had deferred the loss on maturity of derivative transaction amounting to Rs.465.75 lacs and shown the same as “FCM Item Translation Difference Account”. For the nine month period ended December 31, 2009, in accordance with Notification number G.S.R 225 (E) dated March 31, 2009 issued by the Ministry of Corporate Affairs, GoI and Accounting Standard 11, our Company has changed its accounting policy and has shown the loss on maturity of derivative transactions “FCM Item Translation Difference Loss” in its profit and loss accounts separately, as shown in the audited restated standalone financial statements on page 182 of this Red Herring Prospectus.
- With effect from fiscal 2008, our Company has provided liability in respect of defined benefit plans such as gratuity and leave encashment, based on actuarial valuation made by an independent actuary as on the date of balance sheet. The actuarial gains or losses are recognized immediately in the profit and loss account of our Company.

Other than the changes in accounting policies mentioned above, there are no events or transactions which may be described as 'unusual' or 'infrequent'.

***Significant economic changes that materially affected or are likely to affect income from continuing operations***

Except for macroeconomic factors, competitive pressures, government and other regulatory approvals, research and development and foreign currency fluctuations, as disclosed in “**Factors Affecting Our Results of Operations**” above, we do not believe that there are any other significant economic changes that materially affect or are likely to affect income from continuing operations.

***Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations***

Our business has been impacted and we expect will continue to be impacted by various trends such as macroeconomic factors, competitive pressures, government and other regulatory approvals, research and development and foreign currency fluctuations identified above in “**Factors Affecting our Results of Operations**” and the uncertainties, such as difficulties in executing our strategy including our expansion plans, no assurance that our proposed expansion into the CRAMS segment will yield the expected or desired benefits, volatility of prices of our products, any disruptions to the timely and adequate supply of our raw materials, no assurance that we will be able to broaden our customer base in any future period, an adverse outcome in certain legal proceedings in which we are involved, our failure to accurately project demand for our products and other reasons, further described in “**Risk Factors**” on page 12. To our knowledge, except as we have described in this Red Herring Prospectus, there are no known factors, which we expect to have a material adverse impact on our revenues or income from continuing operations.

***Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or price that will cause a material change are known***

To the best of our knowledge, there are no future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change which are known as on the date of filing of this Red Herring Prospectus.

***The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased prices***

The reasons for changes in net sales during the nine month period ended December 31, 2009 and fiscal 2009, 2008 and 2007 are as explained above.

***Total turnover of each major industry segment in which the issuer company operates***

We have considered manufacturing of bulk drugs as only one business segment. The details of turnover during the nine month period ended December 31, 2009 and fiscal 2009, 2008 and 2007 are stated above.

***Status of any publicly announced new products or business segment***

Since December 31, 2009, our Company has not announced any new products except Ceftazidime, Cefotiam, Ceftizoxime and Cephalothin, as disclosed in “**Our Business**” on page 107. We have considered manufacturing of bulk drugs as only one business segment

***The extent to which business is seasonal***

Our business is not typically seasonal in nature.

***Any significant dependence on a single or few suppliers or customers***

While we are not significantly dependent on any single supplier, we do not currently have long term contracts or exclusive supply arrangements with any of our vendors. We are therefore dependent on adequate and timely deliveries by our suppliers of necessary raw materials or equipment. We are constantly striving to increase our customer base and reduce dependence on any particular customer and the net sales from our top five customers

have reduced from 57.59% in fiscal 2007 to 34.84% in fiscal 2009. We supply our products domestically as well as to approximately 45 countries, including regulated markets. Some of the countries to which we supply our products include Turkey, Jordan, Syria, Iran, Korea, Italy, the Netherlands and the US.

#### ***Competitive conditions***

Our major domestic pharmaceutical competitors include Aurobindo Pharma, Surya Pharmaceuticals, DPB Antibiotics, Lupin Laboratories and Nectar Lifesciences Limited. In exports, our competitors include Ribbon, Italy, ACS Dobfar, Italy, Sandoz (Novartis) in the EU, Zuhai United Laboratories and Harbin Pharmaceuticals. In the CRAMs segment, major players include Divi's, Dishman Pharmaceuticals and Chemicals Limited, Sai Adventium, Zydus Cadilla, Aptuit Laurus, Chem Biotech, Shasun Chemicals and Drugs Limited, and GVK Bio / Innogen. Growing competition may subject us to pricing pressures and require us to reduce the prices of our products and services in order to retain or attract customers, which may have a material adverse effect on our revenues and margins.

See “*Our Business – Major Competitors*” and “*Risk Factors*” on pages 119 and 12, respectively.

#### **Related Party Transactions**

From time to time, we enter into transactions with related parties in the ordinary course of our business. For details of our related party transactions, see “*Financial Statements – Statement of Related Party Disclosures*” on pages 178 and 206.

#### **Recent accounting pronouncements**

There are no recent accounting pronouncements that were not yet effective as at December 31, 2009 that will result in a change in our significant accounting policies, to the best of our knowledge.

#### **Significant Developments after December 31, 2009 that may affect the future of our operations**

In compliance with AS-4 “Contingencies and Events Occurring after the Balance Sheet Date” issued by the ICAI, to our knowledge, no circumstances other than as disclosed in this Red Herring Prospectus have arisen since the date of the last financial statements contained in this Red Herring Prospectus which materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

## FINANCIAL INDEBTEDNESS

The total outstanding amount as at April 15, 2010 with respect to our secured financial borrowings was Rs. 45,400.26 lacs. For further information on our financial borrowings, see “**Financial Information**” on page 156. Set forth below is a brief summary of our current significant outstanding financing arrangements, as at April 15, 2010:

### A. Working Capital Arrangements

Our Company had entered into a working capital consortium agreement dated August 3, 2009 with a consortium of seven banks, which was renewed on February 11, 2010, with a consortium of nine banks (the “**Consortium Agreement**”), namely, State Bank of India (lead bank), Union Bank of India, ICICI Bank Limited, Central Bank of India, UCO Bank, Punjab National Bank, IDBI Bank Limited, Canara Bank and Bank of Baroda, pursuant to which a credit limit of Rs. 38,400 lacs was sanctioned. As per the terms of the Consortium Agreement, our Company has undertaken to utilize the facility for meeting a part of our working capital requirements and for no other purpose. In relation to the Consortium Agreement, our Company has created a first charge by way of hypothecation of our entire stocks of raw materials, work in process, finished goods, consumable stores and spares and such other movables including book debts, outstanding monies receivables, both present and future, with interest and other monies payable by us to the banks under the respective facility agreements/letters of sanction, etc. Further, a second charge by way of mortgage in favor of the lenders on our immovable and movable fixed assets, and other monies payable by us to the lenders under the respective facility agreements/sanction letters, etc. has been created. Additionally, our Promoters, Mr. Pranav Gupta and Mr. Vineet Gupta, have provided personal guarantees and third party guarantees have been provided by J.D. Gupta (HUF), Ms. Nirmal Bansal, Ms. Rama Gupta and Mr. T.N. Goel, and PIPL and PNG have provided corporate guarantees in relation to the facility.

Set forth below are the particulars of our working capital arrangements under the Consortium Agreement:

(Rs. in lacs)				
S. No.	Lender	Facility	Interest	Amount outstanding as at April 15, 2010
1.	State Bank of India	10,100 (Cash credit, export packing credit, FCNR, bill discounting and buyer's credit)	<ul style="list-style-type: none"> <li>• BPLR for cash credit;</li> <li>• BPLR less 2.50% for export packing credit;</li> <li>• 6.50% above LIBOR for FCNR; and</li> <li>• Between 2% to 4% above LIBOR for buyer's credit</li> </ul>	9,509.68
2.	Union Bank of India	6,150 (Cash credit)	<ul style="list-style-type: none"> <li>• BPLR for cash credit</li> </ul>	5,968.82
3.	ICICI Bank Limited*	5,750 (Export packing credit, cash credit, buyer's credit and working capital demand loan, letters of credit, bank guarantee)	<ul style="list-style-type: none"> <li>• Sum of IBAR and cash credit risk premium less 4.50% for cash credit;</li> <li>• Sum of IBAR and prevalent term premium less 3.40% for export packing credit;</li> <li>• As stipulated by RBI for buyer's credit; and</li> <li>• Sum of IBAR and prevalent term premium less 5.30% for working capital demand loan</li> </ul>	5,602.00
4.	UCO Bank	6,200 (Cash credit, packing credit, bill discounting under letter of credit and buyer's credit)	<ul style="list-style-type: none"> <li>• BPLR less 0.50% for cash credit;</li> <li>• BPLR less 4% for packing credit; and</li> <li>• Between 2% to 4% above LIBOR for buyer's credit</li> </ul>	3,780.64
5.	Central Bank of India	5,000 (Cash credit)	<ul style="list-style-type: none"> <li>• BPLR for cash credit</li> </ul>	4,930.51
6.	Punjab National Bank	2,000 (Cash credit)	<ul style="list-style-type: none"> <li>• 2% above BPLR for cash credit</li> </ul>	2,036.16
7.	IDBI Bank	700 (Buyer's credit)	<ul style="list-style-type: none"> <li>• Between 2% to 4% above LIBOR for buyer's credit</li> </ul>	695.70

S. No.	Lender	Facility	Interest	Amount outstanding as at April 15, 2010
8.	Canara Bank	1,500 (Cash credit)	• 1% above BPLR	1,512.55
9.	Bank of Baroda	1,000 (Cash credit and export packing credit)	• BPLR less 0.25% for cash credit; and • BPLR less 3% for cash credit	997.97

Under the Consortium Agreement, our Company shall not during the currency of the facility, do the following without obtaining the prior written consent of the lead bank:

- declare dividends for any year, if its accounts with any of the banks in the consortium are irregular;
- change or alter in any way alter its capital structure;
- make any other borrowing arrangement;
- take up expansion/modernization/new project/balancing scheme;
- enter into any borrowing arrangement or create any charge on the net block / assets charged to the consortium;
- raise debt from the market against charge on the net block / assets charged to the consortium;
- effect any merger or acquisition; and
- make investment in or give loan to our subsidiary/associate/group concern.

#### B. Secured Term Loans

Set forth below are the details of secured term loans availed of by our Company from the State Bank of India, ICICI Bank Limited, Central Bank of India and UCO Bank, which are outstanding as at April 15, 2010.

(Rs. in lacs)						
S. No.	Lender	Facility	Interest	Security	Significant Covenants	Amount outstanding as at April 15, 2010
1.	State Bank of India ("SBI")	Term loan of Rs. 3,250 lacs, pursuant to sanction letter dated January 9, 2009 and loan agreement dated February 27, 2009	0.50% above BPLR	<ul style="list-style-type: none"> <li>• First <i>pari passu</i> charge on all existing and future fixed assets of our Company;</li> <li>• Second <i>pari passu</i> charge on all current assets of our Company;</li> <li>• <i>Pari passu</i> charge on the collateral properties of PIPL;</li> <li>• Corporate guarantee by PNG; and</li> <li>• Personal guarantees by Mr. Pranav Gupta and Mr. Vineet Gupta</li> </ul>	<p>During the subsistence of the liability of our Company, the lender would have a right to appoint and/or remove a nominee director from time to time, and our Company shall not, without the lender's prior consent:</p> <ul style="list-style-type: none"> <li>• Effect any change in capital structure;</li> <li>• Formulate any scheme of amalgamation;</li> <li>• Undertake any new project, implement any scheme of expansion or acquire fixed assets except those indicated in the funds flow statement submitted to, and approved by the lender;</li> <li>• Enter into any borrowing arrangement either secured or unsecured with any other bank financial institution;</li> <li>• Declare dividends for any year out of the profits relating to that year or of the previous year; and</li> <li>• Permit any transfer in the controlling interest or make any drastic change in the management set-up</li> </ul>	2,689.20



S. No.	Lender	Facility	Interest	Security	Significant Covenants	Amount outstanding as at April 15, 2010
2.	ICICI Bank	Term loan I of Rs. 287 lacs and term loan II of Rs. 500 lacs, pursuant to sanction letter dated November 25, 2005 and loan agreement dated December 19, 2005	IBAR less 1.50%	<ul style="list-style-type: none"> <li>•First <i>pari passu</i> charge on all existing and future fixed assets of our Company;</li> <li>•Second <i>pari passu</i> charge on all current assets of our Company;</li> <li>•<i>Pari passu</i> charge on the collateral properties of PIPL;</li> <li>•Corporate guarantee by PNG; and</li> <li>•Personal guarantees by Mr. Pranav Gupta and Mr. Vineet Gupta</li> </ul>	If our Company fails to meet its obligations in paying interest and/or instalment moneys payable to the lender, the lender shall then be entitled to appoint a nominee on the Board of Directors of our Company during the currency of their assistance, and without the lender's prior written consent: <ul style="list-style-type: none"> <li>• Undertake any new project or expansion; and</li> <li>• Raise any term loans/debentures, incur major capital expenditure or make any investments either directly or through our Subsidiary</li> </ul>	15.72 (Term Loan I)  83.33 (Term Loan II)
		Term loan III of Rs. 1,480 lacs, pursuant to credit arrangement letter dated October 12, 2007, loan agreement dated October 13, 2007, and sanction letter dated January 23, 2008*	IBAR less 3.75%	<ul style="list-style-type: none"> <li>•First <i>pari passu</i> charge on all existing and future fixed assets of our Company;</li> <li>•Second <i>pari passu</i> charge on all current assets of our Company;</li> <li>•<i>Pari passu</i> charge on the collateral properties of PIPL;</li> <li>•Corporate guarantee by PNG; and</li> <li>•Personal guarantees by Mr. Pranav Gupta and Mr. Vineet Gupta</li> </ul>	Minimum security cover of 1.50 times	1,183.90
		Term loan IV of Rs. 520 lacs, pursuant to sanction letter dated January 23, 2008 and loan agreement dated February 13, 2008	IBAR less 3.75%	<ul style="list-style-type: none"> <li>•First <i>pari passu</i> charge on all existing and future fixed assets of our Company;</li> <li>•Second <i>pari passu</i> charge on all current assets of our Company;</li> <li>•<i>Pari passu</i> charge on the collateral properties of PIPL;</li> <li>•Corporate guarantee by PNG; and</li> <li>•Personal guarantees by Mr. Pranav Gupta and Mr. Vineet Gupta</li> </ul>	Minimum security cover of 1.50 times	390.00

S. No.	Lender	Facility	Interest	Security	Significant Covenants	Amount outstanding as at April 15, 2010
		Credit facility of Rs. 1,000 lacs, pursuant to sanction letter dated September 18, 2006**	Aggregate of applicable margin and 6 month LIBOR	<ul style="list-style-type: none"> <li>• First <i>pari passu</i> charge on all existing and future fixed assets of our Company;</li> <li>• Second <i>pari passu</i> charge on all current assets of our Company;</li> <li>• <i>Pari passu</i> charge on the collateral properties of PIPL;</li> <li>• Corporate guarantee by PNG; and</li> <li>• Personal guarantees by Mr. Pranav Gupta and Mr. Vineet Gupta</li> </ul>	Our Company shall not, without the lender's prior consent: <ul style="list-style-type: none"> <li>• Raise any term loans/debentures incur major capital expenditure or make any investments either directly or through our Subsidiary; and</li> <li>• Invest /lend/extend advances to group or Subsidiary</li> </ul>	480.31
3.	Central Bank of India	Term loan of Rs. 3,000 lacs, pursuant to sanction letter dated July 21, 2009	BPLR	Charge by way of hypothecation of all present and future current assets of our Company for working capital, and over fixed assets for the term loan	Our Company shall not, without the lender's prior consent: <ul style="list-style-type: none"> <li>• Make any material change in the capital structure of our Company, and</li> <li>• Formulate any scheme of amalgamation of reconstruction</li> </ul>	2,214.62
4.	UCO Bank	Term loan I of Rs. 1,000 lacs and term loan 2 of Rs. 2,310 lacs (loan taken over from ICICI bank), pursuant to sanction letter dated February 5, 2008 and loan agreement dated February 27, 2009, renewed through sanction letter dated October 10, 2009	BPLR less 5% for term loan I and BPLR for term loan II	<ul style="list-style-type: none"> <li>• First <i>pari passu</i> charge on all existing and future fixed assets of our Company;</li> <li>• Second <i>pari passu</i> charge on all current assets of our Company;</li> <li>• <i>Pari passu</i> charge on the collateral properties of PIPL;</li> <li>• Corporate guarantee by PNG; and</li> <li>• Personal guarantees by Mr. Pranav Gupta and Mr. Vineet Gupta</li> </ul>	Our Company shall not, without the lender's prior consent: <ul style="list-style-type: none"> <li>• Change or alter in any way alter the capital structure of our Company;</li> <li>• Make any other borrowing arrangement;</li> <li>• Expand/modernize/new project/balancing scheme;</li> <li>• Effect any merger or acquisition;</li> <li>• Make investment in or give loan to our subsidiary/associate/group concern;</li> <li>• Pay dividend other than out of profits after making all due provisions; and</li> <li>• Borrow or obtain credit facilities from other banks or credit agency or money lenders</li> </ul>	999.15 (Term loan I)  2,310.00 (Term loan II)

\* ECB sanctioned on October 12, 2007, subsequently changed to INR loan on January 23, 2008

\*\*ECB sanctioned on September 18, 2006 for US\$ 13,43,750

## SECTION VI- LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, Subsidiary, Directors, Promoters and Group Entities, and there are no defaults, non-payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issued by our Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than an unclaimed liability of our Company or the Subsidiary and no disciplinary action has been taken by the SEBI or any stock exchange against our Company, Subsidiary, Promoters or Directors and Group Entities.

Our Company and our Directors are not on the list of wilful defaulters of the RBI.

#### **I. Litigation involving our Company**

##### **A. Litigation against our Company**

##### **1. Statutory notices**

1.1 Our Company has received the following show cause notices from certain central excise authorities alleging wrongful availment of cenvat credit by our Company:

- (a) Show cause notice dated May 31, 2007, by the Central Excise Commissioner (“CEC”), Chandigarh, alleging Rs. 26.33 lacs wrongfully availed as cenvat credit by our Company on inputs and capital goods under the Cenvat Credit Rules, 2004 (the “**Cenvat Rules**”). Our Company filed an appeal against the said show cause notice on April 21, 2008 before the Commissioner (Appeals), Customs and Central Excise (“CCE”), Chandigarh on May 30, 2008 and the show cause notice was set aside by an order dated May 30, 2008. The CEC, Chandigarh has filed an appeal before the CESTAT against the order dated May 30, 2008. The next date of hearing has not been fixed.
- (b) Show cause notice dated November 23, 2006, by the CEC, Chandigarh, alleging Rs. 3.36 lacs wrongfully availed as cenvat credit by our Company on inputs and capital goods under the Cenvat Rules. Our Company filed an appeal against the said show cause notice before the Commissioner (Appeals), CCE, Chandigarh and the appeal was set aside by an order dated October 28, 2007. Our Company filed an application for a stay on the said order on December 31, 2007 before the Commissioner (Appeals), CCE, Chandigarh, which was subsequently denied by an order dated March 11, 2008. An appeal was filed by our Company against the said order before the Customs, Excise and Service Tax Appellate Tribunal (the “**CESTAT**”), New Delhi, and the CESTAT remanded the matter to the Commissioner (Appeals), CCE, Chandigarh, by an order dated July 3, 2008 for consideration of the appeal on merits. The Commissioner (Appeals) by an order May 19, 2009 rejected the appeal against which our Company has filed an appeal dated August 12, 2009, before the CESTAT. The next date of hearing has not been fixed.
- (c) Show cause notice dated July 28, 2008, by the Commissioner, Central Excise, Jalandhar, alleging Rs. 19.91 lacs wrongfully availed as cenvat credit by our Company out of contractual work with DSM Anti Infection India Limited, Chandigarh. Our Company has sought clarification from the abovementioned authority by a letter dated February 17, 2009 from Mr. Ajay Jain, Advocate.
- (d) Show cause notice dated April 28, 2008 by the Central Excise Division, Derabassi, alleging Rs. 2.31 lacs wrongfully availed as cenvat credit by our Company on inputs and capital goods under the Cenvat Rules. Our Company has replied to the said show cause notice by a letter dated June 2, 2008 through Mr. Ajay Jain, Advocate, to the Deputy Commissioner, Central Excise Division, Derabassi, in June, 2008.
- (e) Show cause notice dated January 1, 2008 by the Central Excise Division, Derabassi, alleging Rs. 25,863 wrongfully availed as cenvat credit by our Company on inputs and capital goods under the Cenvat Rules. Our Company has replied to the said show cause notice through Mr. Ajay Jain,

Advocate, before the Deputy Commissioner, Central Excise Division, Derabassi, on May 8, 2008, and personal hearings have been attended to by Mr. Ajay Jain, Advocate, on behalf of our Company. The next date of hearing has not been fixed.

1.2 Our Company has received the following statutory notices from certain income tax authorities under the IT Act:

- (a) Notice dated May 13, 2009 from the Assistant CIT, New Delhi, for disallowing deduction under Section 80IB of the IT Act against income tax return filed by our Company for the Assessment Year 2005-2006. Our Company has replied to the said demand notice by a letter dated July 17, 2009. Subsequently, by an order dated December 21, 2009, additional demand of Rs 7.58 lacs for Assessment Year 2004-05 and Rs 9.69 lacs for Assessment Year 2005-06 was raised by the Assistant CIT, New Delhi. The abovementioned demands are adjustable against the minimum alternative tax credit of our Company.

1.3 Our Company has received certain demand notices from the DGFT, Ministry of Commerce, Government of India, indicating non-fulfillment of the export obligations of our Company within the stipulated period for certain items. The DGFT has demanded from our Company an amount equivalent to the customs duty exemptions availed of by our Company along with interest at the rate of 15% per annum on the unutilized duty free import made under the licenses held by our Company. Such demand of the DGFT has been estimated by the management of our Company to be Rs. 217 lacs. Our Company has requested the GRC set up by the Ministry of Commerce, GoI, by a letter dated June 10, 2009, to extend the export obligation period against the advance licenses obtained by our Company for certain items for a further period of one year from the date of endorsement, due to a downward trend in price realization per unit of export because of recessionary conditions in the international market. The DGFT is yet to revert on this matter. Also see *“Risk Factors – We have received certain demand notices from the DGFT, Ministry of Commerce, Government of India, indicating non-fulfilment of the export obligations of our Company within the stipulated period for certain items”* and *“Management’s Discussion and Analysis of Financial Conditions and Results of Operations”* on pages 21 and 218, respectively.

2. *Civil cases*

Our Company has filed a consumer complaint (no. 4./2008) before the State Consumer Disputes Redressal Commission (the **“Commission”**), Chandigarh, against Bajaj Allianz General Insurance Company Limited (**“Bajaj Allianz”**) and Greenwich Meridian Logistics India Private Limited (**“Greenwich”**), for deficiency in service and claim for recovery of insurance amount of Rs. 92.36 lacs along with interest. The Commission by an order dated March 24, 2009, directed Bajaj and Greenwich to pay the abovementioned amount to our Company. Bajaj and Greenwich have filed an appeal (no. FA/157/2009) before the National Consumer Disputes Redressal Commission, New Delhi. The next date of hearing is August 6, 2010.

**B. *Litigation by our Company***

1. *Criminal Cases*

- (a) Our Company has filed a complaint (no. 293/2009) under Section 138 of the Negotiable Instruments Act, 1881 (the **“NIA”**) before the Chief Judicial Magistrate, Chandigarh, for dishonor of two cheques of the cumulative value of Rs. 2.34 lacs, issued by BPL Life Sciences and SIMCO Pharmaceuticals Limited, respectively. The next date of hearing is September 14, 2010.
- (b) Our Company has filed a complaint (no. comp/16483/2008, comp/16479/2008, comp/16481/2008, comp/16480/2008) under Section 138 of the NIA before the Chief Judicial Magistrate, Chandigarh, for dishonor of four cheques of a cumulative value of Rs. 8.83 lacs, issued by MAC Well Enterprises. The next date of hearing is November 1, 2010.
- (c) Our Company has filed a complaint (no. 15573 of 2007) under Section 138 of the NIA before the Chief Judicial Magistrate, Chandigarh, for dishonor of a cheque of Rs. 2 lacs, issued by Enterworld Healthcare. The next date of hearing is September 28, 2010. Also see, *“Litigation by our Company - Civil Suits”* below.

- (d) Our Company has filed a complaint under Section 138 of the NIA before the Chief Judicial Magistrate, Chandigarh dated December 2, 2004, for dishonor of a cheque of Rs. 0.24 lac, issued by Reinplast Industries. The next date of hearing is July 20, 2010.
- (e) Our Company has filed a complaint (no. 9115/2009) under Section 138 of the NIA before the Chief Judicial Magistrate, Chandigarh, for dishonor of three cheques of a cumulative value of Rs. 90.05 lacs, issued by Vaishali Export Interworld. The next date of hearing is July 26, 2010.
- (f) Our Company has filed a complaint (no. 7662/09) before the First Class Judicial Magistrate, Chandigarh, for dishonor of two cheques of the cumulative value of Rs. 74.71 lacs, issued by ANG Life Sciences Private Limited. The next date of hearing is July 8, 2010.

## 2. *Civil Suits*

- (a) Our Company has filed a civil suit (no. C5/545/2008) under Order 37 of the Civil Procedure Code, 1908 (the “**CPC**”), before the Civil Judge (Senior Division), Chandigarh against Enterworld Healthcare for recovery of Rs. 8.33 lacs as outstanding amount payable on certain purchase orders, along with interest at the rate of 18%. The next date of hearing October 20, 2010. Also see, “- *Litigation by our Company – Criminal Cases*” above.

## II. **Litigation involving our Subsidiary**

There is no pending litigation involving our Subsidiary.

## III. **Litigation involving our Promoter**

Except as disclosed above under “*-Litigation by our Company – Civil Suits*”, there is no pending litigation or regulatory proceeding involving any of our Promoters. However, incidental to the business of our Promoters, our Company and our Subsidiary, parties may from time to time file suits impleading our Promoters through or along with their respective officers and Directors in their official capacities.

## IV. **Litigation involving our Group Entities**

There is no pending litigation involving any of our Group Entities.

## V. **Litigation involving Directors**

Except as disclosed above under “*-Litigation by our Company – Civil Suits*”, there are no pending adjudicatory, regulatory or arbitral proceedings involving any of our Directors as of the date of this Prospectus. Further, as of the date of this Prospectus, neither our Company nor any of our Directors has received any notices from any regulatory body or any other persons, with respect to any threatened or potential litigation or regulatory proceedings or investigations against them. However, incidental to the business of our Company and our Subsidiary, parties may from time to time file suits impleading our Company and its Subsidiary through or along with their respective officers and Directors in their official capacities.

## VI. **Amount owed to small scale undertakings**

As at December 31, 2009, there are no amounts owed to small scale industries by our Company, exceeding Rs. one lac which have been outstanding more than 30 days.

## VII. **Material Developments**

Except as stated in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” on page 218, in the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of its consolidated assets or our ability to pay material liabilities within the next 12 months.

## GOVERNMENT AND OTHER APPROVALS

*We have received the necessary consents, licenses, permissions and approvals from the GoI and various governmental agencies required for our present business and except as disclosed in this Red Herring Prospectus no further material approvals are required for carrying on our present business operations.*

*Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus. It must be distinctly understood that, in granting these approvals, the GoI, the RBI or any other authority does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.*

*The main objects clause of the Memorandum of Association and objects incidental to the main objects enable our Company to undertake its existing activities.*

### **A. Approvals in relation to our Company's incorporation and commencement of business**

- Certificate of incorporation bearing no. 53-17755 of 1996 from the RoC, dated February 22, 1996 under the Companies Act as 'Parabolic Drugs Limited'; and
- Certificate of commencement of business from the RoC, dated March 15, 1996.

### **B. Approvals in relation to our Subsidiary's incorporation and commencement of business**

- Certificate of incorporation from the RoC, dated November 21, 2007 under the Companies Act as 'Parabolic Research Labs Limited'; and
- Certificate of commencement of business from the RoC, dated January 3, 2008.

### **C. Approvals for the Issue**

#### *Corporate Approvals*

- Our Board of Directors has, pursuant to a resolution passed at its meeting held on January 7, 2010, authorized the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.
- Our shareholders have, pursuant to a resolution passed at its meeting held on January 11, 2010, authorized the Issue, under section 81(1A) of Companies Act.

#### *Approvals from the Selling Shareholders*

- Alden has, pursuant to its board resolution dated January 6, 2010, approved the transfer of 4,91,960 Equity Shares held by it, at the initial public offer.
- BTS has, pursuant to its board resolution dated January 6, 2010, approved the transfer of 15,33,742 Equity Shares held by it, at the initial public offer.

#### *In-principle approvals from the BSE and the NSE*

- We have received in-principle approvals from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated February 11, 2010 and March 22, 2010, respectively. BSE is the Designated Stock Exchange.

#### *Approval from the RBI*

- Our Company has made an application dated February 23, 2010, to the RBI seeking its approval for transfer of Equity Shares pursuant to the Offer for Sale, which has been approved by the RBI by letter (no. FE.CO.FID.No. 26018/10.21.191/2009-10) dated April 20, 2010.

### *Approvals from the Lenders*

Pursuant to letters dated December 15, 2009, December 22, 2009, January 6, 2010 and December 30, 2009, the State Bank of India, UCO Bank, Central Bank of India and ICICI Bank Limited, respectively, have given their consent to our Company to undertake the IPO.

### **D. Status of Dossiers filed with various authorities:**

S. No	Product/Drug	Date of Filing	EDQM CoS / acknowledgement of application for CoS	USFDA Acknowledgement and Dossier No.	Therapeutic Products Directorate, Canada, Acknowledgement and Dossier No.	BfArM Acknowledgement and Dossier No.
1.	Flucloxacillin Sodium	March 5, 2005	CoS (no. R0-CEP 2005-064-Rev 00) dated July 12, 2007	N.A.	N.A.	N.A.
2.	Amoxicillin Trihydrate	October 4, 2004	CoS (no. R0-CEP 2004-266-Rev 00) dated October 5, 2007	N.A.	N.A.	N.A.
3.	6-APA	November 8, 2005	N.A.	Acknowledgement (no. 18525) dated December 5, 2005	N.A.	N.A.
4.	Cefuroxime Acid	March 29, 2008	N.A.	Acknowledgement no. 21508	N.A.	N.A.
5.	Cefuroxime Acid (acetone route)	August 28, 2009	N.A.	Acknowledgement (no. 23088) dated September 16, 2009	N.A.	N.A.
6.	Cefuroxime Axetil USP (Crystalline)	May 10, 2008	N.A.	Acknowledgement no. 21615	N.A.	N.A.
7.	Cefuroxime Axetil USP (Crystalline) (acetone route)	October 29, 2009	N.A.	Applied	N.A.	N.A.
8.	Cefuroxime Axetil USP (Amorphous)	May 27, 2008	N.A.	Acknowledgement no. 21671	N.A.	N.A.
9.	Cefuroxime Axetil Ph. Eur. (non-sterile) (Amorphous)	August 23, 2008	N.A.	N.A.	Acknowledgement dated September 18, 2008 (no. DMF 2008-194)	N.A.
10.	Cefuroxime Axetil (axetil-amorphous) Ph. Eur. (non-sterile)	July 17, 2008	Acknowledgement dated July 29, 2008, (no. CEP -2008-203)	N.A.	N.A.	N.A.
11.	Cefuroxime Axetil Ph. Eur. (Crystalline)	September 10, 2009	Acknowledgement dated October 6, 2008, (no. CEP 2008-248)	N.A.	N.A.	N.A.
12.	Cefixime Trihydrate Ph. Eur. (Non-sterile)	December 17, 2008	Acknowledgement dated January 8, 2009 (no. CEP 2009-005)	N.A.	N.A.	N.A.
13.	Pivampicillin Ph. Eur. (Non-sterile)	September 9, 2009	Acknowledgement dated September 18, 2009 (no. CEP 2009-295)	N.A.	N.A.	N.A.
14.	Cefuroxime Sodium Ph.	December 12, 2009	Applied	N.A.	N.A.	N.A.

S. No	Product/Drug	Date of Filing	EDQM CoS / acknowledgement of application for CoS	USFDA Acknowledgement and Dossier No.	Therapeutic Products Directorate, Canada, Acknowledgement and Dossier No.	BfArM Acknowledgement and Dossier No.
	Eur. (sterile)					
15.	Cefuroxime Axetil (amorphous)	November 21, 2009	N.A.	N.A.	N.A.	Applied
16.	Cefixime Trihydrate USP	January 18, 2010	Applied	Acknowledgement (no. 23474) dated February 2, 2010	N.A.	N.A.
17.	Cefpodoxime Proxetil	February 23, 2010	Applied	Acknowledgement (no. 23572) dated March 18, 2010	N.A.	N.A.

#### **E. Sundhran, Derabassi**

##### *Tax Registrations*

- Registration (no. 63919117) dated November 19, 1996, under the Central Sales Tax (Registration and Turnover) Rules, 1957.
- Registration (no. AACCP1419KXM001) dated December 6, 2001, under Rule 9 of the Central Excise (No.2) Rules, 2001, by the Central Excise Officer, Range-III, Derabassi, valid until completion of activity for which issued or until cancelled.
- New registration number (no. 03251038931) by the Excise and Taxation Officer, Derabassi, by letter dated May 11, 2004.
- Registration (no. 0325/038931) dated April 1, 2005, under the Punjab VAT Act, 2005, by the Excise and Taxation Officer, Mohali.

##### **Pending Application**

- Application for renewal of approval for in-house R&D unit, by the MoST, dated March 15, 2010.

##### *Employee / Labour / Commercial Licenses*

- Registration (no.12/41048/34/625) dated March 24, 1999 with the Employees' State Insurance Corporation, Chandigarh, under the ESI Act.
- Certification (no. 6541) dated March 5, 2009 under the Standing Orders Act, by the Deputy Labour Commissioner, Punjab.
- Registration (no. R-121-2007) dated December 7, 2007, for 490 workers, under the CLRA, by the Registering Officer, Government of Punjab, valid until cancellation.
- Registration (no. CH/17/2008-2009/62) dated December 31, 2008, of the Registered Office under the Punjab Shops and Commercial Establishment Act, 1958, by the Labour Inspector, Shops and Commercial Establishment, Chandigarh, valid until March 31, 2011.
- Certificate (no. PN/PBCH/20147) dated April 2, 1998 granting code number PBCH/20147 under the EPF Act, by the Regional Provident Fund Commissioner, Chandigarh.
- Renewal of Wholesale Drugs Licenses (no. 21419-OW and 21212-W) dated February 2, 2010, granted by the Assistant Drugs Controller, Punjab, valid till February 1, 2015.



- (g) Renewal of factory license dated January 27, 2010, granted by the Chief Inspector of Factories, Mohali, valid till December 31, 2010.
- (h) Certificate (no. Drugs (4)-Pb. 2010/1810) dated February 2, 2010, for permitting exports of drugs manufactured by Company, granted by the DHFW, Punjab.
- (i) Certificate dated February 2, 2010, for exemption from using the name and address of the Company on the labels of a bulk drug, granted by the DHFW, Punjab.

#### *Boilers and Explosives*

- (a) No objection (no. 496/PLA) dated March 3, 2008 for storage of toluene, cyclohexane, methanol, acetone and HSD storage tank, by the District Magistrate, Derabassi.
- (b) Approval (no. A/P/HQ/PB/15/1971(P182132) dated July 17, 2006 for petroleum class A and B installation, by the MCI, Petroleum and Explosives Safety Organisation (Formerly Department of Explosives).
- (c) Approval (no. 6169) dated August 20, 2009 for use of a boiler (no. PI-4352) under the Boilers Act, from the Punjab Boiler Inspection Department, valid until August 19, 2010.
- (d) Approval (no. 6462) dated January 9, 2010 for use of a boiler (no. PI-4122) under the Boilers Act, from the Punjab Boiler Inspection Department, valid until January 8, 2011.
- (e) License (no. 713) dated October 29, 2009, for stocking of timber and boiler, from the Punjab Mandi Board, Chandigarh, valid until March 31, 2012.
- (f) Explosives license (no. P/HQ/PB/15/1922(P182132)) dated June 26, 2008, to import and store petroleum in installation, under the Petroleum Rules, 2002, by the MCI, valid until December 31, 2010.

#### *Environmental*

- (a) Authorization (no. HMC/MLI/2009-11/F(New)-163) dated July 30, 2009, under the HWM Rules, for operating a facility for collection, storage and disposal of hazardous waste, by the PPCB, valid until July 29, 2011.
- (b) Environmental clearance (no. 11062) dated September 13, 2007, by the PPCB, Patiala, valid until cancellation
- (c) Environmental clearance (no. Tech-2/CE/3/P-31/14138A) dated August 28, 1996, for setting up a unit for manufacturing ampicillin trihydrate, amoxycillin trihydrate and cloxacillin sodium by the Director of Industries, Punjab.
- (d) Approval (no. MHL/LM/98/2009/3184) dated September 15, 2009, for extension in validity of no-objection certificate for installation of 4.8 MW co-generation power plant, by the PPCB, valid until October 18, 2010.
- (e) Environmental clearance and site appraisal (no. CSA/07/P-68/1822) dated September 26, 2007, by the State Competent Authority, Punjab, valid for five years from the date of issue.
- (f) Environmental clearance (no. CSA/2268) dated September 13, 1996, by the Competent State Authority, Patiala, valid until cancellation.
- (g) Permission (no. HWM/2006/MLP/F-52/3940) dated April 5, 2007, for isolated storage of various chemicals by the PPCB, valid until cancellation.
- (h) Approval (no. 9-PBB486/2007-CHA) dated December 12, 2007, for diversion of 0.01 hectare of forest land for construction of approach road, by the MoEF.

### Pending applications

- (a) Application dated December 9, 2009 to the PPCB, for renewal of consent to operate an industrial plant, under the Air Act.
- (b) Application dated December 9, 2009 to the PPCB, for renewal of consent for discharge of effluents, under the Water Act.

### *Export / Import*

- (a) Import license (no. BD-476-11667) for import of Penicillin G Potassium IP under the Drugs and Cosmetics Act, by the DCGI, dated February 21, 2008, valid until November 30, 2010.
- (b) Import license (no. BD-688-11419) for import of Penicillin G Potassium First Crystal under the Drugs and Cosmetics Act, by the DCGI, dated January 4, 2008, valid until August 31, 2010.
- (c) Import license (no. BD-370) for import of Ampicillin Trihydrate IP, Ampicillin Sodium IP (Bulk Sterile), Amoxicillin Trihydrate IP, Amoxicillin Sodium IP (Bulk Sterile), Penicillin G Potassium IP (Bulk Non Sterile) and Sulbactam Sodium USP (Bulk Sterile) under the Drugs and Cosmetics Act, by the DCGI, dated March 1, 2010, valid until February 28, 2013.
- (d) Import license (no. BD-749-13127) for import of Cefepime Hydrochloride Sterile USP under the Drugs Rules, by the DCGI, dated December 16, 2008, valid until September 30, 2011.

### *Drug manufacturing licences*

- (a) Drug manufacturing licence (no. Drugs (4) Pb.09/13125) dated August 7, 2009, to manufacture bulk drugs for examination, test or analysis, issued by the Director of Family and Health Welfare (the “DFHW”), Punjab, valid until August 7, 2010.
- (b) Renewal (no. Drugs (4) Pb.09/19366-67) dated January 10, 2007, of manufacturing drugs license (no. 1632-B) dated January 27, 1998, by the State Drugs Controlling and Licensing Authority, Punjab, valid until December 31, 2011.
- (c) Approval (no. Drugs (4) Pb.2009/9861) dated June 11, 2009, to manufacture additional items (Cephalothin Sodium, Tazobactam Sodium (Sterile) and Piperacillin Sodium + Tazobactam Sodium (8:1), by the DFHW, Punjab.
- (d) Certification (no. Drugs (4) Pb.2009/10101) dated June 12, 2009, of manufacturing process flow chart of Cefepime for Injection (Sterile), Ceftriaxone Sodium (Sterile) and Ceftazidime Pentahydrate, by the DFHW, Punjab.
- (e) Approval (no. Drugs (4) Pb. 2010/1814) dated February 2, 2010 to manufacture additional items (Cefetamet Pivoxil Hydrochloride) by the DFHW, Punjab.
- (f) Approval (no. Drugs (4) Pb. 2010/4155) dated March 15, 2010 to manufacture additional items (Cefaclor, Cefadroxil, Cefadroxil Monohydrate, Cephalotin Sodium, Cefepime Dihydrochloride Monohydrate, Cefexime, Cefuroxime Axetil, Cefutaxime for Injection, Cefuroxime for Injection and Ceftiofur) by the DFHW, Punjab.

### *COPPs*

- 1. COPP (no. 140/2009) for Cefuroxime Axetil (Crystalline) dated September 24, 2009, by the DFHW, Punjab, valid until September 23, 2011.
- 2. COPP (no. 141/2009) for Cefuroxime Axetil (Amorphous) dated September 24, 2009, by the DFHW, Punjab, valid until September 23, 2011.

3. COPP (no. 142/2009) dated September 24, 2009, for Cefpodoxime Proxetil by the DFHW, Punjab, valid until September 23, 2011.
4. COPP (no. 143/2009) for Cefuroxime Sodium (Sterile) dated September 24, 2009, by the DFHW, Punjab, valid until September 23, 2011.
5. COPP (no. 144/2009) dated September 24, 2009, for Cefdinir by the DFHW, Punjab, valid until September 23, 2011.

#### *Certification of cGMP*

1. Certificate (no. Drugs (4) Pb.2009/5130) dated March 24, 2009, for cGMP as laid down in Schedule M of the Drugs and Cosmetics Act and the Drug Rules, by the State Drugs Controller and Licensing Authority, Punjab, valid until March 24, 2011.

#### *ISO Certification*

1. Certification (no. 57950-2009-AE-IND-RvA) dated August 6, 2009, for conforming to the environmental management system standard ISO 14001:2004, from Det Norske Veritas, valid until August 6, 2012.

#### *Miscellaneous*

- (a) Approval (no. 42440) for commissioning of 1,250 kw transformer and allied equipments by the Punjab Electrical Inspectorate, dated February 25, 2008.
- (b) Weight and measurement receipt (no. 258938 and 258939) under the Weights and Measurements Act, by the Controller Legal Meteorology, Punjab, dated April 21, 2009, valid until November 20, 2010.

### **F. Panchkula**

#### *Tax Registrations*

- (a) Registration (no. 06772504217) dated May 17, 2004, as a dealer under the Central Sales Tax Act, 1956, by the Assessing Excise Tax Officer, Panchkula.
- (b) Central excise registration (number AACCP1419KXM002) dated August 17, 2004, under the Central Excise Rules, 2002, by the Assistant Commissioner of Central Excise, Panchkula.
- (c) Registration (no. AACCP1419K ST002) dated February 21, 2005 under Finance Act, 1994, by the Deputy Commissioner, Central Excise and Service Tax Department, Panchkula.
- (d) Registration (no. 405/04-05) dated November 29, 2006, under the Haryana VAT Act, 2003 (the "**Haryana VAT Act**"), by the Excise and Taxation Officer, Panchkula.
- (e) Registration dated April 14, 2004, under the Haryana VAT Act, by the Assessing Authority, valid until cancellation.

#### *Environmental*

- (a) Intimation dated October 17, 2005 for no requirement of environmental clearance for manufacture of bulk drug intermediates namely 6-APA and Amoxy Dane Salt, by the MoEF.
- (b) No objection certificate and consent to establish (no. HSPCB/NOC/2004/389) dated July 30, 2004, by the Haryana State Pollution Control Board (the "**HSPCB**"), valid for two years from the date of issue, read with corrigendum (no. HSPCB/NOC/2004/678) dated August 11, 2004, by the HSPCB, for replacing Phenyl Acetic Acid (in the abovementioned certificate) with 6-APA, and consent to establish (no. HSPCB/TAC (HQ)-110/2008/1813) dated August 29, 2008, by the HSPCB, valid for two years from the date of issue.

- (c) Clearance (no. HSPCB/E-1/2004/89) dated June 2, 2004, for electrical reconnection and installation of pollution control measures, by the HSPCB.
- (d) Trail consent (no. HSPCB/AIR Consent/PR/199) dated April 28, 2010 for emission of air under the Air Act, by the HSPCB, valid until June 30, 2010.
- (e) Trail consent (no. HSPCB/Water Consent/PR/201) dated April 28, 2010 for discharge of effluents under the Water Act, by the HSPCB, valid until June 30, 2010.

*Export / Import*

- (a) Registration cum membership certificate (no. 3121) dated May 14, 2009, for grant of Importer-Exporter Code (no. 2298000310) from the MCI.
- (b) EPGC license (no. 2230000119) dated October 25, 2004, by the Foreign Trade Development Officer, MCI, for import of HPLC systems.
- (c) EPCG license (no. 2230000256) dated December 21, 2005, by the Foreign Trade Development Officer, MCI, for import of capital goods.
- (d) Registration cum membership certificate (no. PXL/SSM/1/1321) dated April 10, 2008, from Pharmexcil, valid until March 31, 2013.
- (e) Registration cum membership certificate as Manufacturer Exporter with registration number PXL/SSM/I/3121, dated May 25, 2009, by Pharmexcil, valid until March 31, 2013.

*Employee / Labour /Commercial Licenses*

- (a) Registration (no. 13/25737/34) dated December 17, 2004, under the ESI Act, by the Employees State Insurance Corporation, Faridabad.
- (b) Registration (no. EB/HR-KL/18440/6181) dated December 31, 2004, under the EPF Act and the Employees Family Pension Scheme, 1975 by the Assistant Provident Fund Commissioner, Karnal.
- (c) Registration (no. DSO/08/29860) dated June 10, 2008, under the Standing Orders Act, by the Joint Labour Commissioner-cum-Certifying Officer.
- (d) Certificate (no. CLA.RC/163/2009/PKL) dated October 20, 2009 for the registration of 20 workers under the CLRA, by the Deputy Labour Commissioner and Registering Officer, Ambala.
- (e) Renewal of factory license (no. PKL/P-164/4352) dated February 9, 2010, granted by the Chief Inspector of Factories, Haryana.

*Drug manufacturing licence*

- (a) Registration (no. 0501P0930) dated August 31, 2004, for 6-APA to be used as an intermediate, by the State Drugs Controlling Authority, Punjab.

*Miscellaneous*

- (a) Certification of meterology (book no. 1265) dated November 6, 2008, under the Weights and Measurements Act, by the Controller of Weights and Measurement, Haryana.

**G. R&D Centre and Custom Synthesis site at Barwala**

*Tax Registrations*

- (a) Central excise registration certificate (no. AACCP1419KXM003) dated August 5, 2009, under the Central Excise Rules, 2002, by the Assistant Commissioner, Excise, Panchkula.

- (b) Consent (no. T.U.IV-15 (242)/2007) dated January 30, 2008, for weighted tax deduction of R&D expenditure, by the MoST.

*Environmental*

- (a) Consent (no. HSPCB/TAC (HQ)-110/2008/1813) to establish dated August 29, 2008, under Air and Water Acts for R&D activities at the Barwala unit, valid for a period of two years from the date of issue.

*Employee / Labour*

- (a) Registration (no. CLA/RC/164/2009/PKL) dated October 20, 2009, for registration of 55 workers under the CLRA, by the Office of the Deputy Labour Commissioner and Registering Officer, Ambala.

*Miscellaneous*

- (a) Approval (no. GM (F):2007/4150) for change of project from manufacturing of bulk drugs sterile project to R&D center by the HSIIDC dated October 8, 2007.
- (b) Approval (no. HSIIDC/GCS:10:130) for boring of tubewell April 21, 2010 by the HSIIDC.
- (c) Approval (no. HSIIDC:IA:BRW:2010:3174) for increase in water connection size up to 50 mm dated April 20, 2010 by the HSIIDC.

**H. Chachrauli, Derabassi**

*Environmental*

- (a) Environmental clearance and approval of site (no. CSA/08/I-24/247) dated February 3, 2009, by the State Competent Authority, Government of Punjab, valid for five years from the date of issue.
- (b) No objection certificate (no. MHL/2010/NOC/F-166) from pollution angle, dated May 11, 2010, for setting up of industry for manufacturing APIs and API intermediates (Carvidelol, Efavirenz, Lacidipine, Paroxetine, Ropinirole, Rosiglitazone Maleate, Telmisartan, Valsartan and Vanlafaxine), by the PPCB, valid for a period of one year from the date of issue of the certificate.

*Miscellaneous*

- (a) Industrial approval (no. LM-II/EM/7910) dated August 28, 2008, for manufacture of Carvidelal and for setting up industrial unit, by the Director of Industries and Commerce, Punjab.

**I. Industrial Entrepreneur's Memorandum(s) ("IEM") approved by the MCI**

The details of IEMs approved by the MCI are as given below (such acknowledgements are subject to the provisions of Press Note 6 dated July 29, 1993 and Press Note 17 dated November 28, 1997):

Description (Proposed Item of Manufacture)	Registration/Reference No.	Date of issue
Carvidelol	2210/SIA/IMO/2008	July 16, 2008
Ropinorole	2210/SIA/IMO/2008	July 16, 2008
Paroxetine	2210/SIA/IMO/2008	July 16, 2008
Valsartan	2210/SIA/IMO/2008	July 16, 2008
Rosiglitazone Maleate	2210/SIA/IMO/2008	July 16, 2008
Lacidipine	2210/SIA/IMO/2008	July 16, 2008
Efavirenz	2210/SIA/IMO/2008	July 16, 2008
Venlafaxine	2210/SIA/IMO/2008	July 16, 2008
Telmisartan	2210/SIA/IMO/2008	July 16, 2008
Generation and distribution of other non-conventional energy	2478/SIA/IMO/2007	August 30, 2007
Cefuroxime Acid Sterile	1835/SIA/IMO/2007	June 25, 2007
Ampicillin Trihydrate	1835/SIA/IMO/2007	June 25, 2007
Amoxy Clav Sterile	1835/SIA/IMO/2007	June 25, 2007
Salbactam Sodium Sterile	1835/SIA/IMO/2007	June 25, 2007
Amoxycillin Trihydrate	1835/SIA/IMO/2007	June 25, 2007

Description (Proposed Item of Manufacture)	Registration/Reference No.	Date of issue
Cefixme	1835/SIA/IMO/2007	June 25, 2007
Cefuroxime Axetil Crystalline	1835/SIA/IMO/2007	June 25, 2007
Cefdinir	1835/SIA/IMO/2007	June 25, 2007
Cefuroxime Axetil Amorphous	1835/SIA/IMO/2007	June 25, 2007
Cefepime Hydrochloride Sterile	1835/SIA/IMO/2007	June 25, 2007
Cefuroxime Sodium Sterile	1835/SIA/IMO/2007	June 25, 2007
Dicloxacillin Sodium	1674/SIA/IMO/2007	June 7, 2007
Cloxacillin Sodium	1674/SIA/IMO/2007	June 7, 2007
Ceftadizime Pentahydrate	1674/SIA/IMO/2007	June 7, 2007
Cefpodoxime Proxetil	1674/SIA/IMO/2007	June 7, 2007
Cefotaxime Sodium	1674/SIA/IMO/2007	June 7, 2007
Cefonocid	1674/SIA/IMO/2007	June 7, 2007
Cefditoren Pivoxyl	1674/SIA/IMO/2007	June 7, 2007
Cefpirome Sulphate	1674/SIA/IMO/2007	June 7, 2007
Cefepime Hydrochloride	1674/SIA/IMO/2007	June 7, 2007
Cefprozil	1674/SIA/IMO/2007	June 7, 2007
Ceftriaxone Sodium	1674/SIA/IMO/2007	June 7, 2007
Ceftiofur Sodium	1674/SIA/IMO/2007	June 7, 2007
Oxacillin Sodium (Sterile Crystalline)	1674/SIA/IMO/2007	June 7, 2007
Oxacillin Sodium	1674/SIA/IMO/2007	June 7, 2007
Flucloxacillin Sodium	1674/SIA/IMO/2007	June 7, 2007
Flucloxacillin Sodium (Sterile Crystalline)	1674/SIA/IMO/2007	June 7, 2007
Ampicillin Sodium (Sterile Crystalline)	4839/SIA/IMO/2005	October 14, 2005
Amoxycillin Sodium (Sterile Crystalline)	4839/SIA/IMO/2005	October 14, 2005
Cloxacillin Sodium (Sterile Crystalline)	4839/SIA/IMO/2005	October 14, 2005
Cefotaxime Sodium (Sterile Crystalline)	4839/SIA/IMO/2005	October 14, 2005
Ceftriaxone Disodium (Sterile Crystalline)	4839/SIA/IMO/2005	October 14, 2005
Ampicillin Trihydrate	224/SIA/IMO/1999	February 3, 1999
Amoxycillin Trihydrate	224/SIA/IMO/1999	February 3, 1999
Cloxacillin Sodium	224/SIA/IMO/1999	February 3, 1999
Ampicillin Trihydrate	1220/SIA/IMO/1996	March 19, 1996
Amoxycillin Trihydrate	1220/SIA/IMO/1996	March 19, 1996
Cloxacillin Sodium	1220/SIA/IMO/1996	March 19, 1996

#### **J. Applications filed for patents**

1. Application (no. 934/DEL/2007) dated April 26, 2007, for purification of Cefuroxime acid, before the Controller of Patents and Designs.
2. Application (no. 1112/DEL/2007) dated May 23, 2007, for process for preparation of pure Cefuroxime acid, before the Controller of Patents and Designs.
3. Application (no. 441/DEL/2008) dated February 21, 2008, for process for preparation of highly pure Cefuroxime Axetil, before the Controller of Patents and Designs.
4. Application (no. 1287/DEL/2008) dated May 27, 2008, for improved process for preparation of Cefdinir, before the Controller of Patents and Designs.
5. Application (no. 1624/DEL/2008) dated July 7, 2008, for process for preparation of Cefuroxime acid, before the Controller of Patents and Designs.
6. Application (no. 2439/DEL/2008) dated October 27, 2008, for process for preparation of Sultamicillin Tosylate, before the Controller of Patents and Designs.
7. Application (no. 290/DEL/2009) dated February 13, 2009, for improved process for preparation of Ampicillin Sodium, before the Controller of Patents and Designs.
8. Application (no. PCT/IB2008/000983) dated April 22, 2008, under the PCT, for purification of Cefuroxime acid, before the Controller of Patents and Designs.

9. Application (no. 2264/DEL/2009) dated November 4, 2009 for an improved process for the preparation of Cefditoren Pivoxil, before the Controller of Patents and Designs.
10. Application (no. 385/DEL/2010) dated February 22, 2010 for a process for the preparation of Pentosan Polysulfate Sodium, before the Controller of Patents and Designs.

We have not received any objections with respect to the patent applications filed by us until the date of filing of this Red Herring Prospectus.

**K. Investment Approvals**

See “*Regulations and Policies*” and “*Other Regulatory and Statutory Disclosures*” on pages 121 and 254, respectively, for information on investment approvals.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

#### *Corporate Approvals*

- Our Board of Directors has, pursuant to a resolution passed at its meeting held on January 7, 2010, authorized the Issue.
- Our shareholders have, pursuant to a resolution dated January 11, 2010, under section 81(1A) of the Companies Act, authorized the Issue.

#### *In-principle Approvals*

- We have received in-principle approvals from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated February 11, 2010 and March 22, 2010, respectively. BSE is the Designated Stock Exchange.

#### *Approvals from the Selling Shareholders*

- Alden and BTS have, pursuant to their board resolutions dated January 6, 2010, approved the transfer of 4,91,960 and 15,33,742 Equity Shares held by them, respectively, through this Issue.

#### *Approval from the RBI*

- Our Company made an application dated February 23, 2010 to the RBI seeking its approval for transfer of Equity Shares pursuant to the Offer for Sale, which has been approved by the RBI by letter (no. FE.CO.FID.No.26018/10.21.191/2009-10) dated April 20, 2010.

### Prohibition by SEBI, RBI or governmental authorities

Our Company, the Selling Shareholders, our Subsidiary, our Promoters, Promoter Group, Directors, Group Entities and persons in control of our Company or of our Promoters and any other entities with which our Promoters, Directors or persons in control of our Company are associated as promoters or directors or persons in control are not and have not been prohibited or debarred from accessing or operating in the capital markets for any reasons, or restrained from buying, selling or dealing in securities under any order or directions made by SEBI or any other authorities, and there are no violations of securities laws committed by any of them in the past or pending against them.

None of our Directors is associated in any manner with the securities market and there has been no action taken by SEBI against any of our Directors or any other entity with which our Directors are associated as promoters or directors.

Our Company, our Subsidiary, our Promoters, Promoter Group, Directors, Group Entities and persons in control of our Company or of our Promoters are not and have not been declared as willful defaulters by the RBI or any other authorities. There are no violations of securities laws committed by any of them in the past.

### Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Regulation 26(1) of the ICDR Regulations, as explained under the eligibility criteria calculated in accordance with financial statements under Indian GAAP.

- Our Company has net tangible assets of at least Rs. 300 lacs in each of the preceding three full years (of 12 months each), of which not more than 50% are held in monetary assets;
- Our Company has a track record of distributable profits in accordance with Section 205 of the Companies Act, for at least three of the immediately preceding five years;
- Our Company has a net worth of at least Rs. one hundred lacs in each of the three preceding full years (of 12 months each);



- The aggregate of the proposed Issue and all previous issues made in the same financial years in terms of the Issue size is not expected to exceed five times the pre-Issue net worth of our Company; and

Our Company's distributable profits, net worth, net tangible assets and monetary assets derived from our audited restated standalone financial statements included in this Red Herring Prospectus as at, and for the last five years are set forth below:

(Rs.in lacs)

Particulars	Year ended March 31				
	2009	2008	2007	2006	2005
Net Tangible Assets	37,497.61	22,481.37	10,395.50	5,711.90	3,106.72
Monetary Assets	1,350.61	734.99	307.04	296.36	247.17
Net Profits	2,109.20	2,967.43	1,358.98	821.79	327.15
Net worth	10,566.45	6,230.98	3,258.89	1,461.08	776.68
Monetary assets as a percentage of the net tangible assets	3.60	3.27	2.95	5.19	7.96

Notes:

- Net tangible assets are defined as the sum of net assets of our Company excluding intangible assets as defined in Accounting Standard 26- Intangible Assets as notified under the Companies Act;
- Monetary assets constitute cash and bank balances;
- Distributable profits are as defined under Section 205 of the Companies Act, and have been calculated from the audited restated standalone financial statements of our Company.
- Net worth is defined as the aggregate of paid up share capital, share premium account and reserves and surplus (excluding revaluation reserve) as reduced by the aggregate of miscellaneous expenditure (to the extent not adjusted or written off) and the debit balance of the profit and loss account, after making adjustments for restatement as per the ICDR Regulations.

Further, in accordance with Regulation 26(4) of the ICDR Regulations, our Company will ensure that the number of prospective Allottees will be not less than 1,000, otherwise the entire application money will be returned forthwith.

If such money is not repaid within eight days after our Company becomes liable to repay it (i.e., from the date of refusal or within 10 Working Days from the Bid Closing Date, whichever is earlier), our Company and every officer in default will, on and from the expiry of eight days, be liable to repay such application money with interest at the rate of 15% *per annum*, as prescribed under Section 73 of the Companies Act. Any expense incurred by our Company on behalf of the Selling Shareholders with regard to refunds, interest of delays, etc. For the Equity Shares being offered through the Offer for Sale will be reimbursed by the Selling Shareholders to our Company in proportion to the Equity Shares contributed by the Selling Shareholders to the Issue.

#### **Compliance with Part A of Schedule VIII of the ICDR Regulations**

The Company is in compliance with the provisions specified in Part A of Schedule VIII of the ICDR Regulations.

#### **Disclaimer Clause of SEBI**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, BEING AVENDUS CAPITAL PRIVATE LIMITED AND ICICI SECURITIES LIMITED, AND THE CO-BOOK RUNNING LEAD MANAGER, BEING SPA MERCHANT BANKERS LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AS IN FORCE FOR THE TIME BEING AS THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE OUR COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS AND THE CO-BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT OUR COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, AVENDUS CAPITAL PRIVATE LIMITED AND ICICI SECURITIES LIMITED, AND THE CO-BOOK RUNNING LEAD MANAGER, SPA MERCHANT BANKERS LIMITED HAVE FURNISHED TO THE SEBI A DUE DILIGENCE CERTIFICATE DATED JANUARY 22, 2010, IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- "(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE ISSUE;
- (2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, WE CONFIRM THAT:
- (A) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- (B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED / ISSUED BY THE SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
- (3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT UNTIL DATE SUCH REGISTRATION IS VALID.\*
- (4) WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. NOTED FOR COMPLIANCE.
- (5) WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THE SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED OF/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI UNTIL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.
- (6) WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009,

WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.

- (7) WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSES (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT THE AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE ISSUE. NOT APPLICABLE.
- (8) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OF THE COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
- (9) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE COMPANY SPECIFICALLY CONTAINS THIS CONDITION. NOTED FOR COMPLIANCE
- (10) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. AS THE ISSUE SIZE IS PROPOSED TO BE MORE THAN RS. 1,000 LACS, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT ONLY IN ACCORDANCE WITH SECTION 68B OF THE COMPANIES ACT, 1956.
- (11) WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
- (12) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:
  - (A) AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR OUR EQUITY SHARES; AND
  - (B) AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SEBI FROM TIME TO TIME.
- (13) WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.

- (14) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE COMPANY, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.
- (15) WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY."

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE OUR COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 AND 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BRLMS AND THE CBRLM ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.**

**Caution – Disclaimer from our Company, the Selling Shareholders, the BRLMs and the CBRLM**

Our Company, the Selling Shareholders, our Directors, the BRLMs and the CBRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisement or any other material issued by or at the instance of above mentioned entities and anyone placing reliance on any other source of information, including our website, [www.parabolicdrugs.com](http://www.parabolicdrugs.com), would be doing so at his own risk. The Selling Shareholders, their directors, affiliates, associates and their respective directors and officers accept no responsibility for any statements made other than those made in relation to the Equity Shares offered through the Offer for Sale.

The BRLMs and the CBRLM accept no responsibility, save to the limited extent as provided in the Agreement entered into among the BRLMs, the CBRLM, our Company and the Selling Shareholders dated January 14, 2010 and the Underwriting Agreement to be entered into between the Underwriters, our Company and the Selling Shareholders.

All information shall be made available by us, the Selling Shareholders, the BRLMs and the CBRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at Bidding centers or elsewhere.

Neither our Company, the Selling Shareholders nor the Syndicate shall be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

The BRLMs, the CBRLM and their respective associates and affiliates may engage in transactions with, and perform services for, our Company and our Group Entities, affiliates or associates in the ordinary course of business and have engaged, or may in future engage, in commercial banking and investment banking transactions with our Company and our Group Entities, affiliates or associates for which they have received, and may in future receive, compensation.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholders and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire our Equity Shares and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the Selling Shareholders, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

## **Disclaimer in Respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are not minors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorized under their constitutions to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including Eligible NRIs, Foreign Institutional Investors (“FIIs”) and other eligible foreign investors (viz. Foreign Venture Capital Investors (“FVCIs”), multilateral and bilateral development financial institutions). This Red Herring Prospectus does not, however, constitute an invitation to purchase shares offered hereby in any jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Chandigarh, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with SEBI for observations. Accordingly, our Company’s Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our Company’s affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “**Securities Act**”) or any state securities laws in the United States and may not be offered or sold within the United States, except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold outside the United States in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

## **Disclaimer Clause of the BSE**

As required, a copy of the Draft Red Herring Prospectus was submitted to the BSE.

BSE has by its letter dated February 11, 2010, given permission to our Company to use its name in this Red Herring Prospectus as one of the stock exchanges on which our Company’s securities are proposed to be listed. BSE has scrutinized the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. BSE does not in any manner:

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or
- (ii) warrant that this Company’s securities will be listed or will continue to be listed on the BSE; 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 the Draft Red Herring Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

## **Disclaimer Clause of the NSE**

As required, a copy of the Draft Red Herring Prospectus was submitted to NSE.

NSE had by its letter dated March 22, 2010 given permission to our Company to use its name in this Red Herring Prospectus as one of the stock exchanges on which our Company's securities are proposed to be listed. NSE has scrutinized the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the NSE; 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 our Company.

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 NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

## **Filing**

A copy of the Draft Red Herring Prospectus was filed with SEBI at Corporation Finance Department, SEBI Bhavan, Plot No. C4-A, G Block, 3<sup>rd</sup> Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, India.

A copy of this Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with the RoC at the Office of the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh at Corporate Bhawan, Plot No. 4 B, Sector 27 B, Madhya Marg, Chandigarh 160 026, India.

## **Listing**

Applications will be made to the Stock Exchanges for permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange, with which the basis of Allotment will be finalized for the Issue.

If the permission to deal in and for an official quotation of our Equity Shares is not granted by either of the Stock Exchanges, we will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it, i.e. from the date of refusal or within 10 Working Days from the Bid Closing Date, whichever is earlier, our Company and every officer in default will, on and from the expiry of eight days, be liable to repay such application money, with interest at the rate of 15% *per annum*, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 12 Working Days of the Bid Closing Date.

## **Impersonation**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

*“Any person who:*

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or*

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

## Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company, the Bankers to the Issue; and (b) the BRLMs, the CBRLM and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and the legal advisors, to act in their respective capacities, have been obtained and would be filed along with a copy of this Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents will not have been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

The Auditors, S.K. Bansal & Company, Chartered Accountants, have given their written consent to the inclusion of their report in the form and context in which it appears in “**Financial Statements**” on page 156 and of their report relating to tax benefits accruing to our Company in the form and context in which it appears in “**Statement of Tax Benefits**” on page 86 and such consent and report will not have been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

CARE and Brickwork, the agencies engaged by us for the purpose of obtaining IPO grading in respect of this Issue, have given their written consents to the inclusion of their respective reports in the form and context in which they will appear in this Red Herring Prospectus and such consent and report will not have been withdrawn up to the time of delivery of this Red Herring Prospectus and the Prospectus with the RoC and the Designated Stock Exchange.

## Expert Opinion

Except the reports of CARE and Brickwork in respect of the IPO grading of this Issue, provided in Annexures I and II, respectively, and except for the Examination Reports of the Auditors of our Company on the audited restated financial information on pages 157, 179 and 208, respectively, we have not obtained any expert opinions.

## Expenses of the Issue

The total expenses of the Issue are estimated to be approximately Rs. [•] lacs. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. Other than listing fees which will be paid by us, all expenses with respect to the Issue, shall be shared between the Selling Shareholders and us in proportion to the Equity Shares contributed to the Issue.

The estimated Issue expenses are as under:

(Amount in Rs. lacs)

S. No.	Activity	Expenses*	Percentage of Total Issue Expenses*	Percentage of Total Issue Size*
1.	Lead management fees	[•]	[•]	[•]
2.	Underwriting and selling commission (including commission to SCSBs for ASBA Applications)	[•]	[•]	[•]
3.	Registrar’s fees	[•]	[•]	[•]
4.	Advertisement and marketing expenses	[•]	[•]	[•]
5.	Printing and distribution expenses	[•]	[•]	[•]
6.	IPO Grading expenses	[•]	[•]	[•]
7.	Advisors	[•]	[•]	[•]
8.	Bankers to the Issue	[•]	[•]	[•]
9.	Others (SEBI filing fees, bidding software expenses, depository charges, listing fees, etc.)	[•]	[•]	[•]
	<b>Total</b>	[•]	[•]	[•]

\*Will be incorporated at the time of filing of the Prospectus.

**Fees payable to the BRLMs, the CBRLM and the Syndicate Member**

The total fees payable to the BRLMs, the CBRLM and the Syndicate Members (including underwriting commission and selling commission) will be as per their respective engagement letters with our Company, copies of which will be available for inspection at our Registered Office.

**Fees payable to the Registrar to the Issue**

The fees payable by us to the Registrar to the Issue for processing of Bid-cum-Application Forms, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the agreement dated January 7, 2010 by and among our Company, the Selling Shareholders and the Registrar to the Issue, a copy of which will be available for inspection at our Registered Office.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to make refunds or send Allotment advice by registered post/speed post/under certificate of posting.

**Particulars Regarding Public or Rights Issues during the Last Five Years**

Our Company has not made any previous public and rights issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

**Commission or brokerage on previous issues**

Since this is the initial public issue of our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure public subscription for any of our Equity Shares since our incorporation.

**Previous Issues of Shares Otherwise than for Cash**

Except as stated in the "*Capital Structure*" on page 55, our Company has not made any previous issues of Equity Shares for consideration otherwise than for cash.

**Capital Issues in the Last Three Years**

Our Company, Subsidiary and Group Entities have not made any public or rights issues in the last three years.

**Companies under the Same Management**

Except our Subsidiary and as disclosed under "*Our Promoters and Group Entities*" on page 147, we do not have any companies under the same management within the meaning of section 370(1B) of the Companies Act, which has made any public or rights issue during the preceding three years.

**Promise v/s Performance**

Our Company, Subsidiary and Group Entities have not made any previous rights and public issues.

**Outstanding Debentures or Bond Issues or Redeemable Preference Shares**

Our Company has no outstanding debentures or bonds or redeemable preference shares, as of the date of this Red Herring Prospectus.

**Partly Paid Up Shares**

There are no partly paid up Equity Shares of our Company.

**Stock Market Data of our Equity Shares**

This being an initial public offer of the Equity Shares of our Company, the Equity Shares of our Company are not listed on any stock exchange and hence no stock market data is available.



### **Mechanism for Redressal of Investor Grievances**

The agreement between the Registrar to the Issue, the Selling Shareholders and our Company provides for retention of records with the Registrar to the Issue for a period of three years from the last date of dispatch of the letters of Allotment, or refund orders, demat credit or where refunds are being made electronically, giving of refund instructions to the clearing system, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

### **Disposal of Investor Grievances by our Company**

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible. No investor complaints have been received during the immediately preceding three years prior to filing of this Red Herring Prospectus with SEBI.

Our Company Secretary Mr. Anil Kumar has been appointed as the Compliance Officer for the Issue and he may be contacted in case of any pre-Issue or post Issue related problems, at the following address:

#### **Mr. Anil Kumar**

Company Secretary and Compliance Officer  
Parabolic Drugs Limited  
SCO 99-100, Top floor  
Sector 17-B, Chandigarh 160 017  
India  
Tel: + (91 172) 3914646  
Fax: + (91 172) 3914645  
Email: [pdl.ipo@parabolicdrugs.com](mailto:pdl.ipo@parabolicdrugs.com)  
Website: [www.parabolicdrugs.com](http://www.parabolicdrugs.com)

### **Change in Auditors**

There has been no change in the auditors of our Company in the last three years.

### **Capitalization of Reserves or Profits**

Except as stated in “*Capital Structure*” on page 55, we have not capitalized our reserves or profits in the last five years.

### **Revaluation of Assets**

There has been no revaluation of assets of our Company since incorporation.

## SECTION VII – ISSUE RELATED INFORMATION

### ISSUE STRUCTURE

This Issue of [●] Equity Shares consists of a Fresh Issue of [●] Equity Shares and an Offer for Sale of 20,25,702 Equity Shares at a price of Rs. [●] for cash aggregating to Rs. 20,000 lacs, made through the Book Building Process. The Issue comprises a Net Issue of [●] Equity Shares to the public and a reservation for the Eligible Employees of 5,00,000 Equity Shares, subject to such reservation not exceeding 5% of the Issue size.

In the event of over-subscription, allocation shall be made on a proportionate basis.

	<b>Employee Reservation Portion</b>	<b>QIB Bidders*</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares* **	Up to 5,00,000 Equity Shares	Up to [●] Equity Shares available for allocation or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders	Not less than [●] Equity Shares available for allocation or Net Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than [●] Equity Shares available for allocation or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue size available for Allotment/allotment***	Percentage of Issue size available for Allotment/allocation (not exceeding 5% of the Issue size)	Up to 50% of the Net Issue	Not less than 15% of the Net Issue, less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of the Net Issue, less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate.	Proportionate as follows: (a) [●] Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) [●] Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	[●] Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [●] Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [●] Equity Shares.	[●] Equity Shares.
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the maximum Bid by each Eligible Employee in this portion does not exceed Rs. 1,00,000	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 1,00,000.
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Allotment Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can	Eligible Employees	Public financial	Eligible NRIs, Resident	Individuals (including

	<b>Employee Reservation Portion</b>	<b>QIB Bidders*</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Apply ****		institutions as specified in Section 4A of the Companies Act, FIIs and their sub-accounts registered with SEBI, other than sub-accounts who are foreign corporates or foreign individuals, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, FVCIs registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 2,500 lacs and pension funds with minimum corpus of Rs. 2,500 lacs, the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of the GoI published in the Gazette of India and insurance funds set up and managed by army, navy or air force of the Union of India.	Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts and sub-accounts of FIIs registered with SEBI which are foreign corporates or foreign individuals.	HUFs, Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value.
Terms of Payment	The entire Bid Amount shall be payable at the time of submission of the Bid cum Application Form to the members of the Syndicate. In case of ASBA Bidders, the SCSB shall be authorised to block such funds in the bank account of the ASBA Bidder that are specified in the ASBA Bid cum Application Form.			

\* Our Company may allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price in accordance with the ICDR Regulations. At least one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Price. Allocation to Anchor Investors shall be on a discretionary basis subject to minimum number of (i) two Anchor Investors, where allocation in the Anchor Investor Portion is up to Rs. 25,000 lacs and (ii) five, where the allocation under the Anchor Investor Portion is more than Rs. 25,000 lacs. An Anchor Investor shall make a minimum Bid of such number of Equity Shares that the Bid Amount is at least Rs. 1,000 lacs.

\*\* The Issue is being made through the Book Building Process wherein up to 50% of the Net Issue shall be allocated to QIBs on a proportionate basis, provided that, our Company may allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis, out of which at least one-third will be available for allocation to domestic Mutual Funds only. In the event of under-subscription in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation to Mutual Funds on a proportionate basis. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for

*Allotment in the Mutual Fund Portion will be added to the QIB Portion (excluding the Anchor Investor Portion) and allocated proportionately to the QIB Bidders. Further, not less than 15% and 35% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Issue Price.*

*\*\*\* Under-subscription, if any, in any category would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholders, in consultation with the BRLMs, the CBRLM and the Designated Stock Exchange. Any unsubscribed portion in any reserved category shall be added to the Net Issue to the public. On receipt of minimum subscription and in case of under-subscription in the Net Issue, the entire subscription amount would first be adjusted towards the Fresh Issue, before adjustment towards the Offer for Sale.*

*\*\*\*\*If the Bid cum Application Form is submitted in joint names, the Bidders should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.*

### **Withdrawal of the Issue**

Our Company and the Selling Shareholders, in consultation with the BRLMs and the CBRLM, reserve the right not to proceed with the Issue any time after the Bid Opening Date but before Allotment. In such an event, our Company and the Selling Shareholders would issue a public notice in the newspapers in which the pre-Issue advertisements were published, within two Working Days of the Bid Closing Date, providing reasons for not proceeding with the Issue. The BRLMs and the CBRLM, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one Working Day from the day of receipt of such notification. Our Company shall also inform the Stock Exchanges on which the Equity Shares are proposed to be listed.

If our Company withdraws the Issue after the Bid Closing Date and thereafter determines that it will proceed with an initial public offering of Equity Shares, it shall file a fresh draft offer document with SEBI.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for only after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the Stock Exchanges.

### **Letters of Allotment or Refund Orders**

Our Company and the Selling Shareholders shall give credit of Equity Shares allotted, if any, to the beneficiary account with Depository Participants within two Working Days from the date of Allotment. Our Company shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by under certificate of posting, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post or Direct Credit, National Electronic Fund Transfer (“NEFT”), Real Time Gross Settlement (“RTGS”) or National Electronic Clearing Service (“NECS”) at the sole or First Bidder’s sole risk within 10 Working Days of the Bid Closing Date.

### **Interest in case of delay in dispatch of Allotment Letters/Refund Orders**

In accordance with the Companies Act, the requirements of the Stock Exchanges and the ICDR Regulations, our Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialized form within nine Working Days from the Bid Closing Date;
- Dispatch of refund orders will be done within 10 Working Days from the Bid Closing Date or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions will be given to the clearing system; and
- Our Company shall pay interest at 15% per annum if allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner within eight days from the day our Company becomes liable to repay (i.e., 10 Working Days after the Bid Closing Date or the date of refusal by the Stock

Exchange(s), whichever is earlier). If such money is not repaid within eight days from the day our Company becomes liable to repay it, the Company and every officer in default shall, on and from the expiry of eight days, be liable to repay the money with interest at the rate of 15% per annum as prescribed under Section 73 of the Companies Act.

Any expense incurred by our Company on behalf of the Selling Shareholders with regard to refunds, interest for delays, etc. for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholders to our Company, in proportion to the Equity Shares contributed by the Selling Shareholders to the Issue.

Our Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made through any of the modes as described in this Red Herring Prospectus and bank charges, if any, for encashing cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

#### **Bidding Program\***

<b>BID OPENS ON</b>	<b>FOR ALL BIDDERS</b>	<b>JUNE 14, 2010</b>
	<b>FOR QIB BIDDERS</b>	<b>JUNE 16, 2010</b>
<b>BID CLOSING ON</b>	<b>FOR RETAIL AND NON-INSTITUTIONAL BIDDERS (INCLUDING ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION)</b>	<b>JUNE 17, 2010</b>

*\* Anchor Investors, if any, shall submit their Bid on the Anchor Investor Bidding Date, which is one Working Day prior to the Bid Opening Date.*

Bids by Anchor Investors may be submitted to the members of Syndicate or their affiliates. The number of Equity Shares allocated to each Anchor Investor and Anchor Investor Issue Price shall be made available in the public domain by the BRLMs and the CBRLM, before the Bid Opening Date.

Bids and any revision in Bids will be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the Bidding centers mentioned in the Bid cum Application Form **except that on the Bid Closing Date, Bids excluding ASBA Bids shall be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders; and (ii) 5.00 p.m. which may be extended up to such time as permitted by the Stock Exchanges in case of Bids by Retail Individual Bidders where the Bid Amount is up to Rs. 1,00,000. Due to limitation of time available for uploading the Bids on the Bid Closing Date, the Bidders are advised to submit their Bids one Working Day prior to the Bid Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid Closing Date, as is typically experienced in IPOs, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, the Company and the Syndicate shall not be responsible. Bids will be accepted only between Monday and Friday (excluding any public holiday).

On the Bid Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders and Eligible Employees, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid-cum Application Forms and ASBA Forms as stated herein and reported by the BRLMs or the CBRLM to the Stock Exchanges within half an hour of such closure.

Our Company and the Selling Shareholders reserve the right to revise the Price Band during the Bidding Period in accordance with ICDR Regulations. The Cap Price shall be less than or equal to 120% of the Floor Price. Subject to compliance with the immediately preceding sentence, the Floor Price can move up or down to the extent of 20% of the floor price originally disclosed in the RHP and the Cap Price will be revised accordingly.

In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the web sites of the BRLMs and the CBRLM, and at the terminals of the members of the Syndicate.

## TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, this Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, regulations, guidelines and notifications relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the GoI, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment.

The Selling Shareholders will bear the expenses relating to the Offer for Sale in proportion to the Equity Shares contributed to the Issue.

### Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act, the ICDR Regulations and the provision of the Equity Listing Agreements.

### Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [●] per Equity Share. The Anchor Investor Issue Price is Rs. [●] per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares. The Floor Price is Rs. [●] per Equity Share and the Cap Price is Rs. [●] per Equity Share.

### Compliance with the SEBI

Our Company shall comply with applicable disclosure and accounting norms specified by the SEBI from time to time.

### Rights of the Equity Shareholder

Subject to applicable laws, our Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Subject to applicable law including and RBI rules and regulations, right of free transferability of Equity Shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the equity listing agreements with the Stock Exchanges and our Memorandum and Articles of Association.

All our Equity Shareholders have the same voting rights. For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see “*Main Provisions of Articles of Association of the Company*” on page 302.

## Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be Allotted only in dematerialized form. As per the existing ICDR Regulations, the trading of our Equity Shares shall only be in dematerialized form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of [●] Equity Shares, subject to a minimum Allotment of [●] Equity Shares.

## Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship.

## Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as holder of Equity Shares; or
- 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 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with our Company. Nominations registered with respective DP of the applicant would prevail. If the investors want to change their nomination, they are requested to inform their respective depository participant.

## Application by Eligible NRIs, FIIs registered with the SEBI and FVCIs registered with the SEBI

It is to be distinctly understood that there is no reservation for Eligible NRIs or FIIs registered with SEBI or FVCIs registered with SEBI. Such Eligible NRIs, FIIs registered with SEBI or FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation.

## Bidding Program\*

<b>BID OPENS ON</b>	<b>FOR ALL BIDDERS</b>	<b>JUNE 14, 2010</b>
	<b>FOR QIB BIDDERS</b>	<b>JUNE 16, 2010</b>
<b>BID CLOSES ON</b>	<b>FOR RETAIL AND NON-INSTITUTIONAL BIDDERS (INCLUDING ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION)</b>	<b>JUNE 17, 2010</b>

*\* Anchor Investors, if any, shall submit their Bid on the Anchor Investor Bidding Date, which is one Working Day prior to the Bid Opening Date.*

### **Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the Fresh Issue including the Employee Reservation Portion and devolvement of Underwriters within 60 days from the Bid Closing Date, our Company shall within 70 days of Bid Closing Date refund the entire subscription amount received. If there is a delay beyond eight days after our Company becomes liable to pay the amount, our Company and every officer in default shall, on and from the expiry of eight days be liable to repay the money with interest at the rate of 15% *per annum* prescribed under Section 73 of the Companies Act.

The requirement for minimum subscription is not applicable to the Offer for Sale.

Any expense incurred by our Company on behalf of the Selling Shareholders with regard to refunds, interest for delays, etc for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholders to our Company, in proportion to the Equity Shares contributed by the Selling Shareholders to the Issue.

Further in terms of Regulation 26(4) of the ICDR Regulations, our Company shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Chandigarh, India.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States, except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold outside the United States in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

### **Arrangement for Disposal of Odd Lots**

There are no arrangements for disposal of odd lots.

### **Restriction on Transfer of Shares**

Except for lock-in of the pre-Issue Equity Shares and Promoter's minimum contribution in the Issue as detailed in the section "*Capital Structure*" on page 55, there are no restrictions on transfers and transmission of shares/debentures and on their consolidation/ splitting except as provided in our Articles. See "*Main Provisions of Articles of Association of the Company*" on page 302.

### **Option to receive Equity Shares in Dematerialized Form**

Investors should note that Allotment of Equity Shares to all successful Bidders will only be in the dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.



## ISSUE PROCEDURE

*This section applies to all Bidders. All Bidders can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all Bidders have to pay the full Bid Amount or instruct the relevant SCSB to block the full Bid Amount along with the application.*

### **Book Building Procedure**

The Issue is being made through the Book Building Process wherein up to 50% of the Net Issue shall be allocated to QIBs on a proportionate basis. Further, not less than 15% and 35% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Issue Price.

Under-subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs, the CBRLM and the Designated Stock Exchange. On receipt of minimum subscription and in case of under-subscription in the Net Issue, the entire subscription amount would first be adjusted towards the Fresh Issue, before adjustment towards the Offer for Sale.

Any Bidder may participate in this Issue through the ASBA process by providing the details of their respective bank accounts in which the corresponding Bid amounts will be blocked by SCSBs.

All Bidders, other than ASBA Bidders are required to submit their Bids through the members of Syndicate or their sub-syndicate members. ASBA Bidders are required to submit their Bids to the SCSBs.

**Investors should note that Allotment of Equity Shares to all successful Bidders will be only in the dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository accounts shall be treated as incomplete and rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded only on the dematerialised segment of the Stock Exchanges.**

### **Bid cum Application Form**

Bidders shall use only the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. Before being issued to Bidders, the Bid cum Application Form (except in relation to ASBA Bidders) shall be serially numbered and the date and time shall be stamped at the Bidding centres and such form shall be signed by the Bidder and countersigned by the relevant member of the Syndicate. ASBA Bidders shall submit the ASBA Bid cum Application Form either in physical or electronic form (through the internet banking facility available with the SCSBs or such other electronically enabled mechanism for Bidding) to the SCSB authorizing blocking funds that are available in the bank account specified in the ASBA Bid cum Application Form used by ASBA Bidders.

The Bid cum Application Form shall contain information about the Bidder and the price and number of Equity Shares that the Bidder wishes to Bid for. Bidders shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered multiple Bids.

On the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be treated as a valid application form. Upon completion and submission of the Bid cum Application Form to a member of the Syndicate (and in the case of an ASBA Bid cum Application Form, to the SCSB), the Bidder shall be deemed to have authorised our Company and the Selling Shareholders to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required under the ICDR Regulations and other applicable laws, for filing the Prospectus with the RoC and as would be required by SEBI and/or the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

All Bidders can participate in this Issue by way of the ASBA process.

The prescribed colour of the Bid cum Application Form for the various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Bidders including Eligible NRIs applying on a non-repatriation basis, excluding Eligible Employees Bidding in the Employee Reservation Portion	White
Non-Resident Bidders including Eligible NRIs, FVCIs and FIIs applying on a repatriation basis, excluding Anchor Investors	Blue
Eligible Employees Bidding in the Employee Reservation Portion	Pink
Anchor Investors*	White

\* The Bid cum Application Forms for Anchor Investors will be made available at our Registered Office and the members of the Syndicate.

### Who can Bid?

- Indian nationals resident in India who are not minors in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non repatriation basis subject to applicable laws. NRIs other than eligible NRIs are not eligible to participate in this Issue;
- Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and the ICDR Regulations and other laws, as applicable);
- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, under the QIB Portion;
- Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only under the Non-Institutional Bidders category.
- Venture capital funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their respective constitutions to hold and invest in equity shares;
- Scientific and/or industrial research organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with a minimum corpus of Rs. 2,500 lacs and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with a minimum corpus of Rs. 2,500 lacs and who are authorised under their constitution to hold and invest in equity shares;
- National Investment Fund;
- Insurance funds set up and managed by army, navy or air force of the Union of India;
- Multilateral and Bilateral Development Financial Institutions; and
- Eligible Employees.

*Note: As per existing regulations, OCBs cannot participate in the Issue.*

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.**

### Participation by associates of the BRLMs, the CBRLM and the Syndicate Members

The BRLMs, the CBRLM and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs, the CBRLM and the Syndicate Members are entitled to subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis. Such

Bidding and subscription may be on their own account or on behalf of their clients. However, the BRLMs and the CBRLM shall not be allowed to subscribe to the Anchor Investor Portion.

### **Bids by Mutual Funds**

As per the ICDR Regulations, 5% of the QIB Portion (excluding the Anchor Investor Portion), has been specifically reserved for Mutual Funds on a proportionate basis. An eligible Bid by a Mutual Fund in the Mutual Fund Portion shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event demand in the Mutual Fund Portion is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by Mutual Funds shall be available for allocation proportionately, after excluding the allocation in the Mutual Fund Portion, in the QIB Portion.

One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds subject to valid Bids being received at or above the price at which allocation is being done to Anchor Investors.

*As per the current regulations, the following restrictions are applicable for investments by mutual funds:*

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own over 10% of any company's paid-up share capital carrying voting rights.

The Bids made by asset management companies or custodians of Mutual Funds shall clearly indicate the name of the concerned scheme for which application is being made.

### *Multiple applications*

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

### **Bids by Non Residents including Eligible NRIs and FIIs on a repatriation basis**

There is no reservation for Eligible NRIs or FIIs or FVCIs registered with SEBI. Such Eligible NRIs, FIIs and FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation.

### **Bids by Eligible NRIs**

1. Bid cum Application Forms for Eligible NRIs (blue in colour) will be available at our Registered Office, with the members of the Syndicate.
2. Only such applications as are accompanied by payment in freely convertible foreign exchange shall be considered for Allotment. Eligible NRIs who intend to make payment through Non Resident Ordinary ("NRO") accounts or by debits to their Non-Resident External ("NRE") or Foreign Currency Non-Resident ("FCNR") accounts should use the application form meant for Resident Indians (white in color).

Bids by Eligible NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 1,00,000 would be considered under Non-Institutional Portion for the purposes of allocation.

### **Bids by FIIs**

*As per the current regulations, the following restrictions are applicable for investments by FIIs:*

The Issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of [●] Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. With the approval of the board

and the shareholders by way of a special resolution, the aggregate FII holding in our Company can go up to 100%. The Board and shareholders of our Company, through resolutions dated January 7, 2010 and January 11, 2010 respectively, have increased the limit for FII shareholding in our Company to up to 74% of the total issued capital.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (the “**SEBI FII Regulations**”), an FII, as defined in the SEBI FII Regulations, may issue, deal or hold, off shore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by a FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with ‘know your client’ norms. The FII is also required to ensure that no further issue or transfer of any Offshore Derivative Instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the ICDR Regulations. Associates and affiliates of the Underwriters, including the BRLMs, the CBRLM and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such offshore derivative instrument does not constitute any obligation of, claim on or an interest in, our Company.

#### **Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors**

*As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:*

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, each, as amended, prescribe investment restrictions on Venture Capital Funds and FVCIs respectively registered with the SEBI. Accordingly, the holding in any company by any individual venture capital fund or FVICI registered with the SEBI should not exceed 25% of the corpus of the Venture Capital Fund or FVICI. However, venture capital funds or FVCIs may invest not over 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers.

#### **Bids by Eligible Employees**

For the purpose of the Employee Reservation Portion, Eligible Employee means all or any of the following:

- (a) A permanent and full time employee of our Company or our Subsidiary as on the date of filing of this Red Herring Prospectus with the RoC and based, working and present in India as on the date of submission of the Bid cum Application Form.
- (b) A director of our Company, whether a whole time director, part time director or otherwise, except any Promoters or an immediate relative of a Promoter, as on the date of filing of this Red Herring Prospectus with the RoC and based and present in India as on the date of submission of the Bid cum Application Form.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (*i.e.* pink colour form).
- Only Eligible Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- Eligible Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.
- The sole/first Bidder shall be the Eligible Employee as defined above.
- Bids by Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- The Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Amount does not exceed Rs. 1,00,000.
- Eligible Employees who Bid for Equity Shares in the Employee Reservation Portion can apply at Cut-off Price. The Allotment in the Employee Reservation Portion will be on a proportionate basis. However, the maximum Bid by an Eligible Employee cannot exceed Rs. 1,00,000.

- Bids by Eligible Employees can also be made in the Net Issue portion and such Bids shall not be treated as multiple Bids.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Any unsubscribed portion in any reserved category shall be added to the Net Issue to the public. On receipt of minimum subscription and in case of under-subscription in the Net Issue, the entire subscription amount would first be adjusted towards the Fresh Issue, before adjustment towards the Offer for Sale.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, see “—*Basis of Allotment*” on page 292.

### **Bids by Anchor Investors**

Our Company may consider participation by Anchor Investors in the QIB Portion for up to 30% of the QIB Portion in accordance with the ICDR Regulations. Only QIBs as defined in Regulation 2(1) (zd) of the ICDR Regulations and not otherwise excluded pursuant to Schedule XI of the ICDR Regulations are eligible to invest. The QIB Portion shall be reduced in proportion to the allocation under the Anchor Investor Portion. In the event of under-subscription in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion. In accordance with the ICDR Regulations, the key terms for participation in the Anchor Investor Portion are provided below.

- Anchor Investors Bid cum Application Forms will be made available for the Anchor Investor Portion at our Registered Office and with the members of the Syndicate.
- The Bid must be for a minimum of such number of Equity Shares so that the Bid Amount equals to or exceeds Rs. 1,000 lacs. A Bid cannot be submitted for more than 30% of the QIB Portion. In case of a Mutual Fund registered with SEBI, separate Bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of Rs. 1,000 lacs.
- One-third of the Anchor Investor Portion shall be reserved for allocation to domestic Mutual Funds.
- The Bidding for Anchor Investors shall open one Working Day before the Bid Opening Date and shall be completed on the same day.
- Our Company and the Selling Shareholders, in consultation with the BRLMs and the CBRLM, shall finalize allocation to the Anchor Investors on a discretionary basis, provided that the minimum number of Allottees in the Anchor Investor Portion shall not be less than:
  - two, where the allocation under Anchor Investor Portion is up to Rs. 25,000 lacs; and
  - five, where the allocation under Anchor Investor Portion is over Rs. 25,000 lacs.
- Allocation to Anchor Investors shall be completed on the Anchor Investor Bidding Date. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the BRLMs and the CBRLM before the Bid Opening Date.
- Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date.
- In the event the Issue Price is greater than the Anchor Investor Issue Price, the additional amount being the difference between the Issue Price and the Anchor Investor Issue Price shall be paid by the Anchor Investors by the Pay-in-Date. In the event the Issue Price is lower than the Anchor Investor Issue Price, the Allotment to Anchor Investors shall be at the higher price *i.e.* the Anchor Investor Issue Price.
- The Equity Shares Allotted in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment.
- None of the BRLMs or the CBRLM shall participate in the Anchor Investor Portion. The parameters for selection of the Anchor Investors shall be clearly identified by the BRLMs and the CBRLM and shall be made available as part of the records of the BRLMs and the CBRLM for inspection by SEBI.

- (k) Bids made by QIBs under both the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.

Additional details, if any, regarding participation in the Issue under the Anchor Investor Portion shall be disclosed in the advertisement for the Price Band which shall be published by our Company in Financial Express, an English national newspaper, Jansatta, a Hindi national newspaper and Punjabi Tribune, a Punjabi newspaper, each with wide circulation at least two Working Days prior to the Bid Opening Date.

#### **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of Rs. 2,500 lacs (subject to applicable law) and pension funds with a minimum corpus of Rs. 2,500 lacs a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In addition to the above, certain additional documents are required to be submitted by the following entities:

- (a) With respect to Bids by FVCIs, FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.
- (b) With respect to Bids by insurance companies registered with the Insurance Regulatory and Development Authority, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged with the Bid cum Application Form.
- (c) With respect to Bids made by provident funds with minimum corpus of Rs. 2,500 lacs (subject to applicable law) and pension funds with a minimum corpus of Rs. 2,500 lacs, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form.

Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company, the Selling Shareholders, the BRLMs and the CBRLM may deem fit.

**The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholders, the BRLMs and the CBRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus. Our Company, the BRLMs and the CBRLM do not accept any responsibility for the completeness and accuracy of the information stated above.**

#### *Maximum and Minimum Bid Size*

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. If the Bid Amount is over Rs. 1,00,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to be Bid at the Cut-Off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The option to Bid at the Cut-Off Price is given only to the Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion, indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

- (b) **For Other Bidders (Non-Institutional Bidders and QIBs excluding Anchor Investors):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws.

In case of revision in Bids, Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000 for being considered for allocation in the Non-Institutional Portion. If the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at the Cut-Off Price. **A QIB Bidder cannot withdraw its Bid after the Bid Closing Date.**

- (c) **For Bidders in the Employee Reservation Portion:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 1,00,000. The Allotment in the Employee Reservation Portion will be on a proportionate basis. The option to Bid at the Cut-Off Price is given only to the Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion, indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- (d) **For Bidders in the Anchor Investor Portion:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount is equal to or exceeds Rs. 1,000 lacs and in multiples of [●] Equity Shares thereafter. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date.**

**Information for the Bidders:**

- (a) The Red Herring Prospectus will be filed by our Company with the RoC at least three days before the Bid Opening Date.
- (b) Copies of the Bid cum Application Form and the Red Herring Prospectus will be available with the Syndicate and our Registered Office. ASBA Bid cum Application Forms can be obtained by Bidders from the SCSBs and electronic ASBA Bid cum Application Forms shall be available on the websites of SCSBs. Furthermore, the SCSBs shall ensure that the abridged prospectus is made available on their websites.
- (c) Bidding by QIBs will close one Working Day prior to the Bid Closing Date, provided that Bidding shall be kept open for a minimum of three Working Days for all categories of Bidders.
- (d) The Syndicate and the Designated Branches of the SCSBs shall accept Bids from the Bidder during the Bidding Period in accordance with the terms of the Syndicate Agreement, provided that the BRLMs and the CBRLM shall accept the Bids from the Anchor Investors only on the Anchor Investor Bidding Date.
- (e) Eligible Bidders who are interested in subscribing for the Equity Shares should approach any of the BRLMs or the CBRLM or the Syndicate Members or their authorized agents to register their Bids. Eligible Bidders can approach the Designated Branches of the SCSBs to register their Bids under the ASBA process.
- (f) The Bids should be submitted on the prescribed Bid cum Application Form only. Bids by ASBA Bidders shall be accepted by the Designated Branches of the SCSBs in accordance with the ICDR Regulations and any other circulars issued by SEBI in this regard. Bid cum Application Forms (other than ASBA Bid cum Application Forms) should bear the stamp of the members of the Syndicate. Bid cum Application Forms (other than ASBA Bid cum Application Forms), which do not bear the stamp of a member of the Syndicate, will be rejected.

## **INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM**

Bids and revisions of Bids must be:

- a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.
- b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained here, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders should note that the Syndicate and/or the SCSBs (as appropriate) will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.
- c) Information provided by the Bidders will be uploaded in the online IPO system by the Syndicate and the SCSBs, as the case may be, and the electronic data will be used to make allocation/Allotment. Bidders are advised to ensure that the details are correct and legible.
- d) For Retail Individual Bidders (including Eligible NRIs) and Eligible Employees submitting Bids in the Employee Reservation Portion, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of Rs. 1,00,000. In case the Bid Amount is over Rs. 1,00,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The option to Bid at Cut-off Price is an option given only to the Retail Individual Bidders and Eligible Employees indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [●] Equity Shares thereafter. Anchor Investors must ensure that their Bids must make a minimum Bid of such number of Equity Shares that the Bid Amount is at least Rs. 1,000 lacs. Bids cannot be made for over the Issue size.
- f) Bids by Eligible NRIs, FVCIs and FIIs on a repatriation basis shall be in the names of individuals, or in the names of such FIIs, respectively, but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- g) In a single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- h) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.
- i) If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should be signed by the account holder as provided in the ASBA Bid cum Application Form.

### **Submission of Bid cum Application Form**

All Bid cum Application Forms or Revision Forms (other than with respect to ASBA Bidders) duly completed and accompanied by account payee cheques or drafts shall be submitted to the Syndicate at the time of submission of the Bid. With respect to ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form shall be submitted to the Designated Branches of the SCSBs.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

## **GENERAL INSTRUCTIONS**

*Dos:*



- (a) Check if you are eligible to apply as per the terms of this Red Herring Prospectus under applicable laws, rules and regulations;
- (b) Ensure that you have Bid within the Price Band;
- (c) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour), the Non-Resident Bid cum Application Form (blue in colour), the Anchor Investor Bid cum Application Form (white in colour) or the Employee Bid cum application Form (pink in colour) as the case may be;
- (d) Ensure that the details about Depository Participant and Beneficiary Account are correct, and the Beneficiary Account is activated, as Allotment of Equity Shares will be in the dematerialized form only;
- (e) Ensure that the Bids are submitted at the Bidding centres only on forms bearing the stamp of a member of the Syndicate (other than with respect to ASBA Bidders);
- (f) With respect to ASBA Bidders ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilised by the ASBA Bidder for Bidding has a bank account. Further, ensure that the ASBA Bid cum Application Form is signed by the account holder if the Bidder is not the account holder;
- (g) Ensure that the full Bid Amount is paid for Bids submitted to the members of the Syndicate and funds equivalent to the Bid Amount are blocked by the SCSBs in case of Bids submitted through the ASBA process;
- (h) With respect to ASBA Bidders, ensure that you have funds equal to the Bid Amount in your bank account of the respective Designated Branch of the SCSB;
- (i) With respect to ASBA Bidders, instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;
- (j) Ensure that you request for and receive a TRS for all your Bid options;
- (k) Submit revised Bids to the same member of the Syndicate or Designated Branch of the SCSB through whom the original Bid was placed and obtain a revised TRS;
- (l) Except for Bids (i) on behalf of the Central or State Government and the officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim, each of the Bidders should mention their PAN allotted under the I.T. Act. Bid cum Application Forms in which the PAN is not mentioned are liable to be rejected;
- (m) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. If the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

***Don'ts:***

- (a) Do not Bid for lower than the minimum Bid size;
- (b) Do not submit a Bid without payment of the entire Bid Amount;
- (c) Do not Bid/revise the Bid to less than the Floor Price or higher than the Cap Price;
- (d) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the Syndicate or the Designated Branch of an SCSB;
- (e) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest and in relation to ASBA Bidders in any other mode other than blocked amounts in the bank accounts maintained by SCSBs;

- (f) Do not send Bid cum Application Forms by post; instead submit the same to the Syndicate or a Designated Branch of an SCSB, as applicable;
- (g) Do not Bid at the Cut-off Price (for QIB Bidders and Non-Institutional Bidders);
- (h) Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceed the Issue size and/or investment limit or maximum number of Equity Shares that can be held under applicable laws or regulations or the maximum amount permissible under applicable regulations;
- (i) Do not submit more than five ASBA Bid cum Application Forms per bank account;
- (j) Do not Bid for amount exceeding Rs. 1,00,000 in case of a Bid by Retail Individual Bidders and Eligible Employees Bidding in the Employee Reservation Portion;
- (k) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

### **Method and Process of Bidding**

- (a) Our Company, the Selling Shareholders, the BRLMs and the CBRLM shall declare the Bid Opening Date and Bid Closing Date at the time of filing the Red Herring Prospectus with the RoC and shall also publish it in Financial Express, an English national newspaper, Jansatta, a Hindi national newspaper and Punjabi Tribune, a Punjabi newspaper, each with wide circulation at least two Working Days prior to the Bid Opening Date.
- (b) The Price Band and the minimum Bid lot size for the Issue will be decided by our Company, in consultation with the BRLMs and the CBRLM, and advertised in Financial Express, an English national newspaper, Jansatta, a Hindi national newspaper and Punjabi Tribune, a Punjabi newspaper, each with wide circulation, at least two Working Days prior to the Bid Opening Date.
- (c) The BRLMs and the CBRLM shall accept Bids from the Anchor Investors on the Anchor Investor Bidding Date, *i.e.* one Working Day prior to the Bid Opening Date. Bidders, except Anchor Investors who are interested in subscribing to the Equity Shares should approach any of the members of the Syndicate, their authorized agents or SCSBs to register their Bids, during the Bidding Period. The members of the Syndicate shall accept Bids from the all Bidders and shall have the right to vet the Bids, during the Bidding Period in accordance with the terms of the Syndicate Agreement and this Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.
- (d) The Bidding Period shall be for a minimum of three Working Days and not exceeding 10 Working Days (including the days for which the Issue is open in case of revision in Price Band). If the Price Band is revised, the revised Price Band and the Bidding Period will be published in Financial Express, an English national newspaper, Jansatta, a Hindi national newspaper and Punjabi Tribune, a Punjabi newspaper, each with wide circulation, together with an indication of such change on the websites of the BRLMs, the CBRLM and SCSBs and at the terminals of the Syndicate Members.
- (e) Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details see “**Bids at Different Price Levels**” below, within the Price Band and specify the demand (*i.e.*, the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.
- (f) Except in relation to the Bids received from the Anchor Investors, the Syndicate or the SCSBs will enter each Bid option into the electronic Bidding system as a separate Bid and generate a Transaction Registration Slip (“**TRS**”), for each price and demand option and shall, on demand, give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- (g) With respect to ASBA Bidders, on receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the

Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic bidding system as a separate Bid.

- (h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled “**Payment Instructions**” on page 283.

#### **Bids at Different Price Levels and Revision of Bids**

- (a) The Price Band and the minimum Bid lot size shall be decided by our Company and the Selling Shareholders in consultation with the BRLMs and the CBRLM and advertised at least two Working Days prior to the Bid Opening Date, in Financial Express, an English national newspaper, Jansatta, a Hindi national newspaper and Punjabi Tribune, a Punjabi newspaper, each with wide circulation at least two Working Days prior to the Bid Opening Date.
- (b) Our Company, in consultation with the BRLMs and the CBRLM, reserves the right to revise the Price Band during the Bidding Period in accordance with the ICDR Regulations. The Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on either side *i.e.* the floor price can move upward or downward to the extent of 20% of the floor price disclosed at least two Working Days prior to the Bid Opening Date and the Cap Price will be revised accordingly.
- (c) In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of Price Band subject to a maximum of 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice in Financial Express, an English national newspaper, Jansatta, a Hindi national newspaper and Punjabi Tribune, a Punjabi newspaper, each with wide circulation and also by indicating the change on the websites of the BRLMs, the CBRLM, the SCSBs and at the terminals of the Syndicate Members.
- (d) Our Company and the Selling Shareholders in consultation with the BRLMs and the CBRLM can finalize the Issue Price and Anchor Investor Issue Price within the Price Band in accordance with this section, without the prior approval of or intimation to the Bidders.
- (e) The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion may Bid at Cut-off Price. However, Bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- (f) Retail Individual Bidders and Eligible Employees in the Employee Reservation Portion who Bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees in the Employee Reservation Portion bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price with the members of the Syndicate. In case of ASBA Bidders Bidding at Cut-off Price (other than QIBs and Non-Institutional Bidders), the ASBA Bidders shall instruct the SCSBs to block an amount based on the Cap Price. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees in the Employee Reservation Portion who Bid at Cut-off Price (*i.e.*, the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and Eligible Employees in the Employee Reservation who Bid at Cut-off Price shall receive the refund of the excess amounts from the Escrow Account(s) or the excess funds shall be unblocked from their ASBA Accounts, as the case may be.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees in the Employee Reservation Portion who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the revised Cap Price (such that the total amount *i.e.*, original Bid Amount plus additional payment does not exceed Rs. 1,00,000 for Retail

Individual Bidders and Eligible Employees in the Employee Reservation Portion, if the Bidder wants to continue to Bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (*i.e.*, original Bid Amount plus additional payment) exceeds Rs. 1,00,000 for Retail Individual Bidders and Eligible Employees in the Employee Reservation Portion Bidding at the Cut-off Price the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of Bidding would be refunded from the Escrow Account(s) or the excess funds shall be unblocked from their ASBA Accounts, as the case may be.
- (i) In the event of any revision in the Price Band, whether upward or downward, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

#### **Bidder's Depository Account and Bank Account Details**

Bidders should note that on the basis of Bidder's PAN, Depository Participant's name, DP ID number and beneficiary account number provided by them in the Bid cum Application Form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate and the SCSBs, as the case may be, the Registrar to the Issue will obtain from the Depository the demographic details including the Bidder's address, occupation and bank account details including the nine-digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf ('**Demographic Details**'). These Demographic Details would be used for giving refunds (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) to the Bidders, CANs and allocation advice. Hence, Bidders are advised to immediately update their bank account details and Demographic Details as appearing on the records of the Depository Participant and ensure that they are true and correct. Failure to do so could result in delays in dispatch/credit of refunds to Bidders at the Bidders sole risk and neither the Syndicate or the Registrar to the Issue or the Escrow Collection Banks or the SCSBs nor our Company nor the Selling Shareholders shall have any responsibility and undertake any liability for the same.

**IT IS MANDATORY FOR ALL THE BIDDERS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR PAN, DP ID NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE PAN GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS PROVIDED TO THE DEPOSITORY. IF THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the Depositories to provide, on request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**Refund Orders (where refunds are not being made electronically)/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Any such delay shall be at the Bidders sole risk and neither our Company, the Selling Shareholders nor Escrow Collection Banks nor the Syndicate shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes as detailed in this Red Herring Prospectus, Bidders may note that refunds may be delayed if bank particulars obtained from the Depository Participant are incorrect.**

In case no corresponding record is available with the Depositories, which matches the three parameters, namely, Bidders PAN (in case of joint Bids, PAN of first applicant), the DP ID and the beneficiary's identity, such Bids are liable to be rejected.

## **PAYMENT INSTRUCTIONS**

### **Escrow Mechanism for Bidders other than ASBA Bidders**

Our Company, the Selling Shareholders and the Syndicate shall open Escrow Accounts with the Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of this Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks for and on behalf of the Bidders shall maintain the monies in the Escrow Account(s) until the Designated Date. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the funds represented by allocation of Equity Shares (other than ASBA funds with the SCSBs) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Bankers to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.

Bidders should note that the escrow mechanism is not prescribed by the SEBI and has been established as an arrangement by and among our Company, the Selling Shareholders, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

### **Payment into Escrow Account(s) for Bidders other than ASBA Bidders**

Each Bidder (other than ASBA Bidders) shall draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism for the entire Bid Amount as per the following terms:

- (a) The Bidders shall, with the submission of the Bid cum Application Form, draw a payment instrument for the entire Bid Amount in favour of the Escrow Account(s) and submit the same to the member of the Syndicate. Bid cum Application Forms accompanied by cash, stockinvest, money order or postal order shall not be accepted.
- (b) The payment instruments for payment into the Escrow Account(s) should be drawn in favour of:
  - In case of Resident QIB Bidders: "Escrow Account – PDL Public Issue – QIB - R"
  - In case of Non Resident QIB Bidders: "Escrow Account – PDL Public Issue – QIB - NR"
  - In case of Resident Retail and Non-Institutional Bidders: "Escrow Account – PDL Public Issue – R"
  - In case of Non-Resident Retail and Non-Institutional Bidders: "Escrow Account – PDL Public Issue - NR"
  - In case of Eligible Employees: "Escrow Account – PDL Public Issue – Employees"
- (c) In the event of Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors shall be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price within two Working Days of the Bid Closing Date. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors shall not be refunded to them (or unblocked in their ASBA Accounts, in case of ASBA Bids).
- (d) Our Company, in consultation with the BRLMs and the CBRLM, in its absolute discretion, shall decide the list of Anchor Investors to whom the provisional CAN or CAN shall be sent, pursuant to which the

details of the Equity Shares allocated to them and the details of the amounts payable for Allotment of such Equity Shares in their respective names shall be notified to such Anchor Investors. The payment instruments for payment into the Escrow Account(s) should be drawn in favour of:

- In case of resident Anchor Investors: “Escrow Account – PDL Public Issue – Anchor Investor - R”
  - In case of non-resident Anchor Investors: “Escrow Account – PDL Public Issue – Anchor Investor - NR”
- (e) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or 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 NRO Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
- (f) In case of Bids by NRIs applying on non-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 NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.
- (g) In case of Bids by FIIs or FVCIs the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (h) The monies deposited in the Escrow Account(s) will be held for the benefit of the Bidders until the Designated Date.
- (i) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account(s) as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
- (j) On the Designated Date and no later than 10 Working Days from the Bid Closing Date, the Registrar to the Issue shall dispatch all refund amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.
- (k) Payments should be made by cheque, or a demand draft drawn on any bank (including a cooperative Bank), which is situated at, and is a member of or sub-member of the bankers’ clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash, stockinvest, money orders or postal orders will not be accepted.
- (l) In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.
- Except in case of ASBA Bids, Bidders are advised to mention the number of the Bid cum Application Form on the reverse of the cheque/demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.

#### **Payment mechanism for ASBA Bidders**

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until

withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to the Issue to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Bid cum Application Form, failure of the Issue or for unsuccessful ASBA Bid cum Application Forms, the Registrar to the Issue shall give instructions to the SCSB to unblock the Bid Amount in the relevant bank account within eight Working Days from the Bid Closing Date and the SCSBs shall unblock the Bid Amount within one Working Day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

## **Other Instructions**

### **Joint Bids in case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

### ***Multiple Bids***

A Bidder should submit only one Bid cum Application Form (and not more than one) for the total number of Equity Shares required. Two or more Bid cum Application Forms will be deemed to be multiple Bids if the sole or first Bidder is one and the same. It is clarified, however, that Bidders shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered multiple Bids.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. Bids by Eligible Employees can be made also in the Net Issue and such Bids shall not be treated as multiple Bids. Bids by QIBs under the Anchor Investor Portion and QIB Portion (excluding Anchor Investor Portion) will not be considered as multiple Bids.

After Bidding on an ASBA Bid cum Application Form either in physical or electronic mode, where such ASBA Bid has been submitted to the Designated Branches of SCSBs and uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form. Submission of a second Bid cum Application Form, whether an ASBA Bid cum Application Form, to either the same or to another Designated Branch of the SCSB, or a Non-ASBA Bid cum Application Form, will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the ASBA Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in “—***Build up of the Book and Revision of Bids***” above.

More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs shall not accept a total of more than five ASBA Bid cum Application Forms from such ASBA Bidders with respect to any single ASBA Account.

Our Company and the Selling Shareholders reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple Bids are provided below:

1. A check will be carried out for the same PAN. In cases where the PAN is same, such Bids will be treated as multiple Bids.
2. Further, in the case of Mutual Fund Bidders and FII sub-accounts, Bids which use the same PAN, the Bid cum Application Forms will be scrutinised for DP ID and Beneficiary Account Numbers. In case such Bid cum Application Forms bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

### ***‘PAN’ or ‘GIR’ Number***

Except for Bids on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, the Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. In accordance with the ICDR Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction.

**Any Bid cum Application Form without the PAN is liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

### ***Right to Reject Bids***

In case of Non-Institutional Bidders, Retail Individual Bidders and Bids by Eligible Employees bidding in the Employee Reservation Portion, our Company and the Selling Shareholders have a right to reject Bids based only on technical grounds and/or as specified in this Red Herring Prospectus. In case of QIB Bidders Bidding in the QIB Portion, our Company and the Selling Shareholders, in consultation with the members of the Syndicate, may reject Bids provided that such rejection shall be made at the time of acceptance of the Bid and the reasons for rejecting the same shall be provided to such Bidder in writing. However, our Company, in consultation with the BRLMs and the CBRLM, reserves the right to reject any Bid received from Anchor Investors without assigning any reasons. Consequent refunds shall be made through any of the modes described in this Red Herring Prospectus and will be sent to the Bidder's address at the Bidder's risk.

With respect to ASBA Bids, the Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch of the SCSB ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company and the Selling Shareholders would have a right to reject the ASBA Bids only on technical grounds and/or as specified in this Red Herring Prospectus.

The Bidders may note that in case the DP ID, Beneficiary Account Number and PAN mentioned in the Bid cum Application Form and entered into the electronic Bidding system of the Stock Exchanges by the Syndicate and the SCSBs, as the case may be, do not match with the DP ID, Beneficiary Account Number and PAN available in the depository database, the Bid is liable to be rejected.

### **Grounds for Technical Rejection**

Bidders are advised to note that Bids are liable to be rejected among other things, on the following technical grounds:

1. Amount paid or, with respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the highest value of the Equity Shares Bid for;
2. Application on plain paper;
3. Age of First Bidder not given;
4. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
5. Bid by persons not competent to contract under the Indian Contract Act, 1872, as amended, including minors, insane persons;
6. PAN not stated (except for Bids on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts);
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than the Floor Price;



9. Bids at a price over the Cap Price;
10. Bids at Cut off Price by Non-Institutional Bidders and QIB Bidders;
11. Submission of more than five ASBA Bid cum Application Forms per ASBA Account;
12. Bids for number of Equity Shares which are not in multiples of [●];
13. Category not ticked;
14. Multiple Bids as described in this Red Herring Prospectus;
15. In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents not being submitted;
16. Bids accompanied by cash, stockinvest, money order or postal order;
17. Signature of sole and/or joint Bidders missing. In addition, with respect to ASBA Bids, the Bid cum Application form not being signed by the account holders, if the account holder is different from the Bidder;
18. Bid cum Application Form does not have the stamp of the BRLMs, the CBRM, the Syndicate Members or Designated Branches of the SCSBs;
19. Bid cum Application Form does not have Bidder's depository account details or the details given are incomplete;
20. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Form, Bid Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms;
21. In case no corresponding record is available with the Depositories that matches three parameters namely, PAN (in case of joint Bids, PAN of the first applicant), the DP ID and the beneficiary's account number;  
  
*Bidders may note that in case the DP ID and Client ID and PAN mentioned in the Bid cum Application Form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate or the SCSBs, as the case may be, do not match with the DP ID and Client ID and PAN available in the depository database, the Bid is liable to be rejected.*
22. With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the bank account;
23. Bids for amounts greater than the maximum permissible amounts prescribed by applicable law;
24. Bids by QIBs (other than QIBs Bidding through ASBA) not submitted through the members of the Syndicate or their specified sub-syndicate members;
25. Bids by OCBs;
26. Bids by persons in the Employee Reservation Portion not qualifying as Eligible Employees;
27. Bids by persons in the United States;
28. Bids where clear funds are not available in the Escrow Accounts as per the final certificate from the Escrow Collection Banks;
29. Bids not uploaded on the terminals of the BSE and the NSE;

30. Bids or revision thereof by QIB Bidders and Non-Institutional Bidders uploaded after 4.00 P.M. on the Bid Closing Date;
31. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
32. Bids by persons who are not eligible to acquire Equity Shares in terms of all applicable laws, rules, regulations, guidelines and approvals; and
33. Bids that do not comply with the securities laws of the Bidders' respective jurisdictions.

#### **Electronic Registration of Bids**

- (a) The members of the Syndicate and the SCSBs will register the Bids received, except Bids received from Anchor Investors, using the online facilities of the Stock Exchanges. Details of Bids in the Anchor Investor Portion will not be registered on the online facilities of the Stock Exchanges. There will be at least one online connectivity in each city, where the Stock Exchanges are located in India and where such Bids are being accepted. The BRLMs, the CBRLM, our Company and the Registrar to the Issue are not responsible for any acts, mistakes or errors or omission and commissions in relation to (i) the Bids accepted by the Syndicate Members and the SCSBs, (ii) the Bids uploaded by the Syndicate Members and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. However, the members of the Syndicate and / or the SCSBs shall be responsible for any errors in the Bid details uploaded by them. It shall be presumed that for the Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.
- (b) The Stock Exchanges will offer a screen-based facility for registering such Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents and the SCSBs during the Bidding Period. The Syndicate Members and the Designated Branches of the SCSBs can also set up facilities for off-line electronic registration of Bids subject to the condition that it will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis.
- (c) On the Bid Closing Date, the members of the Syndicate and the Designated Branches of the SCSBs shall upload the Bids until such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs and the CBRLM on a regular basis. Bidders are cautioned that a high inflow of Bids typically experienced on the last day of the Bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such Bids that could not be uploaded will not be considered for allocation. Bids will only be accepted on Monday to Friday (excluding any public holiday).
- (d) Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges a graphical representation of consolidated demand and price would be made available at the bidding centres and at the websites of each of the Stock Exchanges during the Bidding Period.
- (e) At the time of registering each Bid, the members of the Syndicate or the Designated Branches of the SCSBs in case of ASBA Bids shall enter the following details of the Bidder in the electronic system:
  - Name of the company.
  - Bid cum Application number.
  - Investor Category – Individual, Corporate, non-institutional, qualified institutional buyer, Eligible NRI, FII, or Mutual Fund, Eligible Employee etc.
  - Numbers of Equity Shares Bid for.
  - Bid Amount and the price option.
  - Depository Participant Identity (“**DP ID**”) and Client Identification Number of the beneficiary account of the Bidder.

- PAN.
  - Cheque amount and cheque number.
- (f) A system generated TRS will, on demand, be given to the Bidder as a proof of the registration of each of the Bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate or Designated Branches of the SCSBs.** The registration of the Bid by the member of the Syndicate or the Designated Branches of the SCSBs does not guarantee that the Equity Shares shall be allocated/Allotted.
- (g) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (h) In case of QIB Bidders (other than QIBs Bidding through ASBA), the Syndicate and the specified sub-Syndicate members have a right to accept the Bid or reject it. However, such rejection shall be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, Bids may not be rejected except on technical grounds. Further, the SCSBs shall have no right to reject Bids except on technical grounds.
- (i) The permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLMs or the CBRLM are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.
- (j) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/Allotment. The members of the Syndicate shall be given one additional day after the Bid Closing Date to verify the information uploaded on the online IPO system during the Bidding Period after which the data will be sent to the Registrar to the Issue for reconciliation and Allotment of Equity Shares. In case of discrepancy of data between the BSE or the NSE and the Syndicate or the SCSBs, the decision of the BRLMs and the CBRLM based on the physical records of Bid Application Forms shall be final and binding on all concerned. If a member of the Syndicate finds any discrepancy in the PAN, DP ID and the Beneficiary Account Number, it will correct the same and then send the data to the Registrar to the Issue for reconciliation and Allotment of Equity Shares.

#### **Build up of the book and revision of Bids**

- (a) Bids received from various Bidders through the members of the Syndicate and the SCSBs shall be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLMs and the CBRLM at the end of the Bidding Period.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and such Bidder is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate and the SCSBs will not accept incomplete or inaccurate Revision Forms.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any

revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the Designated Branch of the SCSB through whom such Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. With respect to ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB shall block the additional Bid amount. In case of Bids other than ASBA Bids, the members of the Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions. In such cases the members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar to the Issue will reconcile the Bid data and consider the revised Bid data for preparing the basis of Allotment.

When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and will, on demand, receive revised TRS from the Syndicate or SCSBs, as applicable. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

### **Price Discovery and Allocation**

- (a) Based on the demand generated at various price levels, our Company and the Selling Shareholders, in consultation with the BRLMs and the CBRLM, shall finalize the Issue Price.
- (b) Allocation to Anchor Investors shall be at the discretion of our Company in consultation with the BRLMs and the CBRLM subject to compliance with the ICDR Regulations. In the event of under-subscription in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the BRLMs and the CBRLM before the Bid Opening Date.
- (c) Under-subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs, the CBRLM and the Designated Stock Exchange. However, if the aggregate demand by Mutual Funds in the Mutual Fund Portion is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. Further, not less than 15% and 35% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Issue Price. 5,00,000 Equity Shares shall be made available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price and such reservation not exceeding 5% of the Issue size. On receipt of minimum subscription and in case of under-subscription in the Net Issue, the entire subscription amount would first be adjusted towards the Fresh Issue, before adjustment towards the Offer for Sale. Any unsubscribed portion in the Employee Reservation Portion shall be added to the Net Issue.
- (d) The Allocation under the Employee Reservation Portion shall be on a proportionate basis, in the manner specified under the ICDR Regulations and this Red Herring Prospectus, subject to valid Bids being received at or above the Issue Price, and is approved by the Designated Stock Exchange.
- (e) Allocation to Non-Residents, including Eligible NRIs, FIIs and foreign venture capital funds registered with SEBI, applying on repatriation basis will be subject to applicable law.
- (f) The BRLMs and the CBRLM, in consultation with our Company and the Selling Shareholders shall notify the Syndicate of the Issue Price and allocations to Anchor Investors, where the full Bid Amount has not been collected from the Anchor Investors due to the Issue Price being higher than the Anchor Investor Issue Price.
- (g) Our Company reserves the right to cancel the Issue any time after the Bid Opening Date, but before the Allotment. In terms of the ICDR Regulations, QIB Bidders Bidding in the QIB Portion shall not be

allowed to withdraw their Bid after the Bid Closing Date. Further, Anchor Investors shall not be allowed to withdraw their Bid after the Anchor Investor Bidding Date.

- (h) The Basis of Allotment details, which the Stock Exchanges shall approve within eight Working Days of the Bid Closing Date, shall be posted on the website of the Registrar to the Issue.

#### **Signing of Underwriting Agreement and RoC Filing**

- (a) Our Company, the Selling Shareholders, the BRLMs, the CBRLM and the Syndicate Members shall enter into an Underwriting Agreement on or immediately after the finalisation of the Issue Price.
- (b) After signing the Underwriting Agreement, our Company will update and file the updated Red Herring Prospectus with the RoC in terms of Section 56, 60 and 60B of the Companies Act, which then would be termed the 'Prospectus'. The Prospectus will contain details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects.

#### **Pre- Issue Advertisement**

Subject to Section 66 of the Companies Act, our Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the ICDR Regulations, in Financial Express, an English national newspaper, Jansatta, a Hindi national newspaper and Punjabi Tribune, a Punjabi newspaper, each with wide circulation.

#### **Advertisement regarding Issue Price and Prospectus**

Our Company will issue a statutory advertisement after the filing of the Prospectus with the RoC in Financial Express, an English national newspaper, Jansatta, a Hindi national newspaper and Punjabi Tribune, a Punjabi newspaper, each with wide circulation. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of this Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **Issuance of Confirmation of Allocation Note ("CAN")**

- (a) On approval of the basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the members of the Syndicate and SCSBs a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders and Bids from Eligible Employees bidding in the Employee Reservation Portion. However, our Company shall ensure that instructions for the demat credit of the Equity Shares to all Bidders in this Issue shall be delivered on the date of Allotment (which shall be the same date for all Bidders in this Issue). For Anchor Investors, see "*—Notice to Anchor Investors: Allotment/Reconciliation and Revised CANs.*"
- (b) The Registrar to the Issue will then dispatch a CAN to the Bidders who have been allocated Equity Shares in this Issue.
- (c) Bidders who have been allocated Equity Shares shall receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account.
- (d) The issuance of CANs is subject to "*- Notice to Anchor Investors - Allotment Reconciliation and Revised CANs*" and "*- Notice to QIBs - Allotment Reconciliation and Revised CANs*" on pages 291 and 292, respectively.

#### **Notice to Anchor Investors: Allotment Reconciliation and Revised CANs**

After the Anchor Investor Bidding Date, a physical book will be prepared by the Registrar to the Issue on the basis of the Bid cum Application Forms received in the Anchor Investor Portion. Based on the physical book and at the discretion of our Company, the Selling Shareholders, the BRLMs and the CBRLM, selected Anchor Investors may be sent a CAN, within two Working Days of the Anchor Investor Bidding Date, indicating the number of Equity Shares that may be allocated to them. This provisional CAN and the final allocation is subject

to (a) the physical application being valid in all respect along with receipt of stipulated documents, (b) the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price, and (c) Allotment. In the event of a technical rejection or in the event the Issue Price is higher than the Anchor Investor Issue Price, a revised CAN will be sent to Anchor Investors. The price of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. Anchor Investors should note that they shall be required to pay any additional amount, being the difference between the Issue Price and the Anchor Investor Issue Price, as indicated in the revised CAN, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares or increased price of Equity Shares. The Pay-in Date in the revised CAN shall not be later than two Working Days after the Bid Closing Date. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

#### **Notice to QIBs: Allotment Reconciliation and Revised CANs**

After the Bid Closing Date, an electronic book will be prepared by the Registrar to the Issue on the basis of Bids uploaded on the Stock Exchange systems. This shall be followed by a physical book prepared by the Registrar to the Issue on the basis of the Bid cum Application Forms received.

#### **Designated Date and Allotment of Equity Shares**

- Our Company will ensure that (i) Allotment of Equity Shares; (ii) credit to successful Bidder's depository account will be completed within 11 Working Days of the Bid Closing Date.
- In accordance with the ICDR Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/Allotted to them pursuant to this Issue.**

#### **Basis of Allotment**

##### ***A. For Retail Individual Bidders***

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of Allotment, refer below.

##### ***B. For Non-Institutional Bidders***

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue Size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of Allotment refer below.

**C. *For Employee Reservation Portion***

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of [●] Equity Shares either on a firm basis or as per the drawal of lots, if any, approved by the Designated Stock Exchange. For the method of proportionate basis of allocation, refer below.
- Only Eligible Employees are eligible to apply under Employee Reservation Portion.

**D. *For QIBs in the QIB Portion (excluding the Anchor Investor Portion)***

- Bids received from the QIB Bidders at or above the Issue Price, shall be grouped together to determine the total demand under this portion. The Allotment to all successful QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for Allotment to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be determined as follows:
    - (i) In the event Mutual Fund Bids exceed 5% of the QIB Portion (excluding Anchor Investor Portion), allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion (excluding Anchor Investor Portion).
    - (ii) In the event the aggregate demand from Mutual Funds is less than 5% of the QIB Portion (excluding the Anchor Investor Portion), then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below.
  - (b) In the second instance Allotment to all QIBs shall be determined as follows:
    - (i) In the event of oversubscription in the QIB Portion (excluding the Anchor Investor Portion), all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
    - (ii) Mutual Funds which have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders (excluding the Anchor Investor Portion).
    - (iii) Under-subscription below 5% of the QIB Portion (excluding Anchor Investor Portion), if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

**E. For Anchor Investor Portion**

Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of our Company and the Selling Shareholders, in consultation with the BRLMs and the CBRLM, subject to compliance with the following requirements:

- (i) not more than 30% of the QIB Portion will be allocated to Anchor Investors;
- (ii) one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors; and
- (iii) allocation to Anchor Investors shall be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation up to Rs. 25,000 lacs and a minimum number of five Anchor Investors for allocation more than Rs. 25,000 lacs.

The number of Equity Shares Allotted to Anchor Investors and the Anchor Investor Issue Price, shall be made available in the public domain by the BRLMs and the CBRLM before the Bid Opening Date by intimating the Stock Exchanges. The method of proportionate basis of Allotment is stated below.

**Illustration regarding allotment to QIBs and Mutual Funds other than Anchor Investors**

**(1) Issue Details**

S. No.	Particulars	Issue details
1	Issue size	20,000 lacs equity shares
2	Portion available to QIBs*	10,000 lacs equity shares
3	Anchor Investor Portion	3,000 lacs
4	Portion available to QIBs* other than anchor investors [(2) – (3)]	7,000 lacs equity shares
	Of which	
a.	Reservation to MF (5%)	350 lacs equity shares
b.	Balance for all QIBs including MFs	6,650 lacs equity shares
5	No. of QIB applicants	10
6	No. of shares applied for	50,000 lacs equity shares

\* Where up to 50% of the Issue Size is required to be allotted to QIBs.

**(2) Details Of QIB Bids**

S. No.	Type of QIB bidders	No. of shares bid for (in lacs)
1	A1	5,000
2	A2	2,000
3	A3	13,000
4	A4	5,000
5	A5	5,000
6	MF1	4,000
7	MF2	4,000
8	MF3	8,000
9	MF4	2,000
10	MF5	2,000
	<b>TOTAL</b>	<b>50,000</b>



A1-A5 (QIB bidders other than MFs)  
MF1-MF5 (QIB bidders which are MFs)

(3) **Details of Allotment to QIB Bidders**

(No. of equity shares in lacs)

Type of QIB bidders	Equity shares bid for	Allocation of 350 lacs equity shares to MFs proportionately (See Note 2)	Allocation of balance 6,650 lacs equity shares to QIBs proportionately (See Note 4)	Aggregate allocation to MFs
A1	5000	0	665.00	0
A2	2000	0	266.00	0
A3	13000	0	1,729.00	0
A4	5000	0	665.00	0
A5	5000	0	665.00	0
MF1	4000	70	532.00	602.00
MF2	4000	70	532.00	602.00
MF3	8000	140	1,064.00	1,204.00
MF4	2000	35.00	266.00	301.00
MF5	2000	35.00	266.00	301.00
	<b>50000</b>	<b>350.00</b>	<b>6650.00</b>	<b>3010.00</b>

**Notes:**

- (1) The illustration presumes compliance with the provisions of Regulation 50(1) pertaining to minimum allotment.
- (2) Out of 7,000 lacs equity shares allocated to QIBs, 350 lacs (i.e. 5%) will be allocated on proportionate basis among 5 mutual fund applicants who applied for 20,000 lacs equity shares in QIB category.
- (3) The balance 6,650 lacs equity shares [i.e. 7000 – 350 (available for MFs)] will be allocated on proportionate basis among 10 QIB applicants who applied for 50,000 lacs equity shares (including 5 MF applicants who applied for 20,000 lacs equity shares).
- (4) The figures at Col. No. IV are arrived as under :
  - (a) For QIBs other than mutual funds (A1 to A5) = No. of shares bid for (i.e. Col II) X 66.5 / 496.5
  - (b) For mutual funds (MF1 to MF5) = {(No. of shares bid for (i.e. Col II) less shares allotted (i.e., col. III )} X 665 / 4,965
  - (c) The numerator and denominator for arriving at allocation of 6,650 lacs shares to the 10 QIBs are reduced by 350 lacs shares, which have already been allotted to mutual funds at Col. No. (III).

**Method of Proportionate Basis of Allotment in the Issue (for other than Anchor Investors)**

Except in relation to Anchor Investors, in the event of the Issue being over-subscribed, our Company and the Selling Shareholders shall finalise the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs, the CBRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

Except in relation to Anchor Investors, the Allotment shall be made in marketable lots, on a proportionate basis as explained below:

- a) Bidders will be categorized according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate

basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

- d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the allotment shall be made as follows:
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
  - Each successful Bidder shall be Allotted a minimum of [●] Equity Shares.
- e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that number is 0.50 or higher. If that number is lower than 0.50, it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.
- f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Subject to valid Bids being received, Allotment of Equity Shares to Anchor Investors will be at the discretion of our Company and the Selling Shareholders, in consultation with the BRLMs and the CBRLM.

#### **Equity Shares in Dematerialised Form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a dematerialised form, (*i.e.*, not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- Agreement dated May 31, 2006 between NSDL, our Company and the Registrar to the Issue;
- Agreement dated May 16, 2006 between CDSL, our Company and the Registrar to the Issue.

Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- (a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (b) The Bidder must necessarily fill in the details (including the PAN, Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- (c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- (d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details 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.
- (e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- (f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

- (g) Equity Shares in electronic form can be traded only on stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- (h) Trading in the Equity Shares would be in dematerialised form only, on the demat segment of the respective Stock Exchanges.

### **Communications**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, PAN, Bidders depository account details, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, the bank account number in which an amount equivalent to the Bid Amount was blocked.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre- Issue or post- Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc. In case of ASBA Bids submitted with the Designated Branches of the SCSBs, Bidders can contact the Designated Branch of the SCSB.

### **Impersonation**

**Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, 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.”*

### **PAYMENT OF REFUND**

Bidders other than ASBA Bidders must note that on the basis of the names of the Bidders, PAN, DP ID, Beneficiary Account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the MICR code. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither our Company, the Selling Shareholders, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs nor the CBRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In the case of Bids from Eligible NRIs and FIIs, refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

### **Mode of making Refunds for Bidders other than ASBA Bidders**

The payment of refund, if any, for Bidders other than ASBA Bidders would be done through various modes in the following order of preference:

1. NECS – Payment of refund would be done through NECS for Bidders having an account at any of the centres specified by the RBI. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code from the Depositories. The payment of refunds is mandatory for Bidders having a bank account at any of the abovementioned centres, except where the Bidder, being eligible, opts to receive refund through direct credit or RTGS.
2. Direct Credit – Bidders having bank accounts with the Refund Bank(s), as mentioned in the Bid cum Application Form shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company and the Selling Shareholders.
3. RTGS – Bidders having a bank account with a bank branch which is RTGS enabled as per the information available on the website of RBI and whose refund amount exceeds Rs. 10 lacs, have the option to receive refund through RTGS. Such eligible Bidders who indicate their preference to receive refund through RTGS are required to provide the Indian Financial System Code (“IFSC”) code in the Bid cum Application Form. In the event the same is not provided, refund shall be made through NECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company and the Selling Shareholders. Charges, if any, levied by the Bidder’s bank receiving the credit would be borne by the Bidder.
4. National Electronic Fund Transfer (“NEFT”) – Payment of refund shall be undertaken through NEFT wherever the Bidders’ bank branch is NEFT enabled and has been assigned the IFSC, which can be linked to an MICR code of that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with an MICR code. Wherever the Bidders have registered their 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 Bidders through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency and the past experience of the Registrars to the Issue. In the event NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in this section.
5. For all other Bidders, including those who have not updated their bank particulars with the MICR code, the refund orders will 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 Refund Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

### **Mode of making refunds for ASBA Bidders**

In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within eight Working Days of the Bid Closing Date.

### **Disposal of Applications and Application Moneys and Interest in Case of Delay**

With respect to Bidders other than ASBA Bidders, our Company shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges after the Allotment of Equity Shares.

In case of Bidders who receive refunds through NECS, NEFT, direct credit or RTGS, the refund instructions will be given to the clearing system within 10 Working Days from the Bid Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within 10 Working Days of the

Bid Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 12 Working Days of the Bid Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the ICDR Regulations, our Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, within nine Working Days of the Bid Closing Date;
- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 10 Working Days of the Bid Closing Date would be ensured. With respect to the ASBA Bidders' instructions for unblocking of the ASBA Bidder's bank account shall be made within eight days from the Bid Closing Date; and
- Our Company shall pay interest at 15% p.a. for any delay beyond the 10 Working Days' time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within eight days from the day the Company becomes liable to repay (i.e. 10 Working Days after the Bid Closing Date or the date of refusal by the Stock Exchange(s), whichever is earlier). If such money is not repaid within eight days from the day the Company becomes liable to repay it, the Company and every officer in default shall, on and from expiry of eight days, be liable to repay the money with interest at the rate of 15% as prescribed under Section 73 of the Companies Act.

#### **Letters of Allotment or Refund Orders or instructions to the SCSBs**

Bidders residing at the centres where clearing houses are managed by the RBI will get refunds through NECS only, except where the Bidder is otherwise disclosed as eligible to get refunds through direct credit and RTGS. Our Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, under certificate of posting, and shall dispatch refund orders above Rs. 1,500, if any, by registered or speed post at the sole or first Bidder's sole risk within 10 Working Days of the Bid Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them of the mode of credit of refund within 10 Working Days of the Bid Closing Date.

In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within eight Working Days of the Bid Closing Date, which shall be completed within one Working Day after the receipt of such instruction from the Registrar to the Issue.

Any expense incurred by our Company on behalf of the Selling Shareholders with regard to refunds, interest for delays, etc. for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholder to our Company in proportion to the Equity Shares contributed by the Selling Shareholders to the Issue.

#### **Interest in case of delay in dispatch of Allotment Letters or Refund Orders/instruction to SCSB by the Registrar to the Issue**

Allotment of Equity Shares in the Issue, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, shall be made not later than nine Working Days of the Bid Closing Date. Our Company further agrees that it shall pay interest at the rate of 15% p.a. if the allotment letters or refund orders have not been dispatched to the Bidders or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given in the disclosed manner within eight days from the day the Company becomes liable to repay (i.e. 10 Working Days after the Bid Closing Date or the date of

refusal by the Stock Exchange(s), whichever is earlier). If such money is not repaid within eight days from the day the Company becomes liable to repay it, the Company and every officer in default shall, on and from expiry of eight days, be liable to repay the money with interest as prescribed under Section 73 of the Companies Act.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by our Company as a Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

#### **Undertakings by Our Company**

Our Company undertakes that:

- No further issue of Equity Shares shall be made until the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc;
- All steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within 12 Working Days of the Bid Closing Date;
- The complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily. Our Company has authorized our Company Secretary as the Compliance Officer to redress all complaints, if any, of the investors participating in this Issue;
- The funds required for making refunds or dispatch of Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue;
- The certificates of the securities/ refund orders to the eligible NRIs or FIIs shall be dispatched within the specified time;
- The refund instruction shall be given or Allotment advice to the successful Bidders shall be dispatched within specified time;
- Where the refunds are made through electronic transfer of funds, suitable communication shall be sent to the applicants within 10 Working Days of the Bid Closing Date giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of the refund;
- Adequate arrangements shall be made to collect all ASBA and to consider them similar to non-ASBA applications while finalizing the Basis of Allotment;
- The Promoters' contribution shall have been brought in, in full; and
- Our Company shall not have recourse to the proceeds of the Fresh Issue until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

#### **Undertakings by the Selling Shareholders**

The Selling Shareholders undertake the following:

- That the Equity Shares available under the Offer for Sale, have been held by the Selling Shareholders for a period of more than one year and are free and clear of any liens or encumbrances, and shall be transferred to the eligible investors within the specified time;
- That the Selling Shareholders shall not have recourse to the proceeds of the Issue until approval for trading of the Equity Shares from all Stock Exchanges where listing is sought has been received;
- That the Selling Shareholders shall not sell, transfer, dispose of in any manner or create any lien, charge or encumbrance on the Equity Shares available under the Offer for Sale;

- That the Selling Shareholders shall take all such steps as may be required to ensure that the Equity Shares are available for transfer under the Offer for Sale;
- That the Selling Shareholders shall take all such steps as may be required for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the Equity Shares are sought to be listed, within 12 Working Days of the Bid Closing Date. If such permission is not granted by any of such stock exchanges within 70 days from the closure of the Issue i.e. allotment of equity shares, the Selling Shareholders shall forthwith repay without interest all monies received by them from bidders pursuant to our Company's offer documents. In case of delay beyond the eighth day on which the Selling Shareholders become liable to repay the monies received from applicants, interest shall be paid in accordance with the provisions of the Section 73 of the Companies Act;
- To ensure that the funds required for making refunds to unsuccessful applicants or dispatch of allotment advice by registered or speed post or as per the modes described in our Company's offer documents shall be made available to the Registrar to the Issue;
- To transfer the Equity Shares available under the Offer for Sale to the successful bidders within the specified time;
- To ensure that the refund orders or allotment advice to the successful bidders, including the certificates of the securities / refund orders to NRIs, shall be dispatched within the specified time;
- Where the refunds are made through electronic transfer of funds, suitable communication shall be sent to the Bidders within 10 Working Days of the Bid Closing Date, giving details of the bank where refunds shall be credited along with the amount and expected date of electronic refund; and
- The complaints received in respect of the Offer for Sale shall be attended to by the BRLMs, the CBRLM and the Selling Shareholders expeditiously and satisfactorily. The Selling Shareholders have authorized the Compliance Officer of our Company and the Registrar to the Issue to redress complaints, if any, of the investors.

#### **Withdrawal of the Issue**

Our Company and the Selling Shareholders, in consultation with the BRLMs and the CBRLM, reserve the right not to proceed with the Issue any time after the Bid Opening Date but before Allotment. In such an event, our Company and the Selling Shareholders would issue a public notice in the newspapers in which the pre-Issue advertisements were published, within two Working Days of the Bid Closing Date, providing reasons for not proceeding with the Issue. The BRLMs and the CBRLM, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one Working Day from the day of receipt of such notification. Our Company shall also inform the Stock Exchanges on which the Equity Shares are proposed to be listed.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for only after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the RoC.

In the event our Company, in consultation with the BRLMs and the CBRLM, withdraws the Issue after the Bid Closing Date, a fresh offer document will be filed with SEBI in the event we subsequently decide to proceed with the initial public offering.

#### **Utilisation of Issue Proceeds**

The Board of Directors certifies that:

- All monies received in the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- Details of all monies utilised out of Issue shall be disclosed, and continue to be disclosed until the time any part of the Issue proceeds remains unutilised, under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised; and
- Details of all unutilised monies out of the Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

## SECTION VIII - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act, and the ICDR Regulations, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures, their consolidation or splitting are as provided below. Each provision below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

### *Applicability of Table 'A'*

1. The regulations contained in Table A in the first Schedule to the Act, shall not apply to this Company, but the regulations for the management of the Company and for the observance by the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company in reference to the repeal or alteration of or addition to its regulations by special resolution, as prescribed by the said Act, be such as are contained in these Articles, unless the same are repugnant or contrary to the provisions of the Act.

## SHARE CAPITAL

### 4. *Preference shares*

- 4.1 Subject to the other provisions of these Articles and of the Act, the Company shall have power to issue preference shares.
- 4.2 A preference share shall confer on the holders thereof the right to a fixed preferential dividend as may be decided by the Board at the time of issue of preference share on the capital paid-up thereon, and in the event of winding up, the right to repayment of capital and arrears of dividend, whether earned, declared or not, up to the commencement of winding up, in priority to equity shares.
- 4.3 The dividend on any preference shares becoming liable to redemption under the foregoing provisions shall cease to accrue as from the date due for redemption thereof.
- 4.4 The Company shall be entitled to create a capital redemption reserve account for the purpose of redeeming the preference shares in a manner to be decided by the Board.
- 4.5 The preference shares shall be redeemed out of the preference share capital redemption reserve account and/or out of the profits of the Company or by way of fresh issue of capital, as may be decided by the Board at the time of issue of preference shares.

### 5. *Increase of share capital*

The Company may from time to time by ordinary resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe. All new shares shall be subject to the provisions of the Act and of these Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

### 6 *Further issue of shares*

- 6.1 Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of equity shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further equity shares either out of the unissued capital or out of the increased share capital then:
  - (b) 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;



- (c) The offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty (30) days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;
  - (d) The offer aforesaid shall be deemed to include a right exercisable by the Person concerned to renounce the shares offered to him or any of them in favour of any other Person and the notice referred to in sub-clause (b) shall contain a statement of this right. Provided that the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him;
  - (e) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the Person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as it thinks most beneficial to the Company.
- 6.2 Notwithstanding anything contained in sub-clause (1) the further shares aforesaid may be offered to any Persons (whether or not those Persons include the Persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
- (a) If a special resolution to that effect is passed by the Company in general meeting, or
  - (b) Where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the chairman) by members who, being entitled so to do, vote in Person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board in this behalf, that the proposal is most beneficial to the Company.
- 6.3 Nothing in sub-clause (c) of (1) hereof shall be deemed:
- (a) To extend the time within which the offer should be accepted; or
  - (b) To authorize any Person to exercise the right of renunciation for a second time, on the ground that the Person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- 6.4 Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued or loans raised by the Company:
- (a) To convert such debentures or loans into shares in the Company; or
  - (b) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (a) Either has been approved by the Central Government before the issue of debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
- (b) In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the Company in general meeting before the issue of the loans.

## 7. *Consolidation, subdivision and cancellation*

7.1 The Company may, upon the prior recommendation by the Board, by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

- (b) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any Person and diminish the amount of its capital by the amount of the shares so cancelled;
  - (c) subdivide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Act), and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares.
- 7.2 Whenever as a result of a consolidation or subdivision of shares any members would become entitled to fractions of a share, the Board may, on behalf of those members, sell the shares representing the fractions for the best price reasonably obtainable to any Person (including, subject to the provisions of the Act, the Company) and distribute the net proceeds of sale in due proportion among those members and the Board may authorize some Person to transfer the shares to or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall its title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale. So far as the Act allows, the Board may treat shares of a member in certificated form and in uncertificated form as separate holdings in giving effect to subdivisions and/or consolidations and may cause any shares arising on consolidation or subdivision and representing fractional entitlements to be entered in the Register as shares in and representing fractional entitlements to be entered in the Register as shares in certificated form where this is desirable to facilitate the sale thereof.
8. *Buy back of shares*
- The Company shall be entitled to purchase its own shares or other securities, subject to such limits, upon such terms and conditions and such approvals as required under the provisions of the Act and all other applicable law, as may be in force.
9. *Reduction of capital*
- Subject to the provisions of the Act, the Company may, upon the prior recommendation by the Board, by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any way.
- 10 *Pre-emptive Rights*
- 10.1 With the prior written approval of BTS, and subject to certain provisions in the Shareholders Agreement, the Company may raise funds by way of issue of Equity Shares or convertible instruments, from other investors or issue Equity Shares to any other person (hereinafter together referred to as the “**New Investor/s**”).
- 10.2 The Promoters and the Company undertake that in case of any issue of Equity Shares or convertible instruments or any other securities which would have an actual or potential dilutive effect on the holding of BTS in the Company to any New Investor/s, BTS shall have an independent right to subscribe to additional Equity Shares or convertible instruments, at their own discretion, at the same price at which the New Investor/s has/ve agreed to invest, for BTS to maintain its stake in the Company. The Company shall not offer any rights to such New Investor/s which will in any way conflict with the rights of BTS. In the event any person/New Investor investing in the Company is offered rights, including those relating to voting, dividends, transfer of Equity Shares, and further issue of Equity Shares, that are more favourable to such person/New Investor(s), BTS shall have the right to require the Promoters and the Company, and the Promoters and the Company shall ensure that BTS is entitled to enjoy any and all such rights offered to such other person/New Investor(s) and the parties agree to execute all such documents as are necessary to offer such additional rights to BTS.
- 10.3 In case the Company issues Equity Shares or convertible instruments to the New Investor/s at a price lower than the conversion price at which BTS Shares are agreed to be issued as per the Shareholders Agreement (“**Lower Valuation**”), then the Promoters and the Company shall ensure that BTS is issued

additional Equity Shares to the extent of the difference between the Equity Shares that would have been issued for BTS subscription amount at the Lower Valuation and BTS Shares, without any additional cash inflows or any other consideration from BTS, subject to applicable law.

- 10.4 Notwithstanding anything contained in the Shareholders Agreement, in the event BTS desires to acquire any such dilution instrument or requires the Company to issue and allot to it, or the Promoters to sell to it, Equity Shares of the Company, but is unable to do so due to any restrictions of law or for any reason beyond the control of BTS, the parties agree that BTS shall be entitled to nominate any of its Affiliates or a non-Affiliate (provided such non-Affiliate is not a person carrying on the same business as the Business) to acquire such dilution instrument or additional Equity Shares, as the case may be.

11. *Rights attaching to shares on issue*

Subject to the provisions of the Act, and without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Board may determine and, subject to the provisions of the Act, the Company may, upon determination by the Board, issue any shares which are, or at the option of the Board or the holder are liable, to be redeemed.

12 Shares at the disposal of Directors

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such Person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the general meeting to give to any Person or Persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any Person or Persons without the sanction of the Company in the general meeting.

## SHARE CERTIFICATES

16 *Issue of share certificates*

- 16.1 Every member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors so time determine ) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three (3) months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission , sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the Seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the Directors may prescribe and approve, provided that in respect of a share or shares held jointly by several Persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one or several joint holders shall be a sufficient delivery to all such holders.

Provided that if the letter of allotment is lost or destroyed, the Board may impose such reasonable terms, if any, as it thinks fit as to evidence and indemnity and the payment of out of pocket expenses incurred by the Company in investigating evidence. If the Directors so approve and upon payment of such fee, if any, not exceeding Rupees two (2) per certificate as the Directors may from time to time determine in respect of each class of shares, a member shall be entitled to more than one certificate for shares of each class.

Provided, however, no share certificate(s) shall be issued for shares held by the “Beneficial Owner(s)”.

- 16.2 (a) The Company shall not charge any fee: for registration of transfer of shares and debentures; for subdivision and consolidation of share and debenture certificates and for sub division of letters of allotment and split, consolidation renewal and pucca transfer receipts into denomination corresponding to the market units of trading; for sub-division of renounceable letters of right: for issue of new certificates in replacement of those which are old, decrepit or worn out or where the cages on the reverse for recording transfers have been fully utilized: for registration of any power of attorney, probate letters of administration or similar other documents. The Company will not charge any fees exceeding those which may be agreed upon with the relevant stock exchange for issue of new certificates in replacement of those that are torn, defaced, lost or destroyed for sub-division and consolidation of shares and debenture certificates and sub-division of letters of allotment and consolidation, renewal and pucca transfer receipts into denominations other than those fixed for the market units of trading.
- (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 certificate no.....” The word ‘Duplicate’ shall be stamped or punched in bold letters across the face of the share certificate.
- (c) All blank forms of share certificates shall be printed and the printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively machine numbered and the Secretary or the other Person duly authorized in this behalf shall be responsible for rendering an account of these forms to the Board.
- (d) 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 the safe custody of all books and documents relating to the issue of share certificates except the bank forms of share certificates referred to in sub-Article (c).
- (e) All the books referred to in sub-Article (d) shall be preserved in good order permanently.

17. *Form of share certificate*

The certificates of title to the shares shall be issued under the Seal which shall be affixed in the presence of and signed by (i) two Directors, (provided that one of the aforesaid two Directors shall be a Person other than the managing or whole time Director) and (ii) the Secretary or some other Person appointed by the Board for the purpose. Particulars of every share certificate issued shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be entered in the Register against the name of the Person to whom it has been issued indicating the date of issue and shall be in such form as the Directors may prescribe and approve, provided that in respect of a share or shares held jointly by several Persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one or several joint holders shall be a sufficient delivery to all such holder. A Director may sign the share certificates by affixing his signature thereon by means of any machine, equipment or other mechanical means such as engraving in metal or lithography but not by means of a rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose. Provided always that, notwithstanding anything contained in this Article, the certificates of title to the shares may be executed and issued in accordance with such other provisions of the Act, or the rules made thereunder, as may be in force for the time being and from time to time.

18. *Joint holders*

Where two or more Persons are registered as the holders of any shares they shall be deemed to hold the same as joint-tenants with benefit of survivorship subject to the following and other provisions contained in these Articles:-

- 18.1 The joint holders of any shares shall be liable severally as well as jointly for and in respect of all calls and other payments which ought to be made in respect of such shares.

- 18.2 On the death of any such joint holders, the survivor or survivors shall be the only Person or Persons recognized by the Company as having any title to the share but the Directors may require such evidence of death as they deem fit and nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability in respect of the shares held by him jointly with any Persons.
- 18.3 Only the Persons whose name stands first in the Register as one of the joint holders of any share may give effectual receipts for any dividends or other moneys payable in respect of such share.
- 18.4 Only the Person whose name stands first in the Register as one of the joint holders of any share shall be entitled to the delivery of the certificates relating to such share or to receive documents from the Company and documents served on or sent to such Persons shall be deemed service on all the joint-holders.
- 18.5 Any one of two or more joint-holders may vote at any meeting either personally or by proxy in respect of such shares as if he was solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy then that one of such Persons so present whose name stand first or higher (as the case may be) on the Register in respect of such share shall alone be entitled to vote in respect thereof but the other or others of the joint holders shall be entitled to be present at the meeting. Provided always that a joint holder present at any meeting personally shall be entitled to vote in preference to a joint holder present by proxy although the name of such joint holder present by proxy stands first or higher in the Register in respect of such shares. Several executors or administrators of a deceased member in whose (deceased member's) sole name any share stands shall for the purpose of this sub-clause be deemed joint holders.

#### 19 *Replacement of share certificates*

- 19.1 Any two or more certificate representing shares of any one class held by any member may at his request be cancelled and a single new certificate for such shares issued in lieu without charge.
- 19.2 If any member shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Board may, if they think fit, comply with such request.
- 19.3 If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under this Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rupees two (2) for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Notwithstanding the above, the Directors shall comply with such rules or regulation or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other act, or rules applicable thereof in this behalf.

- 19.4 In the case of shares held jointly by several Persons any such request may be made by any one of the joint holders.

#### 20 *Dematerialization of securities*

- 20.1 Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its existing shares, debentures and other securities, rematerialize its shares, debentures and other securities held in the Depositories and/or offer its fresh shares, debentures and other securities, in a dematerialized form pursuant to the Depositories Act, 1996 and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.

- 20.2 Every Person subscribing to securities offered by the Company shall have the option to receive Security certificates or to hold the securities with a Depository. Such a Person who is the Beneficial Owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any Security in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and within the time prescribed, issue to the Beneficial Owner the required certificate of securities.

If a Person opts to hold his Security with a Depository, the Company shall intimate such Depository the details of allotment of the Security and on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the Security.

- 20.3 All securities held by a Depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act, shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.

- 20.4 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.

Save as otherwise provided above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

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.

- 20.5 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.

- 20.6 Notwithstanding anything contained in these Articles, every holder of shares in or debentures of the Company may at any time nominate in the manner prescribed under the Act, a Person to whom his shares in or debentures of the Company shall vest in the event of his death. Such nomination and right of nominee to be registered as holder of shares/debentures as the case may be or for transfer of the shares/debentures as the case may be shall be governed by the provisions of Sections 109A and 109B and other applicable provisions of the Act.

- 20.7 Nothing contained in Section 108 of the Act shall apply to a transfer of securities effected by transfer and transferee both of whom are entered as beneficial owners in the records of a Depository.

- 20.8 Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held in the Depository mode.

## **CALLS**

### **21      *Power to make calls***

- 21.1 The Board may from time to time, (by a resolution passed at the meeting of the Board and not by circular resolution) but subject to the condition hereinafter mentioned, make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and which are not by the conditions of the allotment thereof made payable at fixed time and each member shall pay the amount of every call so made on him to the Persons and at the times appointed by the Directors. A call may be made payable by installments.

- 21.2 Where any calls are made on the shares, such calls shall be made on a uniform basis on all shares falling under the same class. For the purpose of this Article, shares of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

### **22      *Liability for calls***

Each member shall (subject to receiving at least fourteen (14) days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount

called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be wholly or partly revoked or postponed as the Board may determine.

23. *Interest on overdue amounts*

If a sum called in respect of a share is not paid on or before the day appointed for payment thereof, the Person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding 15 per cent per annum) as the Board determine but the Board shall be at liberty in any case or cases to waive payment of such interest wholly or in part.

24. *Other sums due on shares*

Any sum (whether on account of the nominal value of the share or by way of premium) which by the terms of allotment of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of allotment the same becomes payable. 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 notified.

25. *Payment of calls in advance*

25.1 The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

25.2 The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

**FORFEITURE AND LIEN**

26. *Notice on failure to pay a call*

26.1 If any member fails to pay the whole or any part of call or installment or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the call or installment or any part thereof and other moneys remain unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such member or on the Person (if any) entitled to the share by transmission requiring him to pay such call or installment or such part thereof of other moneys as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non payment.

26.2 The notice shall name a day (not being less than one month from the date of service of the notice) on or before which and the place or places at which such call or installment or such part thereof and other moneys as aforesaid and such interest and expenses as aforesaid are to be paid, and if payable to any Person other than and expenses as aforesaid are to be paid, and if payable to any Person other than the Company, the Person to whom such payment is to be made. The notice shall also state that in the event of non-payment at or before the time and if payable to any Person other than the Company at the place appointed the shares in respect of which the call was made or installment is payable will be liable to be forfeited.

27. *Forfeiture for non-compliance*

27.1 If the requirement of any such notice as aforesaid shall not be complied with, any of the shares in respect of which such notice has been given, may at any time thereafter but before payment of all calls

or installment interests and expenses and other moneys due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture, subject to Section 205 of the Act.

- 27.2 When any share shall have been so forfeited, an entry of the forfeiture with the date thereof shall be made in the Register and notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture but no forfeiture shall be, in any manner, invalidated by any omission of neglect to give such notice or to make any entry as aforesaid.

28. *Disposal of forfeited shares*

Any share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the Person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other Person upon such terms and in such manner as the Board shall think fit and at any time before a sale, re-allotment or disposal the forfeiture or surrender may be cancelled on such terms as the Board think fit. The Board may, if necessary, authorize some Person to transfer a forfeited or surrendered share to any such other Person as aforesaid.

29. *Holder to remain liable despite forfeiture*

- 29.1 Any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company any calls, installments, interests, expenses and other money owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as the Directors may determine and the Directors may enforce the payment of the whole or a portion thereof as if it were a new call made at the date of the forfeiture but shall not be under any obligation to do so.

- 29.2 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 share and all other rights incidental to the share except only such of those rights as by these presents are expressly saved.

30. *Lien on partly paid shares*

The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect any such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Provided that, fully paid shares shall be free from all lien and that in case of partly paid shares the Company's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares.

Unless otherwise agreed the registration of a transfer of such shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this Article.

31. *Sale of shares subject to lien*

For the purpose of enforcing such lien the Directors may sell the shares subject thereto in such manner as they shall think fit but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell such share shall have been served on such member or the Person (if any) entitled by transmission to the shares and default shall have been made by him in payment, fulfilment or discharge of such debts, liabilities or engagements for one month after such notice.

32. *Proceeds of sale of shares subject to lien*

The net proceeds of any such sale after payment of the costs of such sale shall be applied in or towards the satisfaction of such debts, liabilities or engagements of such member 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 such member or the Person (if any) entitled by transmission to the shares so sold.

33. *Evidence of forfeiture*

- 33.1 A certificate in writing under the hand of two (2) Directors that the call in respect of a share was made and notice thereof given and that default in payment of the call was made and that the forfeiture of the share was made by a resolution of the Directors to that effect shall be conclusive evidence of the facts stated therein as against all Persons entitled to such shares.
- 33.2 Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore 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 share sold and the Company may receive the consideration, given for the share on any sale, or other disposition thereof and the Person to whom such share is sold or disposed of may be registered as the holder of the share and he shall not be bound to see to the application of the consideration nor shall his title to the share be effected by any irregularity or invalidity in the proceedings with reference to the forfeiture, sale or other disposal of the share 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.
- 33.3 Upon any sale or other disposal under the provisions of the preceding Article, the certificate or certificates originally issued in respect of the relevant 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 have no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the Person or Persons entitled thereto.

**VARIATION OF RIGHTS**

34. *Manner of variation of rights*

- 34.1 Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, if so determined by the Directors and subject to the provisions of the Act, be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the same class or with the sanction of special resolution passed at a separate meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up.
- 34.2 To every such separate meeting all the provisions of these Articles relating to general meetings and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two (2) Persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (but so that at any adjourned meeting any holder of shares of the class present in Person or by proxy shall be a quorum) and that any holder of shares of the class present in Person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him.
- 34.3 The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

35. *Matters not constituting variation of rights*

The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by (a) the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto or (b) the purchase by the Company of any of its own shares.

## **RIGHTS OF BTS, ALDEN AND EXQUISITE**

### **36. Rights of BTS**

36.1 The Promoters' Shares held in the Company by the Promoters cannot be Transferred inter se between the Promoters nor to any third party or to their respective Affiliates, either directly or indirectly, in any manner whatsoever, without the prior written permission of BTS.

### **36.2 Right of First Refusal**

36.2.1 Each Promoter (the "**Offeror**") grants a right of first refusal to BTS (the "**Offeree**") with respect to the transfer by way of sale of any or all of the Equity Shares held by the Promoters (the "**Offered Shares**") and BTS (the "**Offeror**") grants a right of first refusal to each Promoter (the "**Offeree**") (in proportion to the Equity Shares, held by them inter-se), with respect to the transfer by way of sale of any or all of the Equity Shares held by BTS (the "**Offered Shares**"). Accordingly, in the event the Offeror desires to Transfer the Offered Shares, the Offeror shall first offer the same to the Offeree by way of a notice in writing and which notice shall be irrevocable, unless consented to be revoked by the Offeree (the "**Offer Notice**").

36.2.2 The Offer Notice shall specify:

- (a) the number of Offered Shares;
- (b) the price at which Transfer of the Offered Shares will be made (the "**Offer Price**"); and
- (c) the terms and conditions upon which the Offeror is willing to Transfer the Offered Shares (the "**Offer Terms**").

36.2.3 The offer of the Offered Shares through the Offer Notice shall be valid for a period of thirty (30) days from the date of receipt of the Offer Notice by the Offeree (the "**Offer Period**") and the Offeree shall, within the Offer Period, intimate to the Offeror whether or not the Offeree is willing to purchase all (but not part) of the Offered Shares.

36.2.4 In the event of the Offeree being desirous of purchasing the Offered Shares and addressing to the Offeror an intimation in that regard within the Offer Period, the completion of the sale and purchase of the Offered Shares shall take place within forty five (45) days of the Offeree addressing to the Offeror an intimation in terms of Article 36.2.3 at the registered office of the Company against payment of the relevant Offer Price by the Offeree to the Offeror in the manner mutually agreed upon between the Offeror and the Offeree.

36.2.5 In the event the Offeree does not intimate to the Offeror his/its desire to purchase the Offered Shares within the Offer Period and/or the Offeree fails to purchase the Offered Shares within forty five (45) days in terms of Article 36.2.4, the offer made by the Offeror, as per this Article shall lapse and the Offeror shall be free to Transfer the Offered Shares to any Person (subject to the Tag Along Right), for the Offer Price and on the Offer Terms.

36.2.6 If at any time after the Offered Shares are not accepted by the Offeree and the same are offered by the Offeror to any Person, at a price lower than the Offer Price and/or on terms more favourable than the Offer Terms, then the Offeree shall be entitled to a first right of refusal in respect of such Offered Shares offered at the price lower than the Offered Price or on terms more favourable than the Offer Terms and the rest of the provisions of this Article shall mutatis mutandis apply to such right of refusal.

36.2.7 In the event of BTS being unable to purchase the Offered Shares as a result of any legislation or regulation or any requirement, directive, decree or otherwise of any governmental authority, then BTS shall be entitled to, at its option, nominate any of its Affiliates or a non-Affiliate (provided such non-Affiliate is not a Person carrying on the same business as the Business) to purchase the Offered Shares.

36.2.8 Notwithstanding anything to the contrary contained herein, BTS shall be entitled to, irrespective of not accepting the Offered Shares, prevent the Offeror from Transferring the Offered Shares to any Person if in the sole opinion of BTS such Transfer would adversely affect the business or operations or results of operations or finances of the Company.

36.3 *Tag Along Rights*

- 36.3.1 Without prejudice to and in addition to the Right of First Refusal granted to BTS under Article 36.2, BTS shall have the right to require the Offeror to cause the proposed transferee of the Offered Shares to purchase part or all Equity Shares (at the option of BTS) held by BTS (the “**Tag Along Right**”) at the higher of the Offer Price or an amount which would give BTS an internal rate of return (“**IRR**”) of 18% (“**Tag Along Price**”) and on the Offered Terms.
- 36.3.2 The Tag-Along Right shall be exercised by BTS, if so desired, notifying the Offeror in writing (the “**Tag-Along Notice**”) within the Offer Period. The Tag-Along Notice shall state the number of shares that BTS desires to sell and will be included in the Transfer to the proposed transferee of Offered Shares.
- 36.3.3 Within 15 (fifteen) days of the receipt of the Tag Along Notice, the Offeror shall deliver to BTS, a notice setting forth the delivery instructions and procedures required to effectuate the Transfer.
- 36.3.4 If the proposed transferee of the Offered Shares does not purchase the shares from BTS at the Tag Along Price and on the Offered Terms, then the Offeror shall not be permitted to Transfer any shares to the proposed transferee of Offered Shares.
- 36.3.5 In the event the Offeror desires to Transfer the shares held by it or any part thereof, other than by way of sale, in any manner whatsoever, including by way of pledge, in favour of any Person, the provisions of this Article shall mutatis mutandis apply to such Transfer, save such variations as may be necessary and agreed between the Parties having regard to the nature of proposed Transfer.
- 36.3.6 This Article shall not apply in the event the proposed transferee is an Affiliate of the Promoter and the terms “Offeror” and “Offeree” shall be construed to mean each of the Promoters and BTS, respectively.

36.4 *Free Transferability of BTS Shares*

Subject to applicable law, BTS shall always be entitled to freely Transfer its BTS Shares to any Person. The Company shall take such steps as may be deemed necessary by BTS to facilitate a Transfer of its BTS Shares by BTS, including without limitation, access to necessary information and relevant records. In the event of an overseas offering of shares, the Company shall comply with applicable laws and regulations relating to such offering and undertake all actions required to enable BTS to obtain standard registration rights available to private equity investors, allowing it to offer its shares for sale as part of such offering.

37. *Rights of Alden*

37.1 *Tag along Provisions*

In case the Promoters transfer and/ or sell any part of their shareholding of the Company, with the written consent of the Alden, then the Promoters will arrange for a pro rata tag along option for the Alden at terms which are not less favourable than the terms offered to the Promoters.

37.2 *Anti Dilution Rights*

- 37.2.1 Any fresh issue of equity or equity linked instrument, as part of a subsequent round of financing shall be done in consultation with the Alden.
- 37.2.2 Further it will be ensured that the second round of funding to any person including the Promoters is made at a price not less than the average cost of acquisition of the equity shares held by the Alden.
- 37.2.3 In the unlikely event of the Company attracting a second round of financing at a valuation that is less than the valuation at which the Alden has invested in the Company, the Company shall undertake to issue fresh Shares to the Alden, free of cost, or at par, so as to ensure that there is no diminution in the Alden’s share holding and value thereof.

Except as indicated in the case of 'Anti Dilution Right, any further issuance of equity or equity linked instruments shall dilute all shareholders proportionately.

38. *Rights of Exquisite*

38.1 *Anti Dilution Rights*

38.1.1 Any issue of equity or equity linked instrument, as part of a subsequent round of financing shall be done in consultation with Exquisite. Exquisite and the Promoters shall have the right of first refusal in any future rounds of financing at an issue price considered fair by the Board of Directors.

38.1.2 Further the Board of Directors will ensure that the second round of funding to any person including the Promoters is made at an issue price not less than the average cost of acquisition of the Equity Shares held by Exquisite.

38.1.3 In the event of a second round of financing at a valuation that is less than the valuation at which Exquisite has invested in the Company, the Company shall undertake to issue such number of additional Equity Shares to Exquisite, free of cost, or at par, so as to ensure that there is no diminution in Exquisite's shareholding in the Company and value thereof.

Except as indicated Article 38.1.3 above any further issuance of equity or equity linked instruments shall dilute the shareholdings of all shareholders of the Company proportionately

38.2 *Tag Along Provisions*

In case the Promoters transfer and/or sell any part of their shareholding of the Company, with the written consent of Exquisite, then the Promoters will arrange for a pro rata tag along option for Exquisite at terms which are not less favourable than the terms offered to the Promoters, or acceptable to Exquisite.

## **TRANSFER AND TRANSMISSION OF SHARES**

39. *Form and instrument of transfer*

The Company shall not register a transfer of shares in the Company unless a common form of transfer is used which shall be in writing, duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying name, address and occupation, if any, of the transferee, has been delivered to the Company within the prescribed period along with the certificate relating to the shares or if no such share certificate is in existence, along with the letter of allotment of the shares, and all provisions of Section 108 of the Act and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof. Provided that, where on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit. Provided further that nothing in this Article shall prejudice any power of the Company to register as Shareholder any Person to whom the right to any shares in the Company has been transmitted by operation of law.

40. *Directors may refuse to register transfer*

Subject to the provisions of Section 111A of the Act, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Directors may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or transmission by operation of law of the right to, any shares or interest of a member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transfer, as the case may be, was delivered with the Company, send notice of refusal to the transferee and transferor or to the Person giving notice of such transmission, as the case may be, giving reasons for such refusal. Provided that 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 when the Company has a lien on the shares.

41. *No fee on registration*

No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar document.

42. *Closure of Register*

The registration of transfers may be suspended at such times and for such periods (not exceeding thirty (30) days in any year) as the Board may from time to time determine and either generally or in respect of any class of shares.

43. *Branch Register*

Subject to and to the extent permitted by the Act, the Company, or the Board on behalf of the Company, may cause to be kept in any territory a branch register of members resident in such territory, and the Board may make and vary such regulations as they may think fit respecting the keeping of any such register.

44. *Persons entitled on death*

In case of the death of a member, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only Persons recognized by the Company as having any title to his interest in the shares, but nothing in this Article shall release the estate of a deceased member (whether sole or joint) from any liability in respect of any share held by him.

45. *Election by Persons entitled by transmission*

A Person becoming entitled to a share in consequence of the death or bankruptcy of a member or otherwise by operation of law may (subject as hereinafter provided) upon supplying to the Company such evidence as the Board may reasonably require to show his title to the share either be registered himself as holder of the share upon giving to the Company notice in writing to that effect or transfer such share to some other Person. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the notice or transfer were a transfer made by the member registered as the holder of any such share.

46. *Rights of Persons entitled by transmission*

Save as otherwise provided by or in accordance with these Articles, a Person becoming entitled to a share in consequence of the death or bankruptcy of a member or otherwise by operation of law (upon supplying to the Company such evidence as the Board may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof (except with the authority of the Board) to exercise any right conferred by membership in relation to Shareholders' meetings until he shall have been registered as a member in respect of the share.

## **BORROWING POWERS**

47. *Borrowing Powers*

- 47.1 Subject to the provisions of the Act and these Articles and without prejudice to the other powers conferred by these Articles, the Directors shall have the power from time to time at their discretion, by a resolution passed at a meeting of the Board and not by circular resolution, to accept deposits from members, either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of moneys for the purposes of the Company provided that the total amount borrowed at any time together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) shall not, without the consent of the Company in general meeting, exceed the aggregate of the paid-up capital of the Company and its

free reserves that is to say, reserves not set apart for any specific purpose. Such consent shall be obtained by an ordinary resolution which shall provide for the total amount up to which moneys may be borrowed by the Board. The expression “temporary loans” in the Articles means loans repayable on demand or within six months from the date of obtaining the loan such as short term cash credit arrangements, discounting of bills and the issue of other short term loans of seasonal character but does not include loans raised for the purpose of financing expenditure of a capital nature.

47.2 Subject to the provisions of the Act and these Articles, the Directors may by resolution passed at the meeting of the Board and not by Circular Resolution raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable debentures or debenture stock or any mortgage or charge or other Security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

47.3 The provision of this Article shall mutatis mutandis apply to debentures of the Company.

48. *Terms of issue of debenture*

Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the general meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the general meeting by a special resolution.

49. *Issue subject to resolution passed at general meeting*

Subject to the provisions of the Act and these Articles, any bonds, debentures, debenture stock or other securities may be issued at a discount premium or otherwise and with any special privileges and conditions as to redemption, surrender, drawings, allotment of shares attending (but not voting) at general meetings, appointment of Directors and otherwise provided that debentures with the right to allotment of or conversion into shares shall not be issued except with the sanction of the Company in general meeting.

50. *Liability and Indemnity*

Subject to the provisions of the Act and these Articles, if the Directors or any them or any other Person shall incur or be about to incur any liability whether personal or as surety for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or Security of, on, over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or any other Person so becoming liable as aforesaid from any loss in respect of such liability.

## **GENERAL MEETINGS**

52. *Annual and extraordinary general meetings*

An annual general meeting shall be held once in every year, at such time (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting) and place as may be determined by the Board. All other general meetings shall be called extraordinary general meetings.

53. *Convening of extraordinary general meetings*

The Board may whenever they think fit, and shall on requisition in accordance with the Act, proceed with proper expedition to convene an extraordinary general meeting.

54. *Notice of general meetings*

Unless otherwise agreed by all the Shareholders, at least 21 days' notice shall be given in writing by the Company to the Shareholders of any general meeting of the Company.

55. *Contents of notice of general meetings*

- 55.1 Every notice calling a general meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.
- 55.2 The notice shall specify the general nature of the business to be transacted at the meeting, and if any resolution is to be proposed as special resolution, the notice shall contain a statement to that effect. Unless in any particular case, all the Shareholders shall otherwise agree, no resolution relating to any business may be proposed or passed unless the nature of the business is specified in the relevant notice. The notice and agenda shall be sent by facsimile transmission, to be followed immediately by confirmation by mail or by hand.
- 55.3 In the case of an annual general meeting, the notice shall also specify the meeting as such.

56. *Chairman*

- 56.1 The chairman of the Board shall preside as chairman at a general meeting. If there is no such chairman, or if at any meeting, neither the chairman is present within five (5) minutes after the time appointed for holding the meeting nor willing to act, the Directors present shall choose one of their number (or, if no Director is present or if all the Directors present decline to take the chair, the members present and entitled to vote shall choose one of their number) to be chairman of the meeting.
- 56.2 The chairman with the consent of any meeting at which a quorum is present, may adjourn any meeting from time to time and from place to place in the city or the town in which the registered office the Company is situated.
- 56.3 No business shall be discussed at general meeting except the election of a chairman whilst the chair is vacant.

57. *Quorum*

- 57.1 Subject to the provisions of the Act, five (5) Shareholders shall constitute quorum in Shareholders Meetings of the Company
- 57.2 The Shareholders shall use all reasonable endeavours to procure that their respective representatives attend each meeting of Shareholders and that a quorum is present throughout each such meeting.
- 57.3 If within half an hour from the time appointed for the meeting a quorum be not present, the meeting, if convened upon a requisition of Shareholders shall be dissolved but in any other case it shall stand adjourned to the same day in the next week at same time and place, unless the same shall be public holiday when the meeting shall stand adjourned to the next day not being a public holiday at the same time and place and if at such adjourned meeting a quorum be not present within half an hour from the time appointed for the meeting, those members who are present and not being less than two Persons shall be a quorum and may transact the business for which the meeting was called.

58. *Voting*

The Shareholders shall cause all voting at any Shareholders' meeting to be by show of hands, unless poll is demanded and every member present in Person and being a holder of shares shall have one vote and every Person present either as a proxy on behalf of a holder of shares or as a duly authorized representative of a body corporate being a holder of shares, if he is not entitled to vote in his own right shall have one vote.

59. *Procedure on a poll*

A poll shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

60. *Voting on a poll*

On a poll votes may be given either personally or by proxy and a Person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

61. *Amendments to resolutions*

If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a special resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

**VOTES OF MEMBERS**

62. *Votes attaching to shares*

Subject to any special rights or restrictions as to voting attached by or in accordance with these Articles to any class of shares, on a show of hands every member who is present in Person shall have one vote and on a poll every member who is present in Person or by proxy shall have one vote for every share of which he is the holder.

63. *Votes of joint holders*

In the case of joint holders of a share the vote of the senior who tenders a vote, whether in Person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the share.

64. *Equality of votes*

The chairman of the meeting shall not be entitled to a casting vote in the case of an equality of votes, whether on a show of hands or on a poll. In such event, the relevant resolution shall be deemed not to have been passed.

65. *Restriction on voting in particular circumstances*

No member shall, unless the Board otherwise determine, be entitled in respect of any share held by him to vote either personally or by proxy at a Shareholders' Meeting or to exercise any other right conferred by membership in relation to Shareholders' Meetings if any call or other sum presently payable by him to the Company in respect of that share remains unpaid.

66. *Voting by guardian*

A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on poll, vote by proxy; if any member be a minor, the vote in respect of his share or shares shall be by his guardian, or any one of his guardians, if more than one, to be elected in case of dispute by the chairman of the meeting.

67. *Validity and result of vote*

67.1 No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

67.2 Unless a poll is taken a declaration by the chairman of the meeting that a resolution has been carried or carried unanimously, or by a particular majority or lost and an entry to that effect in the minute book,



shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution.

## **BOARD**

### *74. Number of Directors*

The Board, including any Nominee Director, shall be restricted to the maximum number as may be specified under the Act, from time to time.

### *75. Share qualification*

A Director shall not be required to hold any shares of the Company by way of qualification.

### *76. Directors' fees*

The Nominee Directors shall be entitled to equal rights and privileges including sitting fees and expenses and any commission, if payable to the other non-executive Directors of the Company. Provided, however, that in respect of BTS Nominee Directors, if BTS so advises, the sitting fees shall accrue to BTS and the same shall accordingly be paid directly to BTS.

### *77. Directors' expenses*

The Company shall be responsible for the payment of expenses and out-of-pocket costs ("**Director's Expenses**") incurred by each of the Directors in the performance of his or her duties as a Director. Each Director's Expenses shall be invoiced monthly with such supporting information as the Company may reasonably require and shall be paid not later than the date falling 30 days after the date of the relevant invoice.

## **APPOINTMENT AND RETIREMENT OF DIRECTORS**

### *78. Appointment of Directors*

78.1 The Company in general meeting may, subject to the provision of these Articles and the Act, at any time elect any Person to be a Director and may, from time to time, increase or reduce the number of Directors. Any member of the Company shall be competent to propose the name of any Person who is otherwise not disqualified as being a Director of a Company, for the office of Director in the Company.

78.2 For so long as BTS and/or its Affiliates hold, directly or indirectly, at least 50% of the Equity Shares held by BTS after listing of the Equity Shares in terms of the IPO, BTS shall be entitled to nominate one BTS Nominee Director on the Board.

78.3 Further, the Company shall, subject to the provisions of the Act and these Articles, be entitled to agree with any such nominating person, firm or corporation that he or it shall have the right to appoint his or its nominee on the Board of Directors of the Company upon such terms and conditions as the Company may deem fit. The corporation, firm or person shall also be entitled, from time to time, to remove any such Director or Directors and appoint another or others in his or their places.

### *79. Nominee Directors*

The nominee directors so appointed under these Articles shall hold the said office only in terms of the agreement between the Company and the nominating person, and the nominee director is so appointed in exercise of the said power shall ipso-facto vacate such office immediately upon lapse of the term or on the occurrence of the events prescribed in such agreement. The Board of Directors of the Company shall have no power to remove from office the nominee directors appointed as per these Articles. At the option of the nominating entity, such nominee directors shall not be liable to retirement by rotation of directors. Subject as aforesaid, the nominee directors shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company. The Company shall pay to the nominee directors sitting fees and expenses which the other directors of the Company are entitled to, but if any other fees, commission, moneys or remuneration in any form is payable to the Directors of the

Company, the fees, commission, moneys and remuneration in relation to such nominee directors shall accrue to the nominating person, and the same accordingly be paid by the Company directly to the nominating person.

80. *Retirement by rotation*

- 80.1 Each of the Directors, excluding any Nominee Director, shall be Persons whose period of office is liable to determination by retirement by rotation. At every annual general meeting of the Company one third of such Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three the number nearest to one third shall retire from office and save as otherwise expressly provided in the Act and these Articles be appointed by the Company in general meeting.
- 80.2 Subject to the provisions of the Act and these Articles, a retiring Director shall be eligible for re-appointment.
- 80.3 The Company at the annual general meeting at which a Director retires in the manner aforesaid, may fill up the vacated office by electing the retiring Director or some other Person thereto.
- 80.4 If the place of retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.
- 80.5 If at the adjourned meeting also the place of the retiring Directors is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting unless:
- (a) at the meeting or at the previous meeting a resolution for the re-appointment of such Directors has been put to the meeting and lost;
  - (b) the retiring Director has by a notice in writing addressed to the Company or its Board, expressed his unwillingness to be so re-appointed;
  - (c) he is not disqualified for appointment;
  - (d) a resolution, whether special or ordinary, is required for his or their appointment or re-appointment by virtue of any provisions of the Act;
  - (e) The proviso to sub section (2) of Section 263 of the Act is applicable to the case.
- 80.6 (1) Subject to the provisions of the Act and these Articles any Person who is not a retiring Director shall be eligible for appointment to the office of Director at any general meeting if he or some member intending to propose him has at least fourteen clear days before the meeting left at the registered office of the Company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member to propose him as a candidate for that office as the case may be along with a deposit of Rs. 500/- which shall be refunded to such Person or as the case may be to such member, if the Person succeeds in getting elected as Director.
- (2) Every Person (other than a Director retiring by rotation or otherwise or a Person who has left at the office of the Company a notice under sub clause (1) of this Article or Section 257 of the Act signifying his candidature for the office of the Director) proposed as a candidate for the office of a Director shall sign and file with the Company his consent in writing to act as a Director if appointed.
- (3) On receipt of the notice referred to in this Article, the Company shall inform its members of the candidature of that Person for the office of a Director or of intention of a member to propose such Person as a candidate for that office by serving individual notice on members not less than seven (7) days before the meeting provided that it shall not be necessary for the Company to serve individual notices upon the members if the Company advertises such candidature or intention not less than seven (7) days before the meeting in at least two newspapers circulating in the city, town or village in which the Office of the Company is situated, of which one is published in the English language and the other in the regional language.

(4) A Person other than:

- (a) a Director re-appointed after retirement by rotation or immediately on the expiry of the term of his office, or
- (b) an additional or alternate Director, or a Person filling a casual vacancy in the office of Director under Section 262 of the Act appointed as a Director or re-appointed as an additional or alternate Director immediately on the expiry of his term of office, or
- (c) a Person named as a Director of the Company in Article 78, hereof, shall not act as a Director of the Company unless he has within 30 days of his appointment signed and filed with the Registrar of Companies his consent in writing to act as such Director.

80.7 At a general meeting of the Company, a motion shall not be made for the appointment of two or more Persons as Directors of the Company by a single resolution unless a resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it. A resolution moved in contravention of this Article shall be void whether or not objection was taken at the time of its being so moved; provided that where a resolution so moved is passed no provision for automatic reappointment of retiring Directors by virtue of these Articles or the Act in default of another appointment shall apply.

81. *Chairman*

81.1. One of the Directors shall be appointed as chairman of the Company in accordance with the provisions of the Act.

81.2 Any appointment or withdrawal of a Director pursuant to these Articles shall be implemented in the following manner:

81.2.1 A notice signed by the Shareholder specifying the identity of the Person to be nominated or removed as a Director and the date on which such nomination or withdrawal is to take effect (such date, the “**Relevant Date**”) shall be delivered to the Company’s company secretary at the registered office of the Company or to a meeting of the Board. If any such notice is delivered to a meeting of the Board, the Board shall at the same meeting pass the necessary resolutions to give effect to such nomination or withdrawal. If any such notice is delivered to the Company’s company secretary, he shall, at the direction of the chairman, either convene a meeting of the Board on or prior to the Relevant Date to pass the necessary resolutions to give effect to the nomination or removal of the nominated Director as specified in such notice or, if it is not practicable to convene a meeting of the Board on or prior to the Relevant Date, cause a circular resolution to be passed to give effect to such nomination or withdrawal and such a circular resolution shall be tabled at the following meeting of the Board.

81.2.2 If any nomination or withdrawal of a Director has to be approved by the Shareholders in a general meeting, the Company’s company secretary shall, at the direction of the Board, include the approval of the nomination or withdrawal of a Director in the agenda for the immediately following Shareholder Meeting or, if required, convene an extraordinary Shareholder Meeting to approve such nomination or withdrawal.

81.3 Subject to applicable laws, any Director may, by giving notice in writing to the Board appoint an alternate and may, in the same way, withdraw an alternate so appointed by him. An alternate shall be entitled to receive notice of all meetings of the Board and attend and vote as such at any meeting at which the Director appointing him is not personally present, and generally in the absence of his appointer to do all the things which his appointer is authorized or empowered to do. A Director who is also an alternate shall be entitled, in the absence of his appointer.

81.3.1 to a separate vote on behalf of his appointer in addition to his own vote; and

81.3.2 to be counted as part of the quorum of the Board on his own account and in respect of the Director for whom he is the alternate.

82. *Casual Vacancies*

Subject to the provisions of Section 262(2), 284(6) and other applicable provisions (if any) of the Act, any casual vacancy occurring in the office of the Director when period of office is liable to determine by

retirement by rotation may be filed by the Directors at a meeting of the Board. Any Person so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office if the vacancy had not occurred.

83. *Additional Director*

The Board shall have power, at any time and from time to time, to appoint any other Person to be additional Director, but so that the number of the Directors shall not at any time exceed the maximum fixed by Article 74 above. Any Director appointed, as an additional Director shall continue in office till the next annual general meeting held after such appointment but shall be eligible for appointment by the Company as a Director at the meeting, subject to the provisions of the Act.

84. *Alternate Directors*

The Board may appoint an Alternate Director to act for any Director during the latter's absence for a period of not less than three months from the State in which the meeting of the Board is normally held. An Alternate Director under this Article shall vacate office if and when the original Director returns to the State. If the term of office of the original Director is determined before he so returns to the State, any provision in the Act or in these Articles for automatic re-appointment of retiring Directors in default of another appointment shall apply to the original Directors and not to the Alternate Director

## **MEETINGS AND PROCEEDINGS OF DIRECTORS**

85. *Proceedings of the Board*

Meetings of the Board shall be held at least once every three (3) months and otherwise more frequently as circumstances require. At least five (5) Business Days' written notice of a Board Meeting shall be given to each Director and his alternate (if any), provided that a meeting of the Board may be convened by giving not less than 48 hours' notice if the interests of the Company would be likely to be adversely affected to a material extent if the business to be transacted at such Board meeting were not dealt with as a matter of urgency or if all Directors or their respective alternates agree. An agenda identifying in reasonable detail the issues to be considered by the Directors at any such meeting and copies of any relevant papers to be discussed at the meeting shall be distributed in advance of the meeting to all members of the Board and their alternates so as to ensure that they are received at least three (3) Business Days prior to the date fixed for such meeting or, if a meeting of the Board is convened at 48 hours' notice, as soon as practicable. The notice, agenda and any relevant papers for the Board meeting may be sent to those Directors residing outside India by facsimile transmission or e-mail, to be followed immediately by confirmation by e-mail.

86. *Compliance Certification*

At every Board meeting, the Chief Executive Officer or Managing Director shall provide a compliance certificate to the Board stating that the business and affairs of the Company have been conducted in compliance with law and in the best interest of the Company and also certify that all the statutory payments and obligations of the Company have been fulfilled.

87. *Quorum*

- 87.1 The quorum at a Board meeting for all matters and subjects shall be one-half of its total strength or more, provided that if within thirty (30) minutes of the time appointed for holding any Board meeting, the required quorum is not present, then the Directors present at such meeting shall resolve to adjourn the meeting to a specified place, at the same day and time in the week following the week of the adjourned meeting, and if any resolution is passed by the Board (or any part thereof) without due quorum as provided herein, any such resolution shall be invalid.
- 87.2 If at such adjourned meeting also the required quorum is not present within half an hour from the time appointed for holding the meeting, then at such adjourned meeting one-half of the total strength of the Board or more Directors present shall validly constitute the quorum.

88. *Voting*

All decisions of the Board shall be arrived in the manner set out in this Article 88 read with Article 87, i.e., all decisions shall be decided by way of a vote of a simple majority at any meeting of the Board (or any quorate part thereof).

89. *Board Committees*

The Board may delegate its powers to one or more committee(s) and upon such terms and conditions as may be imposed by the Board. The procedures, quorum requirements, voting requirements and voting restrictions for any such committee(s) shall follow and comply with the procedures for Directors' meetings as set out in these Articles. Any committee shall only act in accordance with the instructions of the Board.

90. *Managing Director or whole time Director or whole time Directors*

90.1 Subject to the provisions of the Act, the Board shall from time to time appoint one of the Directors to be the Managing Director.

90.2 Subject to the provisions of Section 269 and other applicable provisions of the Act the Board may also appoint any Director as Whole time Director of the Company in addition to Managing Director and from time to time remove or dismiss him from office and appoint another in his place. Such appointment of Whole time Director shall be approved by a special resolution in the general meeting.

90.3 The Whole time Director or Directors so appointed shall carry out such functions and have such powers as be entrusted and/ or delegated to him or them by the Board in consultation with the Managing Director. The Whole time Director or Director shall work under the supervision and control of the Managing Director.

90.4 The Managing Director shall be a Whole time Director of the Company. A Managing Director so appointed shall while holding that office be subject to retirement by rotation and he shall be taken into account in determining the number of Directors to retire by rotation.

90.5 The remuneration of the Managing Director or Whole time Director (subject to the provisions of the Act) shall be in accordance with the terms of his or their contract with the Company.

90.6 Subject to the provisions of the Act and to the terms of resolution of the Company in general meeting or of any resolution of the Board, the Managing Director shall have effective control of the day to day management of the Company under the superintendence, control and direction of the Board. He may, subject to the approval of the Board have power to do all acts, matters and things deemed necessary, proper or expedient for carrying on the business and concerns of the Company including power to appoint, suspend and dismiss officers, staff and workmen of the Company and to exercise such powers as are delegated to him by the Board or as may be detailed in the agreement between him and the Company in such matters as incurring capital and revenue expenditure on behalf of Company, entering into contracts, taking suitable legal actions operating on bank accounts, making investments and other subjects.

90.7 The Managing Director shall be appointed by the Board in accordance with the provisions of the Act.

91. *Number of Directors below minimum*

The continuing Directors may act notwithstanding any vacancies, but if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Articles, the continuing Directors or Director may act for the purpose of filling such vacancies in accordance with Article 82 or of summoning general meetings, but not for any other purpose. If there be no Directors or Director able or willing to act, then any two members may summon a general meeting for the purpose of appointing Directors in accordance with these Articles.

92. *Circular resolutions*

A resolution in writing signed by all the Directors entitled to vote thereon (being not less in number than a quorum for meetings of the Board) shall be as valid and effectual as a resolution duly passed at a meeting of the Board and may consist of several documents in the like form each signed by one or more Directors.

**DIRECTOR'S INTERESTS**

93. *Director may contract with the Company*

Subject to the provisions of the Act, Director or his relative, or any firm in which such Director or relative is a partner, or any other partner in such firm or private company of which the Director is a member or Director may enter into any contract with the Company for the sale, purchase or supply of any goods, materials or services or for under writing the subscription of shares in or debentures of the Company.

94. *Disclosure of Interest*

A Director of the Company who is any way, whether directly or indirectly concerned or interested in a contract or arrangement, or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in the Act. Provided that it shall not be necessary for a Director to disclose his concern or interest or arrangement entered into or to be entered into with any other Company where any of the Directors of the Company or two or more of them together holds or hold not more than two per cent of the paid-up share capital in any such other Company.

95. *General notice of disclosure*

A General Notice, given to the Board by the Director to the effect that he is a Director or member of a specified firm and is to be regarded as concerned or interested in any notice shall expire at the end of the financial year in which it shall be given but may be renewed for a further period of one financial year at a time by 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, reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

96. *Interested Directors not to participate or vote in Board proceedings*

No Director shall as a Director take part in the discussion of, or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is in any way, 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 shall be void, provided however, that nothing herein contained shall apply to:

- (a) any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety or a surety of the Company;
- (b) any contract or arrangement entered into or to be entered into with a public Company or a private Company which is subsidiary of a public company in which the interest of the Director consists solely in his being:
  - (i): (a) a Director of such Company; and (b) the holder of not more than share of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company; or
  - (ii) a member holding not more than two percent of its paid up share capital.

## **POWERS OF BOARD**

### **97. *General Powers***

Subject to these Articles and applicable laws, the Board shall be entitled to exercise all powers and to do all acts and things on behalf of the Company as are necessary and desirable for the exercise of such powers. The Board shall be responsible for all policy and management decisions of the Company and/or relating to the Business.

### **98. *Supervision of Company Affairs***

The Board shall be responsible for the direction, supervision and control of the affairs of the Company and shall take decisions in respect of all those matters which are statutorily required to be taken by the Board and/or any other matter which may be recommended to the Board by the CEO for its consideration and approval or noting.

### **99. *Dealings at arm's length***

The Business of the Company shall at all times be conducted honestly and independently from the business of the Shareholders, but subject thereto the Company may transact business on arms length commercial terms with any of the Shareholders and, to the maximum extent possible, shall purchase products and services which are or will be available from the Shareholders provided that they are generally competitive with third party suppliers in terms of price, quality, functionality and terms of sale.

### **100. *Unethical business practices***

The Board shall ensure that the Company does not engage in any business with any agent, distributor, customer or other Person where the Board knows or suspects that payoffs or other similar practices are involved in doing such business.

## **SECRETARY**

### **101. *Secretary***

Subject to the provisions of Section 2 (45) of the Act and the Rules made thereunder, the Directors shall appoint any duly qualified Person as the Secretary of the Company for such term, at such remuneration and upon such conditions as they may think fit and Secretary so appointed may be removed by them. The Directors may also appoint a duly qualified Person as a temporary substitute for the Secretary who shall for the purpose of these present be deemed to be the Secretary. The main function of the Secretary shall be the responsibility for maintaining registers required to be kept under the Act, for making the necessary documents required to be registered with the Registrar of Companies and for carrying out all other administrative and ministerial acts, duties and functions which a Secretary of a Company is normally supposed to carry out, such as giving the necessary notice to the members, preparing agendas of meetings, issuing notice to the Directors, preparing minutes of meetings of members and of Directors and of any other statutory documents, and he shall carry out and discharge such other functions, duties as the Directors or the Managing Director may from time to time require him to do.

## **RESERVES**

### **105. *Establishment of Reserves***

The Board may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Board, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may, either be employed in the Business or be invested. The Board may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Board may also, without placing the same to reserve carry forward any profits. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act.

## **DIVIDENDS**

### **107. *Final dividends***

- 107.1 Subject to the applicable regulations, these Articles and the requirement of any lenders to the Company, all of the net after tax profits of the Company in each year after having regard to the Company's funding requirements (if any) and after the payment of interest, and (to the extent required thereunder) the repayment of principal shall, upon the recommendations of the Board, be distributed to the Shareholders by way of dividend.
- 107.2 The Shareholders shall approve the recommendations of the Board regarding the dividend and each such distribution by way of dividend shall be made within 42 days of the completion of the final audit of the financial statements of the Company at the end of each Accounting Period and the holding of the general meeting of the Shareholders approving the declaration of the relevant dividend.

### **108. *Dividend to Shareholders***

- 108.1 The Shareholders shall be entitled to dividend in preference to any other class of shares of the Company including any other class of preference shares. Accordingly, the dividend due to the Shareholders shall be paid by the Company in priority to all other payments (whether by way of, redemption of capital, premium thereon or costs incurred in relation to redemption) to any other Shareholder (including in case of the liquidation of the Company).
- 108.2 No other kind of shares issued by the Company (including junior Preference Shares or Equity Shares as may be issued by the Company) would have a right to be repaid or paid any dividend thereon until the BTS Shares are redeemed or converted.

### **109. *Fixed and interim dividends***

If and so far as in the opinion of the Board the profits of the Company justify such payments, the Board may pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit. Provided the Board act in good faith they shall not incur any liability to the holders of any shares for any loss they may suffer by the lawful payment, on any other class of shares having rights ranking after or *pari passu* with those shares, of any such fixed or interim dividend as aforesaid.

### **110. *Distribution in specie***

The Company may, only upon the recommendation of the Board, by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Board shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Board may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members and may vest any assets in trustees.

### **111. *No dividend except out of profits***

No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Act and not otherwise than in accordance with the provisions of these Articles.

### **112. *Ranking of shares for dividend***

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article no amount paid on a share in advance of calls shall be treated as paid on the share.



113. *Manner of payment of dividends*

113.1 Any dividend or other moneys payable on or in respect of a share shall be paid to the member or to such other Person as the member (or, in the case of joint holders of a share, all of them) may in writing direct. Such dividend or other moneys may be paid (i) by cheque sent by post to the payee or, where there is more than one payee, to any one of them, or (ii) by inter-bank transfer to such account as the payee or payees shall in writing direct, or (iii) using the facilities of a relevant system, or (iv) by such other method of payment as the member (or in the case of joint holders of a share, all of them) may agree to. Every such cheque shall be sent at the risk of the Person or Persons entitled to the money represented thereby, and payment of a cheque by the banker upon whom it is drawn, and any transfer or payment within (ii) or (iii) above, shall be a good discharge to the Company.

113.2 Subject to the provisions of these Articles and to the rights attaching to any shares, any dividend or other moneys payable on or in respect of a share may be paid in such currency as the Board may determine, using such exchange rate for currency conversions as the Board may select.

113.3 The Company may cease to send any cheque, warrant or order by post for any dividend on any shares which is normally paid in that manner if in respect of at least two consecutive dividends payable on those shares the cheque, warrant or order has been returned undelivered or remains uncashed but, subject to the provisions of these Articles, shall recommence sending cheques, warrants or orders in respect of the dividends payable on those shares if the holder or Person entitled by transmission claims the arrears of dividends and does not instruct the Company to pay future dividends in some other way.

114. *Joint holders*

If two or more Persons are registered as joint holders of any share or are entitled jointly to a share in consequence of the death or bankruptcy of the holder or otherwise by operation of law, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

115. *Record date for dividends*

Any resolution for the declaration or payment of a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Board, may specify that the same shall be payable to the Persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferor and transferees of any such shares.

116. *No interest on dividends*

No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

117. *Retention of dividends*

117.1 The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the moneys payable to the Company in respect of that share.

117.2 The Board may retain the dividends payable upon shares in respect of which any Person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any Person is under those provisions entitled to transfer, until such Person shall become a member in respect of such shares or shall transfer the same.

118. *Unclaimed dividend*

Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the Company in that behalf in any scheduled bank, to be called “*Parabolic Drugs Limited Unpaid Dividend Account*”

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of 7 years from the date of such transfer, shall be transferred by the Company to the fund known as Investor Education and Protection Fund established under Section 205C of the Act.

There shall be no forfeiture of unclaimed dividends before the claim becomes barred by law.

119. *Waiver of dividend*

The waiver in whole or in part of any dividend on any share by any document (whether or not executed as a deed) shall be effective only if such document is signed by the Shareholder (or the Person entitled to the share in consequence of the death or bankruptcy of the holder or otherwise by operation of law) and delivered to the Company and if or to the extent that the same is accepted as such and/or acted upon by the Company.

**CAPITALIZATION OF PROFITS AND RESERVES**

120. *Capitalization of profits and reserves*

120.1 The Board may resolve to capitalize any sum standing to the credit of any of the Company’s reserve accounts (including any share premium account, capital redemption reserve or other undistributable reserve) or any sum standing to the credit of profit and loss account.

120.2 Such capitalization shall be effected by appropriating such sum to the holders of shares on the Register at the close of business on the date of the resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

120.3 The Board may do all acts and things considered necessary or expedient to give effect to any such capitalization, with full power to the Board to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Board may authorize any Person to enter on behalf of all the members interested into an agreement with the Company providing for any such capitalization and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

**SECRECY**

129. *Secrecy*

129.1 Every Director, Auditor, Trustee, member of a committee, officer, servant, agent, accountant and other Person employed in the business of the Company shall if so required by the Directors, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customers and the state of accounts with individuals and in matters related thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Directors or by law or by the Person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.

129.2 No member shall be entitled to visit or inspect the Company’s works without the permission of the Directors or to require discovery of or any information respecting any detail of the Company’s trading or

any matter which is or may be in the nature of a trade secret, mystery of trade, or secret process, which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interest of the Company to communicate to the public.

## **INDEMNITY**

### **130. *Indemnity***

130.1 (1) Subject to the provisions of Section 201 of the Act, every Director of this Company, Secretary or any other officer or employee of the Company and the Trustee (if any) for the time being acting in relation to any of the affairs of the Company and every one of them be indemnified by the Company against and it shall be duty of the Directors out of the funds of the Company to pay all bona fide costs, losses and expenses (including travelling expenses) which any such Director, officer or employee and the trustee (if any) for the time being acting in relation to any of the affairs of the Company may incur or become liable to by reason of any contract entered into or any act or deed done by him as such Director, officer or servant or in any way in the discharge of his duties.

(2) Subject as aforesaid every Director, Secretary or other officer or employee of the Company or the Trustee (if any) for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is given to him by the court.

130.2 Subject to the provisions of Section 201 of the Act, no Director or other officer of the Company shall be liable for the acts, omissions, neglect, defaults of any other Director or officer or for joining in any omission or other act for conformity or for any loss or expenses suffered by the Company through insufficiency of title to any property acquired by the order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any Security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency, or tortuous act of any Person, company or corporation with whom any moneys, securities or effects of the Company shall be entrusted or deposited or for any loss occasioned by any error of judgment or oversight on his part or for any other loss or damage of misfortune whatever which shall happen in the execution of duties of his office or in relation thereto unless the same happens through his own dishonesty, wilful neglect or default.

## **APPLICABILITY OF CERTAIN ARTICLES AT LISTING OF THE EQUITY SHARES**

### **131. *Applicability of certain Articles at listing of the Equity Shares***

Notwithstanding anything contained in these Articles, as on the date of the listing of the Equity Shares of the Company on stock exchanges in terms of the IPO, all rights of BTS, Exquisite and Alden as set out under these Articles and / or under the Shareholders Agreements, except as set out in Article 78.2, shall automatically cease to be applicable, without any Shareholder being required to take any further action or furnish any notice, and without prejudice to any existing or accrued rights or liabilities of either party under the respective Shareholders Agreements.

**SECTION IX: OTHER INFORMATION**  
**MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts which are or may be deemed material have been entered into or will be entered into by our Company. These contracts, copies of which would be attached to the copy of this Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at our Registered Office from 10.00 am to 4.00 pm (IST) on Working Days, during the Bidding Period.

**Material Contracts to the Issue**

1. Issue Agreement dated January 14, 2010 by and among our Company, the Selling Shareholders, the BRLMs and the CBRLM.
2. Agreement dated January 7, 2010 by and among our Company, the Selling Shareholders, and the Registrar to the Issue.
3. Escrow Agreement dated [●] by and among our Company, the Selling Shareholders, the BRLMs, the CBRLM, the Syndicate Members, the Escrow Collection Banks and the Registrar to the Issue.
4. Syndicate Agreement dated [●] by and among our Company, the Selling Shareholders, the BRLMs, the CBRLM and the Syndicate Members.
5. Underwriting Agreement dated [●] by and among our Company, the Selling Shareholders, the BRLMs, the CBRLM and the Syndicate Members.

**Other Material Contracts**

1. Shareholders agreement dated April 15, 2008 by and among our Company, BTS, Mr. Pranav Gupta, Mr. Vineet Gupta, Pranav Gupta Family Trust, Vineet Gupta Family Trust, Mrs. Rama Gupta, PNG and PIPL, along with Termination Agreement between the parties, dated January 7, 2010.
2. Shareholders agreement dated November 8, 2006 by and among our Company, Exquisite, Mr. Pranav Gupta, Mr. Vineet Gupta, Pranav Gupta Family Trust, Vineet Gupta Family Trust, Mrs. Rama Gupta, Mr. T.N. Goel, and PNG, as amended on March 13, 2008 and July 23, 2008, along with Termination Agreement between the parties, dated January 7, 2010.
3. Shareholders agreement dated July 31, 2006 by and among our Company, Alden (formerly known as Minivet Limited), Mr. Pranav Gupta, Mr. Vineet Gupta, Pranav Gupta Family Trust, Vineet Gupta Family Trust, Mrs. Rama Gupta, PNG and PIPL, as amended on March 31, 2008 and June 17, 2008, along with Termination Agreement between the parties, dated January 6, 2010.

**Material Documents**

1. Memorandum and Articles of Association of our Company as amended.
2. Certificate of incorporation dated February 22, 1996.
3. Certificate of commencement of business dated March 15, 1996.
4. Shareholders' resolutions dated January 11, 2010 authorizing the Issue.
5. Resolution of our Board of Directors dated January 7, 2010 authorizing the Issue.
6. RBI approval (no. FE.CO.FID.No. 26018/10.21.191/2009-10) dated April 20, 2010 for the Offer for Sale.
7. Reports of the Statutory Auditors, S.K. Bansal & Company, Chartered Accountants, dated May 3, 2010, as included in this Red Herring Prospectus.

8. Report on statement of tax benefits dated May 3, 2010, as contained in this Red Herring Prospectus.
9. Copies of annual reports of our Company for the preceding five fiscals.
10. Consents of the Statutory Auditors, S.K. Bansal & Company, Chartered Accountants, for inclusion of their reports on our accounts in the form and context in which they appear in this Red Herring Prospectus.
11. Consents of Auditor, Bankers to our Company, the BRLMs, the CBRLM, Syndicate Members, Registrar to the Issue, Bankers to the Issue, Domestic Legal Counsel to our Company, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
12. Certificate dated May 3, 2010 from DAV & Associates, Chartered Accountants, on the source, purpose, terms and utilization of the loans which are proposed to be repaid out of the proceeds of the Issue.
13. Applications dated February 4, 2010 for in-principle listing approval to the BSE and NSE, respectively.
14. In-principle listing approval dated February 11, 2010 and March 22, 2010 from the BSE and NSE respectively.
15. Agreement among NSDL, our Company and the Registrar to the Issue dated May 31, 2006.
16. Agreement among CDSL, our Company and the Registrar to the Issue dated May 16, 2006.
17. Due diligence certificate dated January 22, 2010 to SEBI from the BRLMs and the CBRLM.
18. SEBI observation letter no. CFD/DIL/ISSUES/SK/RA/OW/1645/2010 dated April 19, 2010 and the reply of the BRLMs and CBRLM dated May 20, 2010.
19. IPO Grading report dated May 14, 2010 and April 29, 2010 by Credit Analysis Research Limited and Brickwork Ratings India Private Limited, respectively.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## DECLARATION

We certify that all relevant provisions of Companies Act, and the guidelines issued by the GoI or the guidelines issued by the SEBI, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and correct.

### Signed by all Directors

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1. Mr. Inder Bir Singh Passi

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2. Mr. Pranav Gupta

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3. Mr. Vineet Gupta

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4. Dr. Ram Kumar

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5. Mr. Pardeep Diwan

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6. Mr. Arun Kumar Mathur

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7. Mr. Koppisetty Srinivas

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8. Dr. Deepali Gupta

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**Place:** Chandigarh

**Date:** June 4, 2010

Mr. R.C. Goyal  
**Senior Vice President (Finance)**

We, the Selling Shareholders, certify that the statements made by the Selling Shareholders in this Red Herring Prospectus about or in relation to the Selling Shareholders and their Equity Shares being offered pursuant to the Offer for Sale are true and correct.

**Signed by the Selling Shareholders**

1. BTS India Private Equity Fund Limited\*

2. Alden Global (Mauritius) Limited\*

*\*Authorized signatory*

Date: June 4, 2010

## Annexure - I

### Rationale

#### Parabolic Drugs Ltd.

##### IPO Grading

##### CARE IPO Grade 2

CARE has assigned '**CARE IPO Grade 2**' to the proposed Initial Public Offer (IPO) of Parabolic Drugs Ltd. (PDL). CARE IPO Grade 2 indicates 'Below Average Fundamentals'. **CARE assigns IPO grade on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.** CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the fundamentals of the issuer. PDL proposes an IPO aggregating up to Rs.200 cr, each share having a face value of Rs.10 per share.

*The grading is constrained by PDL's unfavourable capital structure, project stabilization risk, volatility in prices of imported raw material along-with exposure to exchange risk on account of imports and liabilities denominated in foreign currency, though partially mitigated because of direct exports. The grading factors in the strong growth in revenue reported in past, experienced management, approvals and certificates of suitability for few products from regulatory authorities in USA, EU and other regulated markets, reputed client base, strong focus on R&D activities and the company's strategy to diversify into CRAMS business.*

##### Background

PDL was incorporated as a public limited company in 1996 promoted by Mr. Pranav Gupta and Mr. Vineet Gupta, with financial assistance from Punjab State Industrial Development Corporation (PSIDC).

In FY07, M/s Minivet Ltd and M/s Exquisite Result International Ltd invested an aggregate amount of Rs.9 cr in convertible preference shares in PDL which were converted into equity shares in FY08. In April 2008, BTS India Private Equity Fund Ltd (BTS), a Swiss Private Equity Fund invested Rs.25 cr in convertible preference shares in PDL which were converted into equity shares in September 2009.



### **Promoters & Management**

The Board of PDL comprises 8 members, including 3 Independent Directors and one nominee Director of BTS. Mr. Pranav Gupta, the promoter and the Managing Director of PDL, is actively involved in day to day operations of the company specifically involved in production, finance and technology related areas. The promoters and promoter group held 63.20% shareholding in the company as on Jan 22, 2010.

### **Operations**

PDL commenced operations as a manufacturer of Active Pharmaceutical Ingredients (APIs) and Intermediates of Oral Semi-Synthetic-Penicillin (SSP), a class of antibiotics, in 1998. It was primarily involved in the contract manufacturing (for a few leading pharma companies), at its manufacturing facility located in Derabassi, Punjab. In 2004, PDL commissioned a new manufacturing facility in Panchkula, Haryana for manufacturing 6-APA, an API Intermediate.

PDL has the United States Food and Drug Administration (USFDA) approval for supplying 6-APA to the USA market. PDL has also been granted Certificates of Suitability by European Directorate for the Quality of Medicines (EDQM) for two of its products ie Amoxycillin Trihydrate and Flucloxacillin Sodium. The manufacturing site at Derabassi, Punjab has been accredited with the WHO Good Manufacturing Practice (GMP) certificate by the Central Drugs Standards Control Organization, DGHS, Ministry of Health & Family Welfare and ISO 14001:2004 certificate for meeting the Environmental Management System Standards. As on February 25, 2010, PDL had filed 17 Drug Master Files (DMF) applications in EU, US and other markets. PDL has also filed nine provisional patent applications with the Indian Patent Office.

Over the years, PDL diversified its client and revenue base and added high-margin products including Oral Cephalosporin (a class of antibiotics) and Sterile (Injectible) Products (of both SSPs and Cephalosporin type) in the calendar years 2005 and 2007 respectively. In FY09, Oral SSPs and Oral Cephalosporins contributed to 41% and 28% of the revenue respectively. The balance was contributed by API Intermediates (15%), Sterile Products (11%) and others (4%).

PDL has completed the setting up of a state-of-the-art R&D centre at Barwala, Haryana in Jan'10 to gain entry in Contract Research and Manufacturing Services (CRAMS) business and expand in-house research activities. PDL has also completed the up-gradation work at the existing Plants in Derabassi, Punjab and Panchkula, Haryana as per US FDA standards.

PDL plans to further diversify its product base and is setting up a facility for the manufacturing of Non-Beta Lactam APIs at Lalru, Punjab. PDL is also undertaking the expansion in the current facility at Derabassi, Punjab which includes setting up a block for the manufacture of new Cephalosporin products i.e. Cefdinir, Cefprozil etc. Thus, PDL is exposed to project related risk for completion with aggregate project cost of Rs.73.36 cr to be funded through Debt:Equity (D:E) mix of 2.37:1. The financial closure for all these projects has been achieved.

### **Corporate Governance**

The Board of PDL comprises 8 members, including 3 Independent Directors, 1 nominee Director of BTS, and 2 promoter directors Mr. Pranav Gupta, and Mr. Vineet Gupta who look after the day to day operations of PDL. The total shareholding of promoters and promoter group in PDL was 63.20% as on Jan 22, 2010. There is not much separation in the ownership and management of PDL.

The company has complied with Securities & Exchange Board of India (SEBI) guidelines in respect of Corporate Governance including appointment of independent Directors and constituting committees such as Audit Committee, Remuneration Committee and Share Holders'/Investors' Grievances Committee.

### **Conflict of interest with Promoters and Group entities**

Parabolic Labs Ltd (a subsidiary of PDL) and PNG Trading Pvt Ltd (a group entity) is authorized under its Articles of Association to engage in similar business as PDL. The concerned companies have no significant operations and as and when any conflicts or competition may arise, PDL's Board shall determine appropriate conflict management policies in accordance with applicable law.

### **Contingent Liabilities**

The contingent liabilities of PDL were reported at Rs.102.55 cr as on September 30, 2009 out of which a major part (Rs.99.36 cr) was on account of Letter of Credit.

Pending Legal cases

As disclosed in Draft Red Herring Prospectus (DHRP), except for the 7 statutory notices from Central Excise and Income Tax authorities and a civil case, PDL has no significant outstanding litigations.

**IPO Issue**

PDL proposes an IPO aggregating up to Rs.200 cr having a face value of Rs.10 per share and an Offer for Sale of 20,25,702 Equity Shares by the Selling Shareholders. The Offer for Sale comprises an offer for sale of 15,33,742 and 4,91,960 Equity Shares, by BTS and Alden Global Mauritius Limited, respectively. The Issue comprises an Employee Reservation Portion of up to 5,00,000 Equity Shares for subscription by Eligible Employees. PDL is considering a Pre-IPO Placement of up to Rs. 50 cr with certain investors. The Pre-IPO Placement is at the discretion of PDL.

The *objects of the issue* are:

- Establishment of Multi-purpose block III at Derabassi, Punjab (Rs.20.32 cr)
- Establishment of Sterile cephalosporin plant at Derabassi, Punjab (Rs.32.55 cr)
- Establishment of Chachrauli plant at Lalru, Punjab (Rs.16.04 cr)
- Establishment of Custom synthesis and manufacturing site II at IT Park, Panchkula, Haryana (Rs.46.62 cr)
- Repayment / prepayment of identified loan facilities (Rs.37.71 cr)
- General corporate purposes

**Financial Performance**

During the period FY 2006-2009, PDL's operating income has grown at a healthy Compounded Annual Growth Rate (CAGR) of 64.66% on account of introduction of expanded product range including Oral Cephalosporin and Sterile (Injectible) products and expansion of existing facilities.

PDL's PBILDT margin declined marginally in FY09 on account of the more-than-proportionate increase in raw material prices from the exchange fluctuation in FY09 (PDL imports around 60-70% of its raw material requirements). PAT margin declined in FY09 on account of increase in interest charges on additional working capital borrowings



and term loans, and losses on derivative contracts. The realized loss on derivative contracts was reported at Rs.4.66 cr for FY09.

In FY07, M/s. Minivet Ltd and M/s Exquisite Result International Ltd invested Rs.4 cr and Rs.5cr respectively as convertible preference shares in PDL. In FY08, these preference shares were converted into equity shares and allotted to M/s. Minivet Ltd and M/s. Exquisite Result International Ltd. However, the increased profitability resulted in an increase in EPS in FY08.

In FY09, BTS India Private Equity Fund Ltd, a Swiss Private Equity Fund invested Rs.25 cr as convertible preference shares in PDL. The lower profitability along with infusion of funds by BTS resulted in decline in RONW in FY09. In Sep'09, these preference shares were converted into equity shares and allotted to BTS.

The overall gearing ratio remained high, though it improved marginally as on March 31, 2009 on account of infusion of convertible preference shares in FY09 by BTS. The interest coverage ratio declined in FY09 on account of higher interest charges.

The liquidity position as indicated by the current ratio was barely above unity as on March 31, 2009 on account of increase in creditors for supply of raw materials. PDL's liquidity remained stretched in FY09 on account of delay in realization of payments from export sales due to global economic crisis and credit squeeze. This has resulted in an elongated operating cycle in FY09.

In 9MFY10, PDL has reported the total operating income of Rs.346 cr. The increase in sales is mainly on account of increase in volume sales from the Cephalosporin segment. The PBILDT margin has improved to 18.58% in 9MFY10 on account of increase in concentration of high margin products in sales of Cephalosporin segment. The PAT Margin has improved to 6.43% in 9MFY10.

### **Industry**

The Indian Pharmaceutical Industry (IPI), valued at around US\$ 20 bn (~ Rs.95,000 crore), is ranked 11th in value terms and 4th in volume terms in the world. The industry has been growing at a healthy rate of 11-12% annually over the last few years with the growth in exports outstripping steady growth in the domestic market.

Exports, which constituted 41% of IPI's FY09 sales, have shown a robust growth of nearly 22% per annum over the five years period preceding FY09. Share of exports to regulated markets of North America and Europe was 21% and 24% respectively in FY09

and the same has seen an increasing trend over the past few years. This can be primarily attributed to increasing generalization in the regulated markets and growing trend in outsourcing of pharmaceutical production by global pharma companies to low cost destinations like India.

The Indian API manufacturing industry is currently the third largest in the world and is expected to generate sales of US\$ 4.83 bn by CY2010 from approximately US\$ 2.00 bn in CY2005, representing a CAGR of 19.28%.

India has a large number of world-class pharmaceutical manufacturing facilities, large patient population and cheap skilled manpower. All these attributes are attracting big global innovator and generic pharmaceutical companies to tie-up with Indian companies for production of formulations, bulk drugs and intermediates and also for conducting clinical research. This trend is catching up as big global companies are shifting focus to high-value operations like marketing and shifting the manufacturing operations to low-cost destinations like India and China. The global CRAMS market is estimated at US\$25-30 bn and is set to grow to US\$45 bn by 2010. It is estimated that the industry will generate US\$3 bn in revenues by 2012.

Going forward, the key drivers for IPI's growth would be the large generic opportunity arising out of significant patent expiries in the regulated markets (drugs worth ~US\$ 250 bn in sales are expected to go off-patent by 2015), opportunity presented by biosimilars and outsourcing by global pharma companies.

### **Prospects**

The strategy to diversify into CRAMS business augur well for PDL as API companies are better placed to take advantage of CRAMS opportunity from regulated markets. However, PDL's prospects would be driven by successful stabilization of its recently completed and on-going capital expenditure program, performance of new product segments, and management of foreign exchange risk and liquidity position.

## **Financial Results**

(Rs. Crore)

*For the period ended / as at Mar.31,*

*2007                      2008                      2009*  
*(12m, A)                (12m, A)                (12m, A)*

### **Working Results**

Net Sales	149	273	394
Total operating income	150	273	395
PBILDT	23	43	60
Interest	6	12	28
Depreciation	1	2	4
PBT	16	30	30
PAT (after deferred tax)	14	25	24
Gross Cash Accruals*	11	29	23

### **Financial Position**

Equity Share Capital	8	10	11
Networth**	35	66	111
Total Capital Employed	104	225	375

### **Key Ratios**

#### *Growth*

Growth in Total Op. Income (%)	69.73	82.04	44.49
Growth in PAT (after D.Tax) (%)	68.71	80.84	-3.64

#### *Profitability*

PBILDT/Total Op. income (%)	15.08	15.84	15.15
PAT (after deferred tax)/ Total income (%)	9.22	9.16	6.09
ROCE (%)	27.36	25.56	19.42
RONW (%)	55.04	50.12	27.42
EPS	18.02	23.92	22.50
Average cost of borrowing (%)	10.50	10.57	13.38

#### *Solvency*

Long Term Debt Equity** (times)	0.55	0.62	0.40
Overall Gearing** (times)	2.01	2.43	2.38
Interest Coverage (times)	3.73	3.42	1.98

#### *Liquidity*

Current Ratio (times)	1.16	1.12	1.07
Quick Ratio (times)	0.57	0.57	0.52

#### *Turnover*

Average Collection Period (days)	70	80	97
Average Creditors (days)	64	63	78
Average Inventory (days)	122	126	159

Average Inventory (days)	122	126	159
Operating cycle (days)	128	143	178

*\*After deducting for miscellaneous expenditure (not written off or adjusted) which includes the gains/losses on derivative exposures, research and development expenses and preliminary expenses.*

*\*\* Convertible Preference Shares in FY07 and FY09 have been treated as part of Networth*

**DISCLAIMER:**

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.



**CARE assigns ‘CARE IPO Grade 2’ to the proposed IPO of  
Parabolic Drugs Ltd.**

CARE has assigned ‘**CARE IPO Grade 2**’ to the proposed Initial Public Offer (IPO) of Parabolic Drugs Ltd. (PDL). CARE IPO Grade 2 indicates ‘Below Average Fundamentals’. **CARE assigns IPO grade on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.** CARE’s IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the fundamentals of the issuer. PDL proposes an IPO aggregating up to Rs.200 cr having a face value of Rs.10 per share.

**IPO Grading Rationale**

*The grading is constrained by PDL’s unfavourable capital structure, project stabilization risk, volatility in prices of imported raw material along-with exposure to exchange risk on account of imports and liabilities denominated in foreign currency, though partially mitigated because of direct exports. The grading factors in the strong growth in revenue reported in past, experienced management, approvals and certificates of suitability for few products from regulatory authorities in USA, EU and other regulated markets, reputed client base, strong focus on R&D activities and the company’s strategy to diversify into CRAMS business.*

**Company Profile**

PDL was incorporated as a public limited company in 1996 promoted by Mr. Pranav Gupta and Mr. Vineet Gupta, with financial assistance from Punjab State Industrial Development Corporation (PSIDC). PDL is mainly engaged in the manufacturing of API and intermediates.

PDL has obtained the US FDA approval for supplying 6-APA to US markets. PDL has also been granted Certificates of Suitability by European Directorate for the Quality of Medicines (EDQM) for two of its products. As on February 25, 2010, PDL had filed 17 Drug Master Files (DMF) applications in EU, US and other markets.



During the period FY 2006-2009, PDL's operating income has grown at a healthy CAGR of 64.66% on account of introduction of expanded product range including Oral Cephalosporin and Sterile (Injectible) products and expansion of existing facilities. PDL recorded operating income of Rs.395 crore with PBILDT and PAT of Rs.60 crore and Rs. 24 crore respectively in FY09.

In 9MFY10, PDL has reported a total operating income of Rs.346 cr, and earned PAT of Rs.23 cr.

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**DISCLAIMER:**

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

**Parabolic Drugs  
Limited**
**IPO Grading: BWR IPO Grade 3 (Average  
Fundamentals)**

Brickwork Ratings (BWR) has assigned BWR IPO Grade 3 to the proposed IPO of PARABOLIC DRUGS LIMITED (PDL). Brickwork Ratings' BWR IPO Grade 3 indicates average fundamentals for the issue in relation to the other listed equity securities in India. BWR assigns IPO grading on a scale of IPO Grade 5 to IPO Grade 1, with Grade 5 signifying strong fundamentals and Grade 1 signifies poor fundamentals of the issue in relation to the other listed equity securities in India.

The grading factors in PDL's well qualified Management and Board with substantial domain knowledge and experience, good corporate governance practices, significant R&D efforts, substantial growth in core sales, WHO-GMP (Good Manufacturing Practices) Accreditation to one of the facility, focus on Contract Research and Manufacturing Services (CRAMS) segment and focus towards entering regulated markets as key future strategies. The grading is constrained by company's track record of negative cash flows from operating activities, moderately diversified product portfolio, exposure to exchange rate risk, stringent norms for entering regulated markets and highly competitive industry especially in CRAMS segment. In absence of funding or appraisal by a bank or term lending institution, the project cost is estimated by the company management. Prior to issue, there has been a 2:1 bonus issue in Dec 2009 to promoters and other private investors.

**Company Profile:**

Parabolic Drugs Limited was founded in 1996 by Mr. Pranav Gupta & Mr. Vineet Gupta, the first generation entrepreneurs. The commercial operations commenced in the year 1998 from Derabassi, Punjab. Spread over 21 acres, PDL's Derabassi facility has six manufacturing units and has been certified WHO – GMP (Good Manufacturing Practices) and ISO-14001 complaint. In 2005 company started another facility having two units at Panchkula, Haryana. PDL is engaged in manufacturing of *Active Pharmaceutical Ingredients* (APIs) and API Intermediates for the domestic and export markets. PDL currently has exports to approximately 45 countries. The overall product portfolio of PDL comprises of 42 APIs and seven API intermediates.

PDL has two R&D centers, one at Derabassi with chemical and analytical research laboratories with focus on developing non-infringing processes for new molecules, existing process improvements and production cost efficiencies. The other R&D centre is at Barwala, Haryana. In future Barwala centre will be developed as the core R&D center for PDL. On the back of substantial R&D efforts company has made eight applications for process patents, of which seven patent applications have been filed with the Indian Patent Office, and one international process patent for manufacturing Cefuroxime Axetil filed under the Patent Cooperation Treaty (the "PCT")

In addition, company is in the process of setting up more manufacturing facilities at Chachrauli, and Derabassi, to manufacture the non-antibiotic range of APIs, which is expected to commence commercial operations in the third quarter of fiscal 2011.

Company employees approximately 968 employees which include 81 scientists, 24 of whom hold PhDs.

## **Management:**

PDL was founded by Mr. Pranav Gupta, aged 42 years. He is the Managing Director of company and has over 18 years of experience in the pharmaceutical industry. He holds a bachelors' degree in mechanical engineering and a masters' degree in business administration from Kansas, USA. Before relocating to India in 1994 he worked with the Ford Motor Company, USA as a financial analyst.

Mr Vineet Gupta, aged 40 years, is a younger brother of Mr Pranav Gupta and is a Whole Time Director and promoter of company; he helps in developing future strategy and marketing network of PDL. He is also the promoter and director of Jamboree Education which is into coaching of GRE, GMAT, and TOEFL etc.

Mrs. Deepali Gupta aged 39 years, is wife of Mr Pranav Gupta, and promoter of PDL. She is a Dentist and was a Government doctor for 17 years. She has been instrumental in all major expansion projects of PDL including the new R&D center at Barwala. Her current responsibilities include heading PDL's project management team and negotiating and finalizing purchase orders.

PDL's organizational structure has strong second line of management comprising of significantly experienced professionals from pharmaceutical companies like Sun Pharma, Orchid Chemicals, Nectar Life sciences, J.K. Drugs & Pharmaceuticals Limited, Dabur India Limited, Kanasco Limited (USA), Ranbaxy Laboratories Limited etc.

The marketing team of PDL has approximately 18 persons. The team is headed by Mr Ajit Nigam, who has significant experience in Pharma and other companies like Ranbaxy Laboratories Limited, Oman Chemicals & Pharmaceuticals Limited (Oman), Max India Limited etc. The Managing Director heads the marketing efforts in regulated markets across the globe.

## **Directors other than promoters of company:**

**Dr. Inder Bir Singh Passi**, 70 years, is company's **Chairman and an independent Director**. He has Masters in mathematics from Punjab University, Ph.D. from the University of Exeter, UK and he is also a fellow of the Indian National Science Academy. Since 2005, he has been Professor Emeritus at Punjab University, Chandigarh. He is also a member of the editorial board of the Indian Journal of Pure and Applied Mathematics, a publication of the Indian National Science Academy. He has received many awards like Shanti Swarup Bhatnagar Prize for Mathematical Science in 1983 from the Council of Scientific and Industrial Research, the Meghnad Saha Award for Research in Theoretical Sciences in 1988 from the UGC, New Delhi, and the Distinguished Service Award in 2003 from the Mathematical Association of India.

**Dr. Ram Kumar**, 63 years, is an independent Director. He holds a bachelors' degree in medicine and a masters' degree in surgery and is an eye specialist. He is ex-President of the Chandigarh Ophthalmic Society. He has also authored various books in the field of medical science and has published articles in various newspapers.

**Mr. Pardeep Diwan**, 47 years, is an independent Director. Mr. Diwan holds a bachelors' degree in commerce from Punjab University, Chandigarh, and is a fellow of the Institute of Chartered Accountants of India. He is a practicing chartered accountant and is partner at the accounting firm of Vinod Kumar and Associates, Chartered Accountants. He has over 15 years of experience in the field of audit, income tax and company law.

**Mr. Arun Kumar Mathur**, 61 years, is a non-executive Director. He is a chemical engineering graduate from IIT, Kanpur and has over 35 years of experience in reputed pharmaceutical companies like Lupin, Ranbaxy Laboratories Limited as director - operations, Beximco Pharmaceuticals Limited and Matrix Laboratories Limited as global manufacturing head.

**Mr. Koppisetty Srinivas**, 46 years, is the Nominee Director. He graduated with a bachelors' degree in engineering and a masters' degree in business administration from Andhra University, Hyderabad. He has over 18 years of experience in the private equity industry and about four years experience in the airlines industry. Mr. Srinivas is the vice chairman and managing partner of BTS Investment Advisors Private Limited, a part of the BTS group of Switzerland.

**Table 1: Pre Issue vs. Post Issue holding structure (as on Jan 28, 2010)**

	Pre-Issue (%)	Pre-Issue No. of Shares	Post Issue* No. of Shares	Post Issue (%)	Post issue holding cost/share (Rs.)
Promoter and promoter Group	63.2%	2,35,45,020	[•]	~46.5%	~Rs 4 / Share
Private Investors	36.8%	1,37,06,029	[•]	~26.0%	~44.71/ Share
Public	--	--	[•]	~27.5%	
<b>Grand Total</b>	<b>100%</b>	<b>3,72,51,049</b>	<b>[•]</b>	<b>100%</b>	

~ indicates approximately

\*The final Post Issue Shareholding pattern will be determined after the Book-Building Process

### Objectives of the Issue:

Company is undertaking two expansion projects at existing facilities of Derabassi, and two green field projects at Chachrauli and Panchkula. Company will also be using part of IPO proceeds to repay loans taken from ICICI bank due to the high interest cost.

The expansion and green field projects will be constructed on existing land owned by the company. The company has not placed any orders for machinery and project appraisal is not done by any independent party. Company is planning to deploy approximately 70% of funds in FY11 and remaining in FY12.

**Table 2: Breakup of total project cost**

USE of IPO Proceeds		
Sl No	Particulars	Amount (in Cr)
1	Multi-purpose block III at Derabassi;	20.32
2	Sterile cephalosporin plant at Derabassi	32.55
3	Establishment of Chachrauli plant	16.03
4	Custom synthesis and manufacturing site II at IT Park, Panchkula	46.62
5	Repayment / prepayment of identified loan facilities	37.71
6	General corporate purposes	[.]
7	Issue Expenses	[.]
	<b>Total</b>	<b>~200</b>

Source: DRHP

### Project Funding:

To meet the funding requirements, Parabolic Drugs Ltd. plans to raise Rs. 200 Crores (including Issue Expenses) by way of Initial Public Offering of equity shares with Face Value of Rs.10/- at a premium to be decided later. The issue comprises a Fresh Issue of [•] equity shares inclusive of a reservation of 5, 00,000 equity shares for subscription by eligible employees, and an Offer for Sale of 20,25,702 shares by BTS India Private Equity Fund Limited (15,33,742 shares) and Alden Global Mauritius Limited (4,91,960 shares).

The Promoters, together with the Promoter Group own approximately 63.20% of the paid-up capital of the company. The total post-issue dilution (including Promoter Group and Selling Shareholders) is expected to be in the range of 25 – 30 %. An aggregate of 20% of the post-Issue equity capital of the Company, held by the Promoters shall be locked in for a period of three years from the date of Allotment in the Issue, which as per SEBI guidelines will be considered as Promoters' Contribution.

The fund requirements and funding plans have not been appraised by any bank / financial institution. The deployment of funds for the projects is therefore, entirely at the discretion of the company.

### Corporate Governance:

Parabolic Drugs Limited is compliant with the provisions of Clause 49 of the Listing Agreement. There are currently 8 Directors on the Board of PDL, which includes 3 Executive Directors, 4 Independent Directors and 1 Nominee Director.

The Chairman, Dr. Inder Bir Singh Passi, an Independent Director. Brickwork considers this to be a good corporate governance practice. Dr.Passi was appointed chairman of the board on Dec 10<sup>th</sup> 2009. Mr. Koppisetty Srinivas, Nominee Director is the Vice Chairman and Managing



Partner of BTS Investment Advisors Private Limited, the PE firm that currently holds 19% stake in PDL. He has been on the Board since April 30<sup>th</sup> 2008. All the Independent Directors were appointed in September/October 2009 except for Mr. Pardeep Diwan who was appointed on September 28<sup>th</sup> 2008.

The Audit committee is chaired by Mr.Pardeep Diwan, an Independent Director. The Remuneration Committee was re-constituted on October 12<sup>th</sup> 2009 and all the members of this committee are Independent Directors - Dr. Inder Bir Singh Passi (Chairman), Dr. Ram Kumar and Mr. Pardeep Diwan. The above mentioned members also constitute the Shareholders' / Investors' Grievance Committee which is in place to address shareholders' complaints.

The board members bring with them rich experience in the fields of Healthcare, Accounting and Management. Among the shareholders of PDL are 3 Private Equity Funds – BTS India Private Equity Fund Limited, Exquisite Result International Limited and Alden Global Mauritius Limited.

The company had related party transactions to the tune of Rs.2.92 crores in fiscal 2009 and Rs. 2.51 crores for the six months ended September 30<sup>th</sup> 2009.

We observe that in May 2009, CRISIL has downgraded the Bank Loan Rating of PDL from BBB- to D. We also understand from the company that this was due to the general unstable economic conditions during fiscal 2009 which resulted in a situation where financial institutions / banks were unable to timely release the loans sanctioned to the company. This has caused delay by few days in meeting certain debt obligations of PDL. We understand that company is currently holding a BB bank loan rating from CARE and also maintaining good relationship with its all the nine consortium bankers. Company has also provided good conduct / no default letter from all the consortium bankers to the BRLM. Brickwork Ratings take cognizance of the above while grading the company IPO.

### **Industry Analysis:**

The Indian Pharmaceutical industry is one of the world's largest, ranking 4<sup>th</sup> in Volume terms and 13<sup>th</sup> in Value terms and expected to grow at a CAGR of 14.2% to around USD 50 billion in 2015-16. In the API segment, India ranks third in the world, producing about 500 different APIs. It has the largest number of USFDA approved plants outside US (approximately 119) and around 844 UK MHRA approved plants.

Exports are a particularly lucrative segment of the pharmaceutical industry and are expected to grow at a CAGR of 16.2% while the domestic market is expected to grow by 12.5%. International markets account for more than half of the total revenues of Indian pharma players, and a significant part of this activity is in the API and API Intermediaries segment. India's bulk drug/API exports account for 21% of India's pharmaceutical industry and around 64% of total outsourcing is in the area of APIs and Intermediates.

The key growth drivers for the Indian Pharmaceutical Industry are the large number of products going off-patent in developed markets, pressure to contain rising healthcare costs, intensifying competition and a shift to the networked pharmaceutical operating model. India, with its low-cost manufacturing facilities, abundant talent pool and significant presence in the generics market is an attractive destination for global Contract Research and Manufacturing Services (CRAMS). The total market for CRAMS activities in India, estimated at approximately \$1.5 billion - \$2 billion in 2010, accounts for only 3% share of the USD 51 billion global outsourcing market, indicating significant opportunity for growth in this segment. The Contract Research segment in India, is growing at 65% - more than three-and-half times the global growth rate.

The Indian Pharmaceutical industry is the beneficiary of several policy initiatives by the Government of India. These include fiscal incentives to R&D pharmaceutical units, reduction in Customs Duty on select life-saving drugs, the launch of New Millennium Indian Technology Leadership Initiative (NMITLI), and the Drugs and Pharmaceuticals Research Programme (DPRP), infrastructure support such as building 'Pharmazones' and the streamlining of regulatory procedures.

PDL is currently engaged in manufacturing (including contract manufacturing) of APIs and API Intermediates, and its key strategies for future growth include the manufacturing of non-antibiotic range of APIs, entering into the CRAMS segment with a focus on partnering with Innovator companies and increased penetration in regulated markets where margins are significantly higher.

### **Business Risk:**

The pharmaceutical industry is highly regulated. Quality standards, pricing of drugs and intermediaries, licensing arrangements, manufacturing & testing facilities and marketing of pharmaceutical products are subject to regulatory approvals which can be costly and time-consuming. The company is exposed to these risks.

PDL's future strategy involves expanding in the CRAMS segment and increasing its share of export revenue from regulated markets. Entry barriers in regulated markets are very high. Successful execution of its strategy is dependent on the company's success in obtaining relevant Certifications / Licenses and also in expanding its customer base. Despite of natural hedging the company could experience increased foreign currency risk as it increases its share of export revenue.

The Indian pharmaceutical industry and the Active Pharmaceutical Ingredient ("API") product segment are highly competitive. Indian pharma industry consists of more than 20'000 manufacturers producing over 100,000 drugs. It is also a technologically demanding industry, as rapid advances in technology and scientific discoveries require up-gradations of the existing facilities retain cost advantages.

Parabolic Drugs Limited has moderate customer diversification, with the top 5 customers contributing 40% of total sales.

**Table 3: No of customers and percentage of sales derived from top customers**

Particulars	6- months ended September 30, 2009	FY 09	FY 08	FY 07
Total number of customers served	368	487	379	244
Sales to top customer	12.86%	13.56%	20.04%	39.33%
Sales to top 5 customers	40.46%	34.84%	45.14%	57.59%

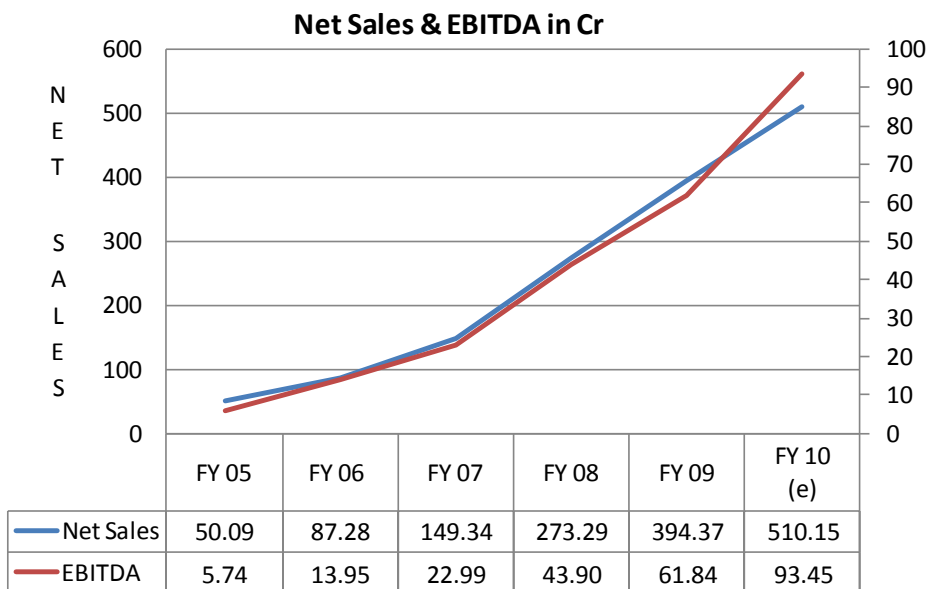
Source: DRHP

PDL has significant dependence on imports, particularly from China, for raw materials. Currently about 75 to 80% of its raw material supply is sourced from China. The company does not have long term contracts or supply arrangements with any of their vendors, and is exposed

to supply chain risk. The name, business and logo of 'Parabolic' are not registered trademarks of the company. This can place the company at a disadvantage in respect of Intellectual Property rights.

### Financial Performance:

Net Sales for PDL increased from Rs 273.9 Cr in FY08 to Rs. 394.3 Cr in FY09, to Rs 346.1 Cr for 9 months ended as on Dec 09. The sales are expected to be approximately Rs 510 Cr for FY10. Core Sales of company mainly comprise of income from sale of APIs such as SSPs and



Cephalosporin's in both oral and sterile forms and sale of API intermediates such as 6-APA. Company's net sales have been growing at about 55% CAGR since 2004-05, while EBITDA grew at 72.5% CAGR in same period. As on FY 09 Ranbaxy is the biggest customer with about 13% revenue share and the top 5 customers contribute about 40% to total

revenues. The Top 3 products of company contribute 39% to revenues.

*Source: Company Data*

Direct exports constituted 27.65% of net sales in FY09, and are expected to be about 40% for FY10. The share of exports has been continuously increasing since FY07 and company expect it to be almost 75% in next few years. In FY09 Company sold 14.85 Lakh Kgs of API and API intermediaries at an avg. realization of Rs 2540 / Kg. Average realization per Kg has increased from Rs 1538 / Kg in FY 07 to Rs 2827 /Kg as of Sept 2009. This is due to introduction of some high margin low volume products in portfolio.

The major expenses for company are as follows

- Raw material expenses: ~ 75% of Core Sales
- Manufacturing Expenses: ~ 4.5% of Core sales
- Employee Cost: ~ 3.0% of Core Sales
- Selling & Admin expenses: ~3.0% of Core sales
- Interest cost for company: ~ 7.0% of Core sales

The majority of raw material is imported from China, to a certain extent this helps in natural hedging as all billing is in USD but in long run rupee appreciation can significantly affect company sales as in next few years approximately 75% income is expected to be from exports.



The average OPM & NPM for last five years is at 15.0% & 8.0% respectively which is below industry averages of 25% and 14% respectively. However, company is focused on entering regulated markets where margins are substantially higher than non regulated markets. The proposed entry in CRAMS segment (where gross margins are as high as 50%) can enhance operating margins. The average return on capital employed (ROCE) for last 5 years is at 10.3%, while average return on net worth (RONW) for same period is at 30.7% this is higher than industry averages of 8.79% & 13.8% respectively. Parabolic's total debt to equity (D/E) ratio stands at 2.57 as on Dec 2009 which is higher than most of its peers.

PDL has negative Cash Flow from Operation (CFO) for FY 08 and FY 09 due to their huge working capital requirements. However, company has good fixed asset turnover ratio of approximately 3.5 – 4.0x for past few years, compared to industry average of 2x. The Capex for year 2010 is expected to be Rs 60 Cr and company expects additional capital expenditure of Rs 80 Cr in 2011 and 2012 each. We believe with successful deployment of IPO Proceeds the company can have fixed assets of Rs 300 Cr by FY12 and with same efficiency level company can see approximately Rs 1000 Cr of sales by FY12.

**Table 4: Consolidated Profit and Loss (in Rs Crs)**

	<b>Dec 09 (9 mths)</b>	<b>FY 09</b>	<b>FY 08</b>	<b>FY 07</b>	<b>FY 06</b>	<b>FY 05</b>
Net Sales	<b>346.10</b>	<b>394.37</b>	<b>273.29</b>	<b>149.34</b>	<b>87.28</b>	<b>50.09</b>
Income From Job Work	0.12	0.55	0.03	0.80	1.18	0.70
Other Income	3.94	2.02	0.62	0.35	1.75	2.72
<b>Total Income</b>	<b>350.15</b>	<b>396.94</b>	<b>273.94</b>	<b>150.50</b>	<b>90.21</b>	<b>53.52</b>
<b>Total Expenditure</b>	<b>287.48</b>	<b>335.09</b>	<b>230.04</b>	<b>127.51</b>	<b>76.26</b>	<b>47.78</b>
<b>EBITDA</b>	<b>62.67</b>	<b>61.84</b>	<b>43.90</b>	<b>22.99</b>	<b>13.95</b>	<b>5.74</b>
Depreciation	4.05	3.61	1.83	0.90	0.62	0.39
<b>EBIT</b>	<b>58.62</b>	<b>58.23</b>	<b>42.07</b>	<b>22.09</b>	<b>13.33</b>	<b>5.35</b>
Financial Expenses (Including Derivative Expenses)	29.57	28.34	12.11	5.83	4.15	1.72
Profit Before Tax	29.05	29.90	29.97	16.26	9.19	3.63
Less: <b>Provision For Taxation:</b>	6.53	5.73	4.87	2.38	0.96	0.48
<b>Profit After Tax</b>	<b>22.52</b>	<b>24.17</b>	<b>25.09</b>	<b>13.88</b>	<b>8.23</b>	<b>3.16</b>

<b>Growth in Net Sales</b>	**	44.30%	83.00%	71.11%	74.23%	--
<b>Growth in EBITDA</b>	**	40.88%	90.96%	64.80%	143.11%	--
<b>Growth in PAT</b>	**	-3.67%	80.82%	68.71%	160.53%	--

\*\* 9 mth ended figures not comparable to previous year

**Table 5: Key Financial Indicators**

in Rs Cr	Dec 09 (9 mths)	FY 09	FY 08	FY 07	FY 06	FY 05
Net Sales	346.10	394.37	273.29	149.34	87.28	50.09
EBDITA	62.67	61.84	43.90	22.99	13.95	5.74
PAT	22.52	24.17	25.09	13.88	8.23	3.16
OPM (%)	16.94%	15.68%	16.06%	15.39%	15.98%	11.45%
NPM (%)	5.34%	6.13%	9.18%	9.29%	9.42%	6.30%
Networth	142.91	125.05	74.69	46.17	23.30	8.98
Borrowings	367.68	264.03	159.42	69.66	41.33	22.29
Net fixed assets	152.84	119.89	73.58	32.40	13.43	9.23
Fixed Asset Turnover	2.54	4.08	5.16	6.52	7.70	5.43
RONW	12.92%	19.33%	33.60%	30.05%	35.30%	35.17%
ROCE	3.62%	6.21%	10.72%	11.98%	12.73%	10.10%
Current Ratio	3.01	2.97	3.27	2.61	3.32	2.21
Debt / Equity	2.57	2.11	2.13	1.51	1.77	2.48
Interest Cover	2.12	2.18	3.63	3.95	3.36	3.34
Total No. of Shares	36849726	10749500	10492540	7699500	7699500	4000000
Book Value per Share	38.36	116.33	71.18	59.97	30.26	22.44
Diluted EPS	17.1#	22.49	23.91	18.02	10.68	7.89

# Diluted EPS calculated using wt. avg. no of shares issued at various times during the year

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