



Anu's Laboratories Limited

(The Company was incorporated on February 20, 1996 as Anu's Laboratories Limited)

Registered Office: A-49, Madhura Nagar, Vengalrao Nagar, Hyderabad – 500 038.

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Contact Person: Mr. S. Naresh Kumar, Compliance Officer and Company Secretary

PUBLIC ISSUE OF 38,20,000 EQUITY SHARES OF RS. 10/- EACH AT A PRICE OF RS. [●] PER EQUITY SHARE FOR CASH AGGREGATING RS. [●] LAKHS (HEREINAFTER REFERRED TO AS THE "ISSUE"), INCLUDING EMPLOYEE RESERVATION OF 2,00,000 EQUITY SHARES OF FACE VALUE OF RS. 10/- EACH AT A PRICE OF RS. [●] PER EQUITY SHARE FOR CASH AGGREGATING RS. [●] LAKHS (HEREINAFTER REFERRED TO AS THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION SHALL BE 36,20,000 EQUITY SHARES OF RS. 10/- EACH (HEREINAFTER REFERRED TO AS THE "NET ISSUE TO THE PUBLIC"). THE ISSUE WILL CONSTITUTE 31.63% OF THE POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.

PRICE BAND: RS 200 TO 210 PER EQUITY SHARE OF FACE VALUE OF RS 10/- EACH

THE ISSUE PRICE IS 20 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 21 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Issue shall be allotted on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. Further, not less than 15% of the Net Issue to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further upto 2,00,000 Equity Shares shall be available for allocation on a proportionate basis to the Employees, subject to valid bids being received at or above the Issue Price.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for 3 additional working days after such revision, subject to the Bidding / Issue Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding/Issue Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE), by issuing a press release and by indicating the change on the websites of the Book Running Lead Manager ("BRLM") and the terminals of the member of the Syndicate.

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of the Equity Shares of Anu's Laboratories Limited ("our Company"), there has been no formal market for the Equity Shares of our Company. The face value of the Equity Shares of our Company is Rs. 10/- per share and the Issue Price of Rs. [●] per share is [●] times of the face value of the Equity Shares of our Company. The Issue Price (as has been determined and justified by the Book Running Lead Manager and our Company as stated herein under the paragraph 'Basis of Issue Price') should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and / or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in 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 offered through this Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (BSE). The in-principle approvals of BSE for listing of Equity Shares of our Company have been received pursuant to letters dated November 28, 2007. BSE shall be the Designated Stock Exchange for the purpose of this Issue.

IPO GRADING

The Issue has been graded by ICRA. ICRA. has assigned "ICRA IPO GRADE 2 " to the Initial Public Offering of our Company. For more information on IPO Grading, please refer to page no. 13 of this Red Herring Prospectus.

BOOK RUNNING LEAD MANAGERS



Almondz Global Securities Limited
33, Vaswani Mansion, Dinshaw Vachha Road,
Churchgate, Mumbai-400020
Phone: +91-22-2287 0580
Fax: +91-22 2287 0581
Email: anu.ipo@almondz.com
Website: www.almondzglobal.com
Contact Person: Mr. Sunit Shangle
Registration No. : INM000000834

REGISTRAR TO THE ISSUE



Karvy Computershare Private Limited
Karvy House, 46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad-500034
Tel: +91-40 23420818,
Fax: +91+40 23420814
E-mail: einward.ris@karvy.com
Website: www.kcpl.karvy.com
Contact Person: Mr. M. Murali Krishna
Registration No. : INR000000221

BID/ISSUE PROGRAM

BID/ISSUE OPENS ON : MONDAY, MAY 12, 2008

BID/ISSUE CLOSURES ON : THURSDAY, MAY 15, 2008

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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
“Anu’s Laboratories Limited” or “Anu’s” or “the Company” or “Our Company”	Anu’s Laboratories Limited, a Public limited company incorporated under the Companies Act, 1956 with its Registered office at, A-49, Madhura Nagar, Vengal Rao Nagar, Hyderabad-500 038
“We” or “us” and “our”	Unless the context otherwise require, refers to Anu’s Laboratories Limited.

CONVENTIONAL/GENERAL TERMS

Terms	Description
Articles / Articles of Association	Articles of Association of Anu’s Laboratories Limited.
Auditors	Statutory Auditors of our Company viz., M/s Karumanchi & Associates, Flat No. 301, 7-1-619/A, Swarganivas Enclave, Ameerpet, Hyderabad - 500 038
Board of Directors / Board	The Board of Directors of Anu’s Laboratories Limited.
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Director(s)	Director(s) of Anu’s Laboratories Limited, unless otherwise specified
Equity Shares	Equity Shares of our Company of face value of Rs. 10 each unless otherwise specified in the context thereof
GIR Number	General Index Registry Number
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles in India
MOA / Memorandum/ Memorandum of Association	Memorandum & Articles of Association of Anu’s Laboratories Limited
Non Residents	A person resident outside India, as defined under FEMA.
NRIs / Non-Resident Indians	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
Person or Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
Promoters	Mr. K. Hari Babu, Mr. N.S. Walimbe, Mr. M.S.S.V. Satyanarayana, Ms. Padmaja Rani Kosaraju.
Registered Office	A-49 ,Madhura Nagar, Vengal Rao Nagar, Hyderabad-500 038
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992

SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time
Stock Exchanges	Bombay Stock Exchange Limited and National Stock Exchange of India Limited

ISSUE RELATED TERMS

Terms	Description
Allotment/ Allot/ Allocation	Unless the context otherwise requires, the issue and the allotment of Equity Shares, pursuant to the Issue
Almondz	Almondz Global Securities Limited
Allottee	The successful bidder to whom the Equity Shares are being / have been allotted.
Bankers / Escrow Bankers to the Issue	ICICI Bank Limited, HDFC Limited and BNP Paribas
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to or purchase 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 the Bidder on submission of the Bid in the Issue
Bid Closing Date/ Issue Closing date	The date after which the members of the Syndicate will not accept any Bids for the issue, which shall be notified in an English National Newspaper, a Hindi National Newspaper and one Regional language (Telugu) with wide circulation.
Bid cum Application Form/ Bid Form	The form in terms of which the Bidder shall make an offer to subscribe the Equity Shares of the Company in terms of this Red Herring Prospectus
Bid Opening Date / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English National Newspaper, a Hindi National Newspaper and one Regional language (Telugu) with wide circulation.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders may submit their Bids
Book Building Process	Book Building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made
BRLM / Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being Almondz Global Securities Limited
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building

	Process
Cap Price	The higher end of the Price Band, above which Issue Price will not be finalized and above which no Bids will be accepted
Cut-off Price	The Issue Price finalized by our Company in consultation with the BRLM. A Bid submitted at Cut-off Price by the Retail Bidder is a valid Bid at all price levels within the Price Band
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time
Depository Act	The Depositories Act, 1996 as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the ROC, following which the Board of Directors shall allot the Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring Prospectus/Draft RHP/DRHP	The Draft Red Herring Prospectus filed with SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue
Eligible Employees	Permanent Employees of our Company who are Indian nationals based in India as on the Bid / Issue Opening Date and are present in India on the date of submission of the Bid-cum-Application Form, including whole time directors of our Company, who are Indian national, except any Promoter or members of the Promoter Group as of Bid Issue/Opening Date and based and present in India.
Employee Reservation Portion	The portion of issue being a maximum of 2,00,000 Equity Shares available for allocation to employees described above.
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst our Company, Syndicate Member, the Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts and for remitting refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Bankers to the Issue at which the Escrow Account will be opened.
First Bidder	The Bidder whose name appears first in the bid cum application form or revision form
Floor Price	The price advertised by the Company prior to the Bid/Issue Opening Date, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue Account / Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Issue Period	The period between the Bid / Issue Opening Date and Bid / Issue Closing Date including both these dates
Issue Price	The final price at which the Equity Shares will be allotted in terms of the Red Herring Prospectus, as determined by our Company in consultation with BRLM on the Pricing Date

Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, being 10% to 100% of the Bid Amount.
Members of the Syndicate	The BRLM and the Syndicate Member
Mutual Fund portion	5% of QIB portion or 90,500 Equity Shares available to allocation to Mutual Funds only, out of QIB portion.
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue, including affiliates of BRLM and Syndicate Member, or Retail Individual Bidders and who have bid for an amount more than Rs. 100,000.
Non-Institutional Portion	The portion of this Issue being not less than 15% of the Net Issue consisting of 5,43,000 Equity Shares of Rs. 10 each aggregating to Rs. [●] Lakhs, available for allocation to Non Institutional Bidders.
Pay-in-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	Means: (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date; and (ii) with respect to QIBs, whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	Being the price band of a minimum price of Rs. 200 per Equity Share (Floor Price) and the maximum price of Rs. 210 per Equity Share (Cap Price)(both inclusive), and including revision thereof.
Pricing Date	Means the date on which our Company, in consultation with the BRLM, finalizes the Issue Price
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account on or after the Bid / Issue Opening Date
Public Issue/ Issue	Issue of 38,20,000 Equity Shares of Rs. 10/- each at a price of Rs. [●] per Equity Share for cash aggregating to Rs. [●] lakhs (hereinafter referred to as "Issue"), including employee reservation of 2,00,000 Equity Shares of face value of Rs. 10/- each at a price of Rs. [●] per Equity Share for cash aggregating Rs. [●] lakhs (hereinafter referred to as the "Employee Reservation Portion"). The Issue less Employee Reservation Portion shall be 36,20,000 Equity Shares of Rs. 10/- each (hereinafter referred to as the "Net Issue to the public"). The Issue will constitute 31.63% of the post issue paid-up capital of our Company.
QIB Portion	Consists of 18,10,000 Equity Shares of Rs. 10 each aggregating at a price of Rs. [●] for cash aggregating Rs. [●] lakhs being not more than 50% of the Net Issue, available for allocation to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only.
Red Herring	Means the document issued in accordance with Section 60B of the

Prospectus or RHP	Companies Act and does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with RoC after the pricing and allotment
Refund Banker	ICICI Bank Limited
Registrars / Registrars to the Issue	Registrars to the Issue, in this case being Karvy Computershare Private Limited, Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have made their bid for Equity Shares for a cumulative amount of not more than Rs. 100,000.
Retail Portion	Consists of 12,67,000 Equity Shares of Rs. 10 each aggregating Rs. [•] lakhs, being not less than 35% of the Net Issue, available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of the Bid options as per their Bid-cum-Application Form and as modified by their subsequent Revision Form(s), if any.
RoC / Registrar of Companies	Registrar of Companies, 2nd Floor, CPWD Building, Kendriya Sadan, Sultan Bazar, Koti, Hyderabad - 500 195
Syndicate Agreement	Agreement to be entered into amongst the BRLM, Syndicate Member(s) and the Company in relation to the collection of Bids in the Issue
Syndicate Member	Almondz Global Securities Limited
TRS or Transaction Registration Slip	The slip or document registering the Bids, issued by the Syndicate Member to the Bidder as proof of registration of the Bid on submission of the Bid cum Application Form in terms of this Red Herring Prospectus
Underwriters	The BRLM and the Syndicate Member

COMPANY/INDUSTRY RELATED TERMS

AHU	Air Handling Unit
AMF Panel	Auto Main Failure Panel
APCPDCL	Andhra Pradesh Central Power Distribution Corporation Limited
APPCB	Andhra Pradesh Pollution Control Board
APFCR	Auto Power Factor Capacitor
API	Active Pharmaceutical Ingredient
APIDC	Andhra Pradesh Industrial Development Corporation
APIIC	Andhra Pradesh Industrial Infrastructure Corporation Limited
APSEB	Andhra Pradesh State Electricity Board
APSFC	Andhra Pradesh State Financial Corporation
cGMP	Current Good Manufacturing Practices
CETP	Common Effluent Treatment Plant
CIS LACTUM	CIS (+) Hydroxy Lactum
CRAMS	Contract Research and Manufacturing Services
DCFA	2,4 Dichloro 5 Fluoro Acetophenone
DG set	Diesel Generator Set
DSIR	Department of Scientific and Industrial Research

GI	Galvanised Iron
FLP	Flame Proof
FRP	Fire Proof
HDPE	High Density Polyethylene
HVAC	Heat Ventilation Air Conditioner
HWMP	Hyderabad Waste Management Project
KLPD	Kilo Litres Per Day
MCC	Motor Control Centre
MV	Medium Voltage
NOC	No Objection Certificate
NFLP	Non Flame Proof
PP	Polypropylene
R&D	Research and Development
Ramky	Ramky Pharma City (India) Limited
SMO	Sodium Methoxide
UPS	Uninterrupted Power Supply

ABBREVIATIONS OF GENERAL TERMS

Abbreviation	Full Form
A/c	Account
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
DRHP	Draft Red Herring Prospectus
EGM	Extraordinary General Meeting
EPS	Earning Per Share
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under.
FIIs	Foreign Institutional Investors (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
FY / Fiscal/Financial Year	Period of twelve months ended March 31 of that particular year, unless otherwise stated
GIR Number	General Index Registry Number
GoI/Government	Government of India
HUF	Hindu Undivided Family
I.T. Act	Income Tax Act, 1961, as amended from time to time
MoF	Ministry of Finance, Government of India
MOU	Memorandum of Understanding
NAV	Net Asset Value
NPV	Net Present Value
NRE Account	Non Resident External Account
NRIs	Non Resident Indians

NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
p.a.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
RBI	The Reserve Bank of India
ROE	Return on Equity
RONW	Return on Net Worth
Rs.	Rupees
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
Sec.	Section
US	United States of America
USD/ US\$/ \$	United States Dollar, the official currency of the Unites States of America

SECTION II - RISK FACTORS

Certain Conventions; Presentation of Financial and Market Data

In the Red Herring Prospectus, unless the context otherwise requires, all references to one gender also refers to the other gender. All references to “India” contained in this Red Herring Prospectus are to the Republic of India.

Fiscal year of the Company commences on April 1 and ends on March 31, so all references to a particular “fiscal year” or “Fiscal” are to the twelve-month period ended March 31 of that year, unless otherwise specified. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

For additional definitions, see the section titled ‘Definitions and Abbreviations’ on page a, of the Red Herring Prospectus.

In the section titled ‘Main Provisions of Articles of Association of the Company’ beginning on page no. 204 of the Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company. Market data used throughout the Red Herring Prospectus has been obtained from industry publications and internal company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes market data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent source.

Forward-looking Statements

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

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

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

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

Risk Factors

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

The 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 the Red Herring prospectus.

Unless specified or quantified in the relevant risk factors mentioned below, the Company is not in a position to ascertain the financial and other implication of any of the other risks mentioned below.

Materiality

The Risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

1. Some events may have material impact qualitatively instead of quantitatively.
2. Some events may not be material individually but may be found material collectively.
3. Some events may not be material at present but may be having material impact in future.

Internal Risk Factors

1. *We are involved in legal proceedings and any unfavorable outcome of the proceedings may adversely impact our business and financial conditions.*

We are involved in legal proceedings and claims in India in relation to certain matters. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and current liabilities.

The summary of the cases is as follows:-

Type	Total No.	Amount* (Rs. In lakhs)	Nature of Case
Litigation against our Company			
Civil Case	2	1.33	(1) Virendra Reddy, the Plaintiff had filed a suit for recovery of the property bearing Survey No. 17, situated at Ramakrishnapur Village, Farooqnagar Mandal. Late Challa Narayana Reddy got various agricultural lands including land bearing Survey No. 17 extent 5 acres 39 guntas, situated at Ramakrishnapur Village, Farooqnagar Mandal. On his death, his son got partitioned all the lands except the land bearing Survey no. 17. The said land was given on lease as tenant at will to Babu Rao, who was the patwari of the village. Late C. Pulla, father of some of the defendants by colluding with other Defendant inducted the Company on the

		Not ascertainable	disputed land. The plaintiffs requested the defendants to effect the partition and division of the land and requested defendant to deliver the vacant possession to the extent of 1/6 th share of the plaintiff. Further the defendant had filed an interim application no. 448 of 2006 in 171 of 2006 seeking direction of the court to implede APSFC and APIDC in the case which has been allowed by the Court.
			(2) M/s. Sega Enterprises, appellant agreed to procure 500 kg of CNF 6 molecule at the rate of 175\$ per kg from our Company. The appellant remitted an amount of \$22,500, being 25% of the total consideration. However as the balance payment was not made, our Company did not supply the material and hence interim injunction restraining the Company to sell the material.
Litigation preferred by our Company			
Sales Tax	3	100.77	Appeal against demand of Commercial Tax department for their failure to take note of the base turnover.
Income Tax	1	Not ascertainable	Appeal against disallowance of certain income under Section 80IB of Income Tax Act, 1961.

* To the extent ascertainable

For more information regarding these legal proceedings, see the section titled "Outstanding Litigations and material Developments" beginning on page no. 147 of this Red Herring Prospectus.

2. *Our revenues are significantly dependent on sale of our two products. Any decline in the sales of these products or potential substitute or volatility in the prices of these products may adversely affect our financial conditions.*

We are presently engaged in the manufacture (including contract jobs) of 2,4 Dichloro 5 Fluoro Acetophenone (DCFA), Methyl-4 (4-Chloro 1-Oxo butyl) a, a Di-Methyl Phenyl Acetate, Chlorohexanone, CIS Lactum and Sodium Methoxide. DCFA and CIS Lactum together contributed 60.44%, 60.89% and 53.08% of our total sales during 2005-06, 2006-07 and during nine months period ended December 31, 2007 respectively. In case we are not able to launch new products, our dependence on these products will increase. As of now, we believe that there is no direct substitute for DCFA because of difficulty in producing the product and therefore are few manufacturers in India. However, if substitute for DCFA become available or if the number of manufacturers / suppliers increase, it may adversely impact our revenues. Any decline in revenues from these products on account of reasons beyond our control or volatility in the prices of these products may adversely affect our business and financial operations.

3. *We have entered into an agreement with Dr. Reddy's Laboratories Limited which restricts manufacturing of Ciprofloxacin Hcl for a period of five years from the termination of the agreement. In future, if any opportunity arises during this period to deal in this product or similar product in any manner, we would be restrained to take that benefit.*

We have entered into "Manufacturing and Supply Agreement" with Dr. Reddy's Laboratories Limited on December 18, 2005 for manufacture of Ciprofloxacin Hcl. The said agreement has exclusivity and non-compete clause which restricts our Company for a period of 5 years from the termination of the agreement to deal ourselves directly or through our subsidiaries or affiliates either directly or indirectly in any articles of commerce whose names, packing or formulae are similar or confusingly similar to the product without securing the written consent from Dr. Reddy's Laboratories Limited. Our Company also represented and warranted not to manufacture or supply upstream intermediates of the product, except DCFA or converting the product to downstream intermediates or Active Pharmaceutical Ingredients for internal

consumption or sale to third parties. The sale of Ciprofloxacin Hcl contributed 1.01% during 2005-06 and since then there was no sale of Ciprofloxacin Hcl. For details of the agreement, please refer to page no. 96 of this Red Herring Prospectus. We require prior written approval from Dr. Reddy's Laboratories Limited to carry on any activities in this product or similar product and these restrictions will be valid till December 17, 2013. In future, if any opportunity arises during this period to deal in this product or similar product in any manner, we would be restrained to take that benefit.

4. We had negative cash flows for certain periods. Any negative cash flow in future could affect our operations and financial conditions.

We had negative cash flow from various activities, details of which are as under:

(Rs. in lakhs)

	2002-03	2003-04	2004-05	2005-06	2006-07	9-month period ended December 31, 2007
Net Cash flow from operating activities	45.52	366.10	155.47	149.34	486.54	(322.42)
Net Cash flow from investing activities	(137.20)	(178.20)	(305.44)	(592.42)	(1277.65)	(257.19)
Net Cash flow from financing activities	90.56	(188.64)	186.22	416.57	953.90	419.35
Total Net Cash flow	(1.12)	(0.74)	36.25	(26.51)	162.79	(160.26)

The net cash flow of a company is a key indicator to show the extent of cash generated from operations of the company to meet capital expenditure, pay dividends, repay loans and make new investments without raising finance from external resources. If we are not able to generate sufficient cash flows, it may adversely affect our business and financial operations.

5. Nitya Laboratories Limited, Promoter Group Company, incurred losses and its networth was eroded and there is continuous defaults and delays on payment of its term liabilities including call back of advance notice received from one of its lenders on March 4, 2008. In case of any adverse affect on it, we will be affected to the extent of non-receipt of dividends from the investments made by us and will be carrying the risk of loosing part or whole of our investments in Nitya Laboratories Limited.

Mr. K. Hari Babu, Managing Director of our Company became the co-promoter of Nitya Laboratories Limited in 2004 (Nitya Laboratories Limited was incorporated on November 9, 1994) by making a strategic investment in Nitya Laboratories Limited. The said company was incurring continuous losses and consequently IDBI, the main term lender, transferred the term loans together with all security and all rights, title and interest to the Stressed Assets Stabilisation Funds (SASF) on September 30, 2004 and at that time, Nitya Laboratories Limited was having total outstanding liabilities including loans and optionally convertible debentures (including term loans from IDBI) of Rs. 1102.33 lakhs to its lenders. Mr. K. Hari Babu, Managing Director of our Company invested in Nitya Laboratories Limited and became co-promoter as per the Memorandum of Understanding entered into with Mr. R. Shantisagar, one of the promoters of Nitya Laboratories Limited, on behalf of his associates / shareholders. He alongwith his wife are presently holding 39.29% of the present paid up capital of Nitya Laboratories Limited. Further, our Company is also presently holding 19.26% of the present paid up capital of Nitya Laboratories Limited. The income out of this investment will be in the form of dividends only. For details, please refer to paragraph "Brief background of Nitya Laboratories Limited" and "Other Agreements" appearing on page number 94 and 96 of this Red Herring Prospectus. As per audited financial accounts for the period ended September 30, 2006 Nitya Laboratories Limited incurred loss of Rs. 170.61 lakhs. Nitya Laboratories Limited has not been able

to meet its entire debt obligations at present and has over dues to its lenders to the extent of Rs. 419.05 lakhs. SASF has on March 11, 2008 have agreed for One Time Settlement of dues (OTS) on March 11, 2008, and State Bank of India, another lender had sent a legal notice for calling back of the advance on March 4, 2008. The details of these are appearing on page no. 111 of this Red Herring Prospectus. In case of any adverse affect on Nitya Laboratories Limited, we will be affected to the extent of non-receipt of dividends from the above investments made by us and will be carrying the risk of loosing part or whole of our investments in Nitya Laboratories Limited.

6. Our top ten customers accounted for significant percentage of our revenues and loss of any one or more of clients could adversely affect our business and financial operations.

The percentage of revenues derived from our Company's top customers is more than 80%, details of which are as under:

Particulars	9-month period ended December 31, 2007	2006-07	2005-06	2004-05
Top 10 Customers	86.59%	85.62%	81.32%	82.21%

Further one of our customers viz. Dr. Reddy's Laboratories Limited accounted for around 47.29% of our revenues during nine months period ended December 31, 2007. We cannot assure you that we shall generate the same quantum of business, or any business at all, from these customers, and loss of business from one or more of them may adversely affect our operations and profitability. Further, our business and results of operations will be adversely affected if we are unable to develop and maintain relationships with our customers.

7. Our Company has experienced growth in the past, which may not be sustainable and we can not assure the same growth rate in future.

Our total sales have increased from Rs. 3,011.32 lakhs during 2003-04 to Rs. 7,062.63 lakhs during 2004-05 showing an increase of 134.54%; from Rs. 7,062.63 lakhs during 2004-05 to Rs 10,076.28 lakhs during 2005-06 showing an increase of 42.67% and from Rs. 10,076.28 lakhs to Rs. 12066.98 lakhs during 2006-07 showing an increase of 19.76%. Similarly, profit after tax showed an increase of 319.33%, 186.37% and 144.14% during 2004-05, 2005-06 and 2006-07 respectively. We may not be able to sustain such growth in revenues and profits or maintain a similar rate of growth in the future. In addition, we are now intending to expand our operations significantly and entering into manufacturing of new products. Such a growth strategy will place significant demands on our management as well as our financial, accounting and operating systems. Further, as we scale-up and expand our operations, we may not be able to focus on existing operations efficiently, which could result in delays, increased costs and diminished quality and may adversely affect our reputation. Any inability to manage our growth may have an adverse effect on our business and results of operations.

8. Our Company may face risks of delays / non-receipt of the requisite regulatory/statutory approvals or licenses for any of our Objects arising out of the Issue. Any delay in receipt or non-receipt of licenses or approvals could result in cost and time overrun.

We have applied for license to import and store petroleum in installation to Chief Controller of Explosives on July 17, 2007 and had also applied to Commissioner Commercial Taxes, for Value Added Tax Registration Certificate on July 18, 2007 for our proposed project at Jawaharlal Nehru Pharma City, Vishakapatnam. Further we have applied to Deputy Inspector of Boilers, Hyderabad for renewal of our certificate for use of our certificate for use of boiler vide letter dated November 1, 2007, which is pending. We would be applying for various licenses, approvals, registrations at various stages of implementation for

the proposed project at Vishakapatnam. Any delay in receipt or non-receipt of licenses or approvals that may be required for the proposed expansions could result in cost and time overrun, and accordingly adversely affecting our operations and profitability. For details, please refer to section titled "Government Approvals" beginning on page number 153 of this Red Herring Prospectus.

9. *We have not yet placed orders for 100% of our plant and machinery, equipment etc. for our proposed project as specified in the Objects of the Issue. Any delay in procurement of plant & machinery, equipment etc. may delay the implementation schedule which may also lead to increase in prices of these equipments, further affecting our cost, revenue and profitability.*

The net proceeds of the Issue are proposed to fund the planned expansion are explained in the section titled 'Objects of the Issue' beginning on page no. 28 of this Red Herring Prospectus. We have not yet placed orders for any plant & machinery or any equipment for our proposed project. Any delay in placing the orders or procurement of plant & machinery, equipment, etc. may delay the implementation schedule. Such delays may also lead to increase in prices of these equipments, further affecting our cost, revenue and profitability.

10. *We have an outstanding litigation on the existing land, and in case of any adverse decision, our business and financial operations could be materially adversely affected.*

We have acquired the land of Jai Organics Limited from Andhra Pradesh Industrial Development Corporation (APIDC) and Andhra Pradesh State Financial Corporation (APSFC) pursuant to execution of agreement to sell with APIDC and APSFC. Sale deed of the said property has already been executed on May 5, 2001. The said land was acquired under Section 29 of State Financial Corporation Act. Mr. Virender Reddy & Others have filed a civil suit against the Company for possession of the said land. For details, please refer to "Outstanding Litigations" appearing on page no. 147 of this Red Herring Prospectus. The Company had filed an interim application, seeking directions of the court to implede APIDC and APSFC also in the case, which the Hon'ble Court has allowed. The next date of hearing is June 30, 2008. In case of any adverse decision against all the three defendants, we may have to relocate our existing manufacturing operations, which in turn could materially adversely affect our business and financial operations.

11. *We have yet to get a title deed executed in our favour for the land purchased in Jawaharlal Nehru Pharma City, Visakhapatnam for the proposed expansion. Any delay in executing the sale deed may delay the implementation schedule adversely affecting the cost of project.*

Our Company proposes to set up new plant at Jawaharlal Nehru Pharma City, Visakhapatnam, Andhra Pradesh. Our Company has already purchased the land admeasuring 9.54 acres for total consideration, including cost of infrastructure development charges, of Rs. 143.30 lakhs by Agreement of Sale for purchase of land with Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC), Ramky Pharma City (India) Limited (Ramky) and our Company. The total cost of Rs. 143.30 lakhs constitutes Rs. 38.16 lakhs as sale consideration and Rs. 105.14 lakhs include cost of infrastructure development charges. We have already got possession of the land and had already paid an amount of Rs. 91.11 lakhs. The balance amount of Rs. 52.19 lakhs is yet to be paid by us. A sale deed in our Company's favour will be executed by APIIC after payment of balance consideration, which will be paid after necessary infrastructure facilities are provided by Ramky. Any delay in making the balance payment by us and transfer of sale deed in our favour could delays the implementation schedule and / or increasing the cost on account of interest on delayed payment which could adversely our proposed project.

12. *There are no supply agreements for the raw materials required for manufacturing of our products. Volatility in the prices of the raw material may have an adverse impact on our business and financial operations.*

The prices of certain raw materials viz. 2,4, Di Chloro 5 Fluoro Benzene & methanol may fluctuate, depending on among other factors, the number of producers / suppliers and their production volumes or prices and changes in demand in the principal drug markets. The prices of these raw materials have impact on profitability of our Company and there are factors affecting raw material prices which are beyond our control. We do not have any agreement with suppliers to supply of raw materials purchased from them. Though we cover purchases to a certain extent in anticipation of any price increases, we are still exposed to and will have to absorb any fluctuations in the prices of these raw materials, which may adversely affect financials of our Company.

13. *We do not have long term contracts with customers and typically operate on the basis of purchase orders, which could adversely impact our revenues and profitability.*

We are presently not having any formal arrangement for supply of any of our product except for Ciprofloxacin Hcl for which we have entered into formal agreement with Dr. Reddy's Laboratories Limited. However, Ciprofloxacin Hcl contributes negligible revenues towards our total sales. We may or may not enter into any formal agreement or contract for sale of our products in future as we prefer not to be dictated by the terms and conditions of any of contracts / agreements. Our business is dependent on the decisions and actions of our customers, and there are number of factors relating to our customers that are outside our control that might result in the termination of contract or the loss of any customer. Any of these factors could adversely affect our business operations and in turn adversely affect our financial operations.

14. *Delay in raising funds from the IPO could adversely impact the implementation schedule*

The expansion of our proposed project is to be entirely funded from the proceeds of this IPO. There has already been delay in implementation of schedule as envisaged by us. We have not identified any alternate source of funding and hence any failure or further delay on our part to mobilize the required resources or any shortfall in the Issue proceeds may delay the implementation schedule. We therefore, cannot assure that we would be able to execute the expansion project within the given time frame, or within the costs as originally estimated by us. Any time overrun or cost overrun may adversely affect our growth plans and profitability.

15. *We have not obtained any third party appraisals for our projects as our estimates may vary depending upon factors like increase in prices due to which the cost of project may be adversely affected.*

Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been appraised by any bank or financial institution. The deployment of funds is entirely at the discretion of our Board of Directors within the parameters as mentioned in the section titled "Objects of the Issue" beginning on page no. 28 of this Red Herring Prospectus and is not subject to any monitoring by any independent agency. All the figures included under the section titled "Objects of the Issue" beginning on page no. 28 of this Red Herring Prospectus are based on our own estimates and the quotations we have received from various suppliers which may vary depending upon factors like increase in prices due to which the cost of project may be adversely affected.

16. *We have planned capital expenditure, which may not yield the benefits intended.*

We are embarking upon a major expansion and are proposing to incur capital expenditure of Rs. 6343.43 lakhs, as detailed in the section titled "Objects of the Issue" beginning on page no. 28 of this Red Herring Prospectus. In the past, we have not undertaken capital expenditure of such size and our inability to manage capital expenditure may adversely effect our operations. We cannot assure that we will be able to get the benefits of the generally growing demand in this sector and accordingly the benefits accruing to us from the planned expansion may be less than what is anticipated.

17. Our Promoter Group Company viz. Nitya Laboratories Limited is involved in legal proceedings and any unfavorable outcome of the proceedings may adversely impact its business and financial conditions.

Nitya Laboratories Limited is involved in legal proceedings and claims in India in relation to certain matters. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against them by appellate courts or tribunals, Nitya Laboratories Limited may need to make provisions in their financial statements, which could increase its expenses and current liabilities.

The summary of the outstanding cases is as follows:-

Type	Total No.	Amount* (Rs. In lakhs)	Nature of Case
Litigation against Nitya Laboratories Limited			
Criminal Case u/s 420 of IPC & Civil Case	2	30.31	Sri Chavadi Pharma Private Limited has filed these cases (civil, criminal and u/s 420 of IPC) against bouncing of the cheques aggregating to Rs. 24.34 lakhs against which Nitya Laboratories Ltd. has since paid Rs. 5.00 lakhs. The plaintiff has also filed civil suit demanding interest and other charges amounting to Rs. 30.31 lakhs also. Further in this matter they have also filed a case u/s 420 of IPC.
U/S 138 of Negotiable Instrument Act	2	Not ascertainable	Siddharth Global Ltd has filed two criminal cases against bouncing of cheques. The parties reached settlement for Rs. 7.57 lakhs which was paid by Nitya Laboratories Ltd. But the case was not yet withdrawn and Nitya Laboratories Ltd. filed an application against Siddharth Global Ltd. u/s 191/193 of IPC.
Civil Cases	2	5.70	(1) Corey Organics Limited filed the recovery suit against amount due towards material supplied to Nitya and overdue interest thereon aggregating to Rs. 8.00 lakhs
			(2) Rolan Seals filed the case for recovering an amount of Rs. 0.68 lakhs against material supplied
Litigation by Nitya Laboratories Limited			
Sales Tax	1	18.39	Appeal against demand of Commercial Tax Department for failure to take note of base turnover.

For more information regarding these legal proceedings, see the section titled "Outstanding Litigations and Material Developments" beginning on page no. 147 of this Red Herring Prospectus

18. Our Company is outsourcing the production of certain products under contract jobs from Nitya Laboratories Limited, a promoter group company and any defaults or delays by them may adversely affect our business and financial operations.

Our Company is outsourcing manufacturing of Sodium Methoxide- Solution, Sodium Methoxide-Powder, CIS (+) Lactam from Nitya Laboratories Limited, a promoter group company, by entering into "Contract for Conversion of Material" on April 6, 2004 for the said contract jobs, details of which are disclosed under paragraph "Other Agreements" appearing on page number 95 of this Red Herring Prospectus. Sodium Methoxide and CIS Lactam contributed 9.73% and 24.27% respectively during nine months period ended December 31, 2007 in our total sales. Any differences or disputes between Nitya Laboratories Limited and our Company and/or any other problem (including pollution related issues, labour/quality related issues etc.) that may be faced by Nitya Laboratories Limited affecting delivery schedules and / or the quality of

the product may hamper production of these products, in turn adversely affecting our business and financial operations. Further, the said contract can be terminated with a notice period of 3 months and also does not provide for any penalties for non-delivery or delayed delivery, nor does it provide for any specific relief. Therefore, we cannot assure that we continue to outsource manufacturing of these products from Nitya Laboratories Limited and in case of any adverse event including but not restricted to non-delivery or delayed delivery, our revenues will be materially adversely affected and we may not have sufficient legal remedies in the event of delay or default by Nitya Laboratories Limited.

19. Our Promoter Group Company viz. Nitya Laboratories Limited is in the same line of business and may create potential conflict of interest

Our Promoter Group Company viz. Nitya Laboratories Limited is also engaged in manufacture of intermediates, which may create a potential conflict of interest and which in turn, may have an implication on our operations and profits.

20. Our Company has not tied-up part of the additional working capital requirements needed for the Objects of the Issue and any of our inability to arrange for additional working capital requirement on terms favourable to us, could adversely affect our operations and profitability.

Our additional working capital requirement from banks for our expansion programme is Rs. 3,500 lakhs, which has not yet been tied up. We are using Rs. 1667.00 lakhs as long term working capital requirements from the Issue proceeds. Our inability to arrange for this additional working capital requirement from banks on terms favourable to us, could adversely affect our operations and profitability.

21. We have certain contingent liabilities not provided for that may affect our financial condition.

Our Company has following contingent liabilities not provided for in the books of accounts under Indian Accounting Standards, which may adversely affect our financial condition.

As per our audited accounts for the nine months period ended December 31, 2007, we have following outstanding contingent liabilities:

(Rs. in Lakhs)

Contingent Liabilities	December 31, 2007
a)Unexpired Bank Guarantees & Letters of Credit	1560.70
i) Disputed Income Tax FY 2001-02 (Disputed tax amount paid to the Department)	5.22
ii) Disputed Sales Tax Demands FY	
2002-03	38.61
2003-04	10.51
Upto July '05 2004-05	27.94
c) Export Obligation Liability	28.25

In the event that any of these contingent liabilities materialize, our financial condition may be adversely affected.

22. We utilize various properties on leasehold and any termination of these leases and/or non renewal could adversely affect our operations.

Our Company does not currently own the premises at which our Registered Office and Research & Development facilities are located. The Registered Office of our Company is on lease from Ms. Sujata, who is part of our Promoter group, at a monthly rent of Rs. 0.15 lakhs. Further, the R&D facilities at Hyderabad used by us for existing business activities are also leasehold. Any termination of these leases/

licenses whether due to any breach or otherwise, or non-renewal thereof, could adversely affect the business operations. For details about property and its ownership, please refer to section "Our Property" appearing on page no. 79 of this Red Herring Prospectus.

23. *Our inability to fulfil export obligations under the Export Promotion Capital Goods Scheme and Advance License could result in potential custom duty liability.*

We have 16 outstanding advance licenses aggregating an outstanding export obligation of Rs. 1510.71 lakhs as on March 31, 2008. We could not fulfil our export obligation arising out of 2 of our advance licenses amounting to Rs. 116.96 lakhs on due date falling on September 14, 2005 & January 14, 2007 and now applied to Director General of Foreign Trade on September 11, 2007 and September 6, 2007 for extension of time. We have received letter dated October 9, 2007 from Joint Director General of Foreign Trade, Hyderabad rejecting our request and asked us to pay duty together with interest on excess imported inputs in respect of one of the advance license. For the other advance license, we have been advised by DGFT, Hyderabad to request for extension to DGFT, Delhi. We have in turn applied to DGFT, New Delhi for extension of time for above two licenses vide our letter dated January 10, 2008 but had not yet received any response from them. In the meantime, we have made disclosure of Rs. 28.25 lakhs as contingent liability in our accounts for the period ended December 31, 2007. Our failure to get extension and any failure to fulfil the future outstanding export obligations in time could result in potential custom duty liability or penalty which could adversely affect our financial operations. For details of our export obligations, please refer to para "Export Obligations" appearing on page no. 78 of this Red Herring Prospectus.

24. *Our Promoter Group have interests in us other than reimbursement of expenses incurred or normal remuneration or benefits and may create potential conflict of interest.*

Ms. Sujata, who is part of our Promoter Group, is interested in the Company other than the extent of her shareholding in the Company as she has given on lease the premises to our Company, where our Registered Office is located. Our Directors may also be regarded as interested in the Equity Shares, held by them or that may be subscribed by or allotted to the companies, firms, in which they are interested as directors, members, partners, and promoters, pursuant to this Issue. All of the Directors may also be deemed to be interested to the extent of any dividend payable to them in respect of the Equity Shares. These may create potential conflict of interest. For more details, see the sections "Related Party Transactions" on page no. 134 of this Red Herring Prospectus.

25. *We have entered into certain related party transactions and may continue to do so in the future. These transactions are carried at the arms length basis but there can be no assurance that these transactions were/will be achieved in the most favourable terms. Further there could be no assurance that in future such transactions will not have any adverse effect on our financial condition and results of operation. .*

We have entered into related party transactions aggregating to Rs.970.49 lakhs for the nine months period ended December 31, 2007 with our Promoters, Directors and Promoter Group Company. While we believe that all such transactions have been conducted on the arms length basis, there can be no assurance that we could not have achieved more favourable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operation. For details, please refer to section titled "Related Party Transactions" at page no. 134 of this Red Herring Prospectus.

26. *There are restrictive covenants under our Loan Agreements, which could influence our ability to expand, in turn affecting our business and results of operations.*

We have entered into agreements with Bank of India, Bank of Baroda, The Karur Vysya Bank Limited, The Jammu & Kashmir Bank Limited, Andhra Pradesh State Financial Corporation and The Hongkong and Shanghai Banking Corporation Limited for short term loans and long term borrowings. These agreements contain certain restrictive covenants on certain activities, which require the prior written permission of the Bank to effect any adverse changes in Company's capital structure, enter into any scheme of amalgamation/ re-construction, implement any scheme of expansion or diversification or capital expenditure, effect any change in the constitution of the Company, enter into borrowing or non-borrowing arrangements either secured or unsecured with any other bank, financial institution etc., sell or dispose off or create security or encumbrances on the assets charged to bank, repay monies brought in by the promoters, partners, directors, shareholders their friends and relatives, to declare dividend or pay dividend from profits which are not for current year, to invest by way of share capital or lend or advance funds or place deposit with or undertake guarantee obligation on behalf of any other concern.

27. *Our business depends on our manufacturing facility and the loss of or shutdown of operations of the manufacturing facility on any grounds could adversely affect our business or results of operations.*

Our manufacturing facilities are subject to operating risks, such as breakdown or failure of equipment, shortage of raw materials, performance below expected levels of output or efficiency, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results.

28. *Our manufacturing facilities are geographically located in one area and therefore, any localized social unrest, natural disaster or breakdown of services or any other natural disaster in and around Andhra Pradesh could have material adverse effect on our business and financial condition.*

All of our manufacturing units viz. existing and proposed are based in the State of Andhra Pradesh. As a result, any localised social unrest, natural disaster or breakdown of services and utilities in and around Andhra Pradesh could have material adverse effect on our business, financial position and results of operations. Further, continuous addition of manufacturing facilities in Andhra Pradesh without commensurate growth of its infrastructural facilities may put pressure on the existing infrastructure, which may also affect our business.

29. *Our failure to attract and retain skilled manpower could adversely affect our growth strategy as research and development is a key component of our business model. Our success depends partly upon our senior management and key personnel and our ability to attract and retain them.*

Our Company recruit and train personnel in the areas of research & development, process improvements and development of new products. We believe that there is significant demand for personnel who possess the skills needed to perform the services we offer. Our inability to hire and retain additional qualified personnel will impair our ability to continue to expand our business. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of technical personnel with the requisite skills to replace those technical personnel who leave. While we have never experienced a work stoppage as a result of labour disagreements or otherwise and we believe our relationship with our employees and their union is generally good, we cannot guarantee that we will not experience any strike, work stoppage or other industrial action in the future

30. *We do not own the trademark "Anu's" and logo of "Anu's" and unauthorised parties may infringe upon or misappropriate our intellectual property.*

The trademark "Anu's" and logo of "Anu's" has not been registered by our Company. We have made an application for registration of trademark on August 27, 2007 for which registration is pending as on date. We have not made any application for registration of our logo. We may not be able to obtain adequate or

timely injunctive or equitable relief to protect our intellectual property. If we are unable to successfully enforce or protect our material intellectual property rights, it could have a material adverse effect on our business, financial condition and results of operations and could cause the price of our Equity Shares to decline. For further details in respect of our intellectual property, please refer to section titled "Our Business" appearing on page no. 67 of this Red Herring Prospectus.

31. *Our insurance cover may be inadequate to fully protect us from all losses*

We have various insurance policies covering stocks, buildings, furniture, plant & machinery, laboratory equipment, etc. for total insured amount of Rs. 6894.91 lakhs, details of which are disclosed on page number 81 of this Red Herring Prospectus. However, our insurance policies may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverages. We cannot assure you that the terms of our insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. Further, we are not covered by business interruption policy. Interruption of our business operations for any reasons including on account of fire, flood, any natural calamities etc. may have a material and adverse impact on our business operations and profitability

32. *Our Company faces exchange rate fluctuation risk which may affect the financial performance of the Company.*

During financial year 2005-06, 2006-07 and period ended December 31, 2007, we imported raw material to the extent of 29.88%, 30.15 % and 25.78% respectively of our total raw material cost. After the expansion, the quantum of imported raw material may change. The fluctuations in foreign exchange rates might have an impact on the financial performance of the Company. If the Indian rupee value depreciates, it will make an adverse impact on our import cost, which in turn adversely affect our total cost of project.

33. *API product segment in which we propose to expand our operations is very competitive which may result in volatility in prices or loss of customers adversely affecting our profitability.*

We will face intense competition from existing and international players, including Chinese players in the API product segment, which we propose to manufacture. Further, prices of APIs can fluctuate drastically, depending on, among other factors, the number of producers and their production volumes and changes in demand, none of which are under our control. In addition to API segment, we operate in a competitive environment in our existing products also. Volatility in price realization and loss of customers may adversely affect our profitability.

34. *We could be adversely affected if we fail to keep pace with the technical and technological developments / research and development in our sector.*

To meet our clients' needs, we must regularly update our existing technology and acquire or develop new technology and develop new products on a continuous basis. In addition, rapid and frequent technology and market demand changes can often render existing technologies and equipments obsolete, requiring substantial new capital expenditure and / or write-down of assets. Our failure to anticipate or to respond adequately to changing technical, market demands and / or client requirements could adversely affect our business and financial results.

35. *We may be unable to cope with the changes in the regulatory developments in the industry including environmental regulations which may affect our operations.*

We are subject to environmental laws and regulations, which impose restrictions on the volume of effluents discharged into air, water and environment and establish standards for the treatment, storage

and disposal of hazardous wastes. Compliance with these regulations entails significant expenditures. Non-compliances or any further imposition of restrictions by the concerned authorities would result in additional costs which may affect the financial operations of our Company.

36. Our promoter Group Companies have incurred losses during the last three audited financial years.

Nitya Laboratories Limited, Zen Chemi Consultech Private Limited and Zen Absorptions Private Limited have incurred losses during the last three audited financial years, details of which are as under:

Name of the Company	September 30, 2006	September 30, 2005	September 30, 2004
	Profit / (Loss) (Rs. in lakhs)		
Nitya Laboratories Limited	(170.61)	(353.91)	(634.22)
	March 31, 2007	March 31, 2006	March 31, 2005
Zen Chemi Consultech Private Limited	0.07	(0.03)	0.02
Zen Absorptions Private Limited	1.75	(0.03)	-

37. Our Promoters have disassociated themselves from two companies viz. Anu Pharma Private Limited and Nihar Laboratories Private Limited

Our Promoters viz. Mr. K. Hari Babu alongwith Mr. N.S. Walimbe promoted Anu Pharma Private Limited in March, 2001. The company was inoperative since its incorporation and they have decided to disassociate themselves in it from October, 2004. Mr. M.S.S.V. Satyanarayana, another promoter had promoted Nihar Laboratories Private Limited on November 10, 2005. He had disassociated himself from the company on November 26, 2005. For details, please refer to section titled "Our Promoters" appearing on page number 108 of this Red Herring Prospectus.

38. Our Promoters and promoter group will continue to retain majority control in our Company after the Issue, which will enable them to influence the outcome of matters submitted to shareholders for approval.

After completion of the Issue, the Promoters and promoter group will continue to hold approximately 51.13% of post-issued paid up share capital. So long as the Promoters and promoter group holds a majority of our Company's Equity Shares, they will be able to control most matters affecting our Company, including the appointment and removal of our Directors; our business strategy and policies; any determinations with respect to mergers, business combinations and acquisitions; our dividend payout and financing. Further, the extent of Promoters and promoter group shareholding may result in delay or prevention of a change of management or control of our Company, even if such a transaction may be beneficial to our other shareholders.

39. We have issued Equity Shares in last twelve months and the price of such issuances may be lower than the Issue Price.

We have made the following allotment of Equity Shares in the twelve months before the date of the Red Herring Prospectus and the price of such issuances may be lower than the Issue Price:

Date of Allotment	Number of Equity Shares	Face Value (Rs)	Issue price (Rs)	Consideration
September 20, 2007	1,00,000	10.00	100.00	Cash
January 24, 2008	1,70,000	10.00	175.00	Cash
January 24, 2008	10,000	10.00	150.00	Cash

40. Your holdings may be diluted by additional issuance of Equity Shares or sale of Equity Shares by members of our Promoter Group, which may adversely affect the market price of our Equity Shares.

Any future issuances of our Equity Shares may dilute the positions of investors in our Equity Shares, which could adversely affect the market price of our Equity Shares. Additionally, sales of a large number of our Equity Shares by the members of our Promoter Group could adversely affect the market price of our Equity Shares. The perception that any such primary or secondary sale may occur also could adversely affect the market price of our Equity Shares.

- 41. *There is no existing market for the Equity Shares, and we do not know if one will develop. Our stock price may be highly volatile after the Issue, and as a result, you could lose a significant portion or all of your investment.***

Prior to the Issue, there has not been a public market for the Equity Shares. We cannot predict the extent to which investor interest will lead to the development of an active trading market on the Stock Exchanges or how liquid that market will become. If an active market does not develop, you may experience difficulty in selling the Equity Shares that you purchased. The IPO price is not indicative of prices that will prevail in the open market following the Issue. Consequently, you may not be able to sell your Equity Shares at prices equal to or greater than the price you paid in the Issue.

- 42. *The market price of the Equity Shares may be adversely affected by any additional issuances of equity or sales of a large number of the Equity Shares by our Promoters.***

There is a risk that we may be required to finance our growth or strengthen our balance sheet through additional equity offerings. Any future issuance of Equity Shares, whether through the exercise of options or otherwise, will dilute the position of existing shareholders and could adversely affect the market price of the Equity Shares.

EXTERNAL RISK FACTORS

- 1. *Force majeure events, terrorist attacks or natural disaster or any other acts of violence or war involving India, or other countries could adversely affect the financial markets, result in a loss of customer confidence and adversely affect our Company's business, results of operations, financial conditions and cash flows.***

Certain force majeure events, being beyond our Company's control, including natural disasters, terrorist attacks and other acts of violence or war which may involve India, or other countries, may adversely affect worldwide financial markets, and could lead to economic recession. These acts may also result in a loss of business confidence and have other consequences that could adversely affect business, results of operations and financial condition of our Company. More generally, any of these events could lower confidence in India. Any such event could adversely affect the financial performance or the market price of the Equity Shares of our Company.

- 2. *Non-compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect our business, financial condition and results of operations.***

Our projects are subject to government and environmental laws and regulations which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from the operations of our businesses. These laws and regulations include the Environmental Protection Act 1986, the Air (Prevention and Control of Pollution) Act 1981, the Water (Prevention and Control of Pollution) Act 1974 and other regulations promulgated by the Ministry of Environment and the Pollution Control Boards of the relevant states. In addition, some of our operations are subject to risks involving personal injury, loss of life, environmental damage and severe damage to property.

The measures we implement in order to comply with these new laws and regulations may not be deemed sufficient by government entities and our compliance costs may significantly exceed our estimates. If we fail to meet environmental requirements, we may also be subject to administrative, civil and criminal proceedings by government entities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against us as well as revocation of approvals and permits and orders that could limit or halt our operations.

- 3. *Regulatory changes may adversely affect our business operations or financial conditions.***
Regulatory changes relating to business segments in which we operate can have a bearing on our business. The Government of India has levied various duties and taxes like excise duty, Income tax etc. from time to time. Further each State in India has a different local taxes and levies which may include sales tax and octroi. Any changes in these taxes, duties or local levies may impact our profitability. Any negative changes in the regulatory conditions in business segment in which we operate in India or our geographic markets could adversely affect our business operations or financial conditions.
- 4. *The Pharmaceutical industry in India is highly regulated by the Government of India under its Drug Price Control Order (DPCO).***
Any adverse change in the Government Policy in terms of margins or prices of the products would affect our Company's performance. In case Government regulations impose restrictions on our Company's ability to sell products at certain price, it may result in a loss of revenue and profits.
- 5. *There is no assurance or guarantee that the Government or Statutory authority will not ban a bulk drug that is supplied by our Company in their formulations or for trading. In such an event the business and profitability of our Company may be affected.***
- 6. *A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact its financial condition.***
Any decline in foreign exchange reserves could negatively impact the valuation of the rupee. Further, this could result in reduced liquidity and higher interest rates that could adversely affect our future financial performance and the market price of the Equity Shares.
- 7. *You will not be able to sell immediately any of the Equity Shares you purchase in this Issue on an Indian stock Exchange***
The Equity Shares will be listed on 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 Designated Stock Exchange. Thereafter, upon receipt of final approval of the stock exchanges, trading in the equity shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to their demat accounts, or that trading will commence, within the time periods specified above.
- 8. *The Issue price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue.***
The Issue Price of our Equity Shares will be determined by the Book Building Process. This price will be based on numerous factors (discussed in the section "Basis for Issue Price" on page no. 46 of this Red Herring Prospectus and may not be indicative of the market price of our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may

decline below the Issue Price. We cannot assure you that you will be able to resell your Equity Shares at or above the Issue Price. Among the factors that could affect our share price are:

- a) Quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- b) Changes in revenue or earnings estimates or publication of research reports by analysts;
- c) Speculation in the press or investment community;
- d) General market conditions; and
- e) Domestic and international economic, legal and regulatory factors unrelated to our performance.

9. *Instability of policies and political situation in India could adversely affect the fortunes of the Industry*

There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and deregulation. The Government of India plays an important role by regulating the policies and regulations governing the private sector. The current economic policies of the government may change at a later date. The pace of economic liberalization could change and specific laws and policies affecting the industry and other policies affecting investment in our Company's business could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India and thereby affect our Company's business.

Unstable internal and international political environment could impact the economic performance in both the short term and the long term. The Government of India has pursued the economic liberalization policies including relaxing restrictions on the private sector over the past several years. The present Government has also announced policies and taken initiatives that support continued economic liberalization. The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Our Company's business, and the market price and liquidity of the Equity Shares, may be affected by changes in interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

NOTES TO RISK FACTORS

1. The Net worth of our Company as on December 31, 2007 is Rs. 4495.69 lakhs and the size of the Issue is Rs. [•] lakhs.
2. The average cost of acquisition of Equity shares of the Promoters is as per the details given below (including issue of bonus shares). The Book value per share as on December 31, 2007 is Rs. 56.10 per Equity Share.

Name of Promoter	Total number of Equity Shares	Average Cost of Acquisition - Per Equity Share (Rs.)
Mr. K.Hari Babu	24,00,414	23.00
Mr. N.S. Walimbe	5,78,400	1.88
Mr. M.S.S.V. Satyanarayana	4,14,200	1.88
Ms. K. Padmaja Rani	23,73,826	3.43

3. Public issue is of 38,20,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] per Equity Share (including a share premium of Rs. [•] per Equity Share) aggregating to Rs. [•] Lakhs. The Issue comprises of a Net Issue of 36,20,000 Equity Shares to the public and a reservation of 2,00,000 Equity

Shares for the eligible employees (The Employee Reservation Portion). The Issue will constitute 31.63% of the fully diluted post-Issue paid up capital of our Company.

4. This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Issue to Public shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment 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 to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
5. For interest of our Promoters/Directors/Key Managerial Personnel and other ventures promoted by Promoters, please refer to section titled "Risk Factors", "Our Promoters", "Our Promoter Group Companies", "Our Management", "Related Party Transactions" and "Financial Statements of the Company" beginning on page numbers iii, 108, 110, 99, 134 & 118 of this Red Herring Prospectus.
6. We have entered into various related party transactions with related parties including various Promoter group companies amounting to Rs.970.49 lakhs during nine months period ended on December 31, 2007. For related party transaction refer to section titled "Related Party Transactions" beginning on page no. 134 of this Red Herring Prospectus.
7. No loans and advances have been made to any person(s) / Companies in which the Director(s) of our Company are interested except as stated in the Auditors Report. For details of loans and advances, please refer to Annexure-VIII of Auditors Report under section titled "Financial Statements" appearing on page no. 118 of this Red Herring Prospectus.
8. Any clarification or information relating to the Issue shall be made available by the BRLM, our company and our Compliance Officer to the investors at large and no selective or additional information would be available for a section of investors in any matter whatsoever. Investor may contact the BRLMs for any complaint pertaining to the Issue.
9. The Investors are advised to refer to the Para on "Basis for Issue Price" on page no. 46 of this Red Herring Prospectus before making any investment in this Issue.
10. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
11. No part of the Issue proceeds will be paid as consideration to promoters, directors, key managerial personnel, associate or Group Companies.
12. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders, Retail Bidders and Bidders in Employee Reservation Portion shall be on a proportionate basis. For, more information, please refer section titled "Basis of Allocation" on page no. 195 of the Red Herring Prospectus.

SECTION III - INTRODUCTION

Summary

This is only a summary and does not contain all the information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information contained in the chapter titled "Risk Factors" and "Financial Statements" and related notes beginning on pages iii and 118 of this Red Herring Prospectus before deciding to invest in our Equity Shares.

Industry Overview:

Pharmaceutical Sector

Indian pharmaceutical industry can be widely classified into bulk drugs and formulations. Bulk drug is the Indian name for Active Pharmaceuticals Ingredients (API). Formulations cover both branded products and generics. Indian pharmaceuticals sector is self sufficient in meeting domestic demand and exports successfully to various markets globally. The existence of process patents in India till January 2005 fuelled the growth of domestic pharmaceutical companies and developed them in areas like organic synthesis and process engineering, as a result of which, Indian pharmaceuticals sector is able to meet almost 80-90% of the country's pharmaceutical needs. India is ranked among the top 15 drug manufacturing countries worldwide. India is globally recognized as a low cost, high quality bulk drugs and formulations manufacturer and supplier. It exports bulk drugs and formulations to more than 65 countries globally. Indian companies are capable of developing cost effective technologies for the manufacturing of bulk drugs and intermediates in world standards in a very short time. (Source: Report - Industry Insight - Indian Pharmaceuticals - April 2007; www.cygnusindia.com)

In the year 2006 the total pharmaceutical market grew 7.0% to reach \$ 643.00 billions. About 50% of this growth came from the US market, where the growth rate of 8.3% reflected the impact of the first year of the Medicare Part D benefit and a lift in the volume of prescription. Across the five major European markets, growth was 4.4% compared to 4.8% in 2005, reflecting the third year of slow down in performance. By comparison many of the Eastern European countries achieved double digit growth in 2006. Japan experienced the Impact of biennial price decrease, which contributed to an overall market decline of 0.4%. This was a sharp contrast to 2005's stellar growth of 6.8%. Latin American markets performed well, increasing sales by 12.7% and across Asian markets, China's growth slowed considerably from 20.5% in 2005 to 12.3% on the heels of a government anti-corruption campaign introduced during the second quarter of 2006. The campaign limits physician promotion and has served to dampen the sales in the region. While the US continues to account for half of the global market growth in 2006, there has been some rebalancing. Over one-quarter of the growth (27%) is coming from countries, with a gross national income of less than \$ 20,000 per capita on a Purchasing Power Parity (PPP) basis, with 23% contributed by all other countries outside of the US. This is a radically different picture than the one we saw in 2001, when the US contributed 46% of the total growth and low income countries contributed only 13%. (Source: Report - intelligence.360 - Global Pharmaceutical Perspective -2006; www.imshealth.com).

The relative contribution to future growth will continue to skew away from the US and the five major European markets, which are forecast to grow at 5-6% and 3-4% respectively in 2007. Longer term, we continue to see a compound annual growth rate from 2005 to 2010 in the 5-8% range, taking the total market to between \$ 775 billion and \$ 895 billion by 2010. (Source: Report - intelligence.360 - Global Pharmaceutical Perspective -2006; www.imshealth.com).

Indian Pharmaceutical Industry

The Indian Pharmaceuticals sector has come a long way, being almost non-existent during 1970, to a prominent provider of health care products, meeting almost 95% of country's pharmaceutical needs. The domestic pharmaceutical output has increased at a compound growth rate (CAGR) of 13.7% per annum. Currently the Indian pharmaceutical industry is valued at approximately US\$ 8.0 billion. Globally, the Indian industry ranks 4th in terms of volume and 13th in terms of value. Indian pharmaceuticals industry has over 20,000 units. Around 260 constitute the organized sector, while others exist in the small scale sector. However, the Indian pharmaceutical sector is currently undergoing unprecedented change. This can be attributed largely to the country's introduction of product patents on January 1, 2005. Under the new patent regime, many multinationals are making a comeback on the Indian centre stage; the attractions being India's traditional strengths in contract manufacturing and as an outsourcing location for R&D, particularly for clinical trials and other services. (Source: FICCI Report for National Manufacturing Competitiveness Council, 2005)

Today the sector has increasing direct investment from MNCs and is placing more emphasis on the biotech segment and brand development. Global pharmaceutical outsourcing is also gaining popularity and Indian companies are well poised to exploit this opportunity with its technical skills, regulatory skills, cost advantage and global relationships.

Our Company's business overview

Our Company was incorporated in the year 1996 for manufacture of Bulk Active Pharma Ingredients and Intermediates for drug molecules and was promoted by Mr. K. Hari Babu. Mr. N.S. Walimbe joined as co-promoter in the year 1997.

We started our own manufacturing facilities in the year 1998 from Chilakamarri Village, Shadnagar, Mahboobnagar District, Andhra Pradesh with manufacturing of 2,4 Dichloro 5 Fluoro Acetophenone (DCFA).

Further with a view to add more products in our product profile we entered into contracts in 2004 with Nitya Laboratories Limited for conversion jobs for manufacture of "Sodium Methoxide or Sodium Methyl Acetate Solution & Powder" and "CIS (+) Hydroxide Lactam. Sodium Methoxide and CIS Lactam contributed 9.73% and 24.27% respectively during nine months period ended December 31, 2007 in our total sales. For details of contracts, please refer to paragraph "Other Agreements" appearing on page number 89 of this Red Herring Prospectus.

We are engaged in manufacture of Basic & Advanced Intermediates and fine chemicals and are presently having manufacturing facilities for key intermediates like 2,4-Dichloro-5-Fluoro Acetophenone (DCFA) (an intermediate for synthesizing quinolone antibiotics like ciprofloxacin); Chlorohexanone (key intermediate in the manufacture of cardio vascular medicine) and Methyl-4 (4-Chloro 1 Oxo Butyl) a, a Di-Methyl Acetate (an intermediate in the manufacture of Fexofenadine an anti allergic drug). DCFA have contributed 28.81% of our total sales during the nine months period ended December 31, 2007 whereas Methyl-4 (4-Chloro 1 oxo butane) a, a Di-Methyl Acetate contributed 24.54% and Chlorohexanone contributed 8.95% of the total sales.

Our Company had started export of their products in the year 2002 to Israel followed by exports to other countries like Italy, Japan, France, USA and Singapore. Currently, our exports comprise of 19.97% of our total turnover.

Our Company has a team of 25 chemists who are engaged in research and development. Our in-house R&D team has manpower to handle complex molecular synthesis and operations. Our Company has presence in

custom synthesis and contract research which encompasses process development and scaling up technologies in pilot plants. Our in-house R&D facilities are recognized by Government of India, Department of Scientific & Industrial Research (DSIR). With continuous focus on research & development, our in-house R&D team has been able to develop process for some of APIs / intermediates viz. Diltiazem, Pentoxifyline, Ciprofloxacin, Fexofenadine, Iopamidol and Naproxen.

Our Company has also been granted ISO 9001:2000 Certificate of Assessment by AQA International LLC with a scope of design development, manufacture and supply of organic and inorganic intermediates.

Our Company's strengths:

Research & Development

We believe a key factor in our ability to succeed and to continue to sustain and strengthen our business has been and will continue to be our ability to innovate and develop improvements to existing products and to create and introduce new products that will meet or create demands which are not presently being satisfied by available products. With this belief, we have established our in-house Research & Development facility which encourages innovation and development. In developing new products, our in-house R&D team follow a structured process chemistry, yield improvement techniques and engineering designs. With continuous focus on research & development, our in-house R&D team has been able to develop process for some of APIs / intermediates viz. Diltiazem, Pentoxifyline, Ciprofloxacin, Fexofenadine, Iopamidol and Naproxen.

Our Company has a team of 25 chemists who are engaged in research and development. Our in-house R&D team has manpower to handle complex molecular synthesis and operations. Our Company has presence in custom synthesis and contract research which encompasses process development and scaling up technologies in pilot plants. Our R&D facilities are recognized by Government of India, Department of Scientific & Industrial Research (DSIR) which is at present valid till March 31, 2010.

Complying with environmental norms

We have already set up systems in the existing business which not only meet the present environmental norms but are also geared up to face stricter environmental norms in production processes, when enforced and thereby will enable us to leverage newer business opportunities. Our Company was granted subsidy in 2000-01 of Rs. 7.90 lakhs from Andhra Pradesh Pollution Control Board as incentive for implementing projects for recovery of by-products and for showing our commitment towards "Cleaner Production".

Quality Standards

Our Company has been granted ISO 9001:2000 Certificate of Assessment by AQA International LLC with a scope of design development, manufacture and supply of organic and inorganic intermediates which is revalidated till December 30, 2008.

Existing client relationship

We constantly try to address customer needs around a spectrum of products and services. Our production (approved and dedicated facilities that can provide from laboratory scale to commercial production) and research facilities (process innovation) help us to get repeat business from our customers. This has helped us maintain a long term working relationship with our customers and improve our customer retention strategy. We have existing client relationships with pharmaceutical companies in domestic and international markets from whom we get repeat orders. We believe that our existing relationship with our clients represents a competitive advantage in gaining new clients and increasing our business. Our domestic clientele includes Dr. Reddy's Laboratories Limited, Hiran Orgochem Limited, Sun Pharmaceuticals Limited, Sreepathi

Pharmaceuticals Limited, Matrix Laboratories Limited, Arene Life Sciences Limited, Neuland Laboratories Limited and Hetero Laboratories Limited. The major international clients include M/s Teva, Mitsui & Co., ABIC Ltd., Polpharma, Sanofi Aventis, Tradecom Services PTE Limited and Tanabe.

Synergy of Business Lines

We propose to set up new manufacturing facilities at Jawaharlal Nehru Pharma City, Vishakhapatnam, Andhra Pradesh for APIs and are also proposing another research & development facility at the same location, which gives us synergy in our operations.

Experienced management team

Our Company is managed by a team of experienced and professional personnel with exposure in different aspects of pharmaceutical industry including production, quality control, research & development, marketing and finance. Mr. K. Hari Babu, Managing Director is a Chartered Accountant and has 27 years of experience in various fields of management. Mr. N.S. Walimbe is a Chemical Engineer from Indian Institute of Technology, Mumbai and has around 30 years of experience in chemical / pharmaceutical industry. Mr. M. Ajaya Kumar also has over 23 years of experience in pharmaceutical industry out of his total experience of 39 years.

Market Penetration

We have been awarded the "Market Penetration Leadership in the Indian Pharmaceutical Intermediates Market Award" by Frost & Sullivan for the year 2005 for demonstrating excellence in capturing market share within our Industry, excellence in product innovation, marketing and sales strategies.

Our business strategy

Increase in Product Portfolio

The implementation of the ongoing expansion will enable us to forward integrate and add other products in our portfolio. At present our Company only manufactures Basic and Advance intermediates for drug molecules which are critical inputs for the APIs that are now proposed to be manufactured at the new plant to be set up with the proceeds of the proposed issue. The production facilities are flexible to carry out various chemical reactions and produce a variety of APIs and their intermediates.

Increasing Contract manufacturing activities

We have identified Contract manufacturing as one of the options to maintain growth and profitability as that offers a low-cost manufacturing base. We are undertaking a contract manufacturing project wherein we have entered into Manufacturing and Supply Agreement with Dr. Reddy's Laboratories Limited. As per the said agreement, we will manufacture Ciprofloxacin Hcl for Dr. Reddy's Laboratories Limited and they will be supplying the entire raw material to us. We envisage a potential for supply of our products to the other pharmaceutical companies in India and abroad. We intend to upgrade our manufacturing facilities to make them compliant with international regulatory authorities like US FDA. Our Company intends to capitalize on the opportunity as it has the requisite expertise and established clientele.

Enhancing focus on Research & Development

Our in-house Research & Development facilities is playing a key role in development of new processes and enhancing the process development of our existing products. Presently our Company research focuses on process improvement, yield improvement, quality improvement and custom synthesis. Considering opportunities in custom synthesis, Our Company is planning to set up a pilot plant for custom synthesis at Jawaharlal Nehru Pharma City, Vishakhapatnam, Andhra Pradesh to enhance our focus on research & development.

Focus on environmental protection

We are committed to provide a safe, clean and healthy environment. We focus on minimizing the generation of waste water and air emissions, thereby preventing pollution at source and that can be achieved by adopting cleaner technologies, reducing the use of natural resources and recovering & recycling wastes.

Reduction of Operational cost

We want to remain as a cost competitive Company. Our focus shall be to reduce the operational cost to increase our competitiveness.

Increase in Exports

Our Company had started export of their products in the year 2002 to Israel followed by exports to other countries like Italy, Japan, France, USA and Singapore. Currently our exports comprise 12.37% of the total turnover. Our Company intends to increase our geographical presence in the International markets.

Summary Financial Data

The following table sets forth the historical financial information of our Company derived from the restated and audited financial statements for the Fiscal years ended March 2003, March 2004, March 2005, March 2006 March 2007, and for the nine months period ended December 31, 2007 all prepared in accordance with Indian GAAP and SEBI (DIP) Guidelines and included in the section titled "Financial Information" beginning on page no. 118 of this Red Herring Prospectus and should be read in conjunction with those Financial Statements and notes thereto and the section titled "Management's Discussion and analysis of financial condition and results of operations" beginning on page no. 136 of this Red Herring Prospectus. (Rs. In lakhs)

SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED						
As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
A Fixed Assets						
Gross Block	702.78	882.68	1,160.04	1,587.14	2784.80	2976.42
Less: Depreciation	72.48	112.83	161.81	225.19	319.74	422.17
Net Block	630.30	769.85	998.23	1,361.95	2,465.06	2554.25
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after adjustment for Revaluation Reserve (A)	630.30	769.85	998.23	1,361.95	2,465.06	2554.25
B Investments (B)	1.14	0.00	29.21	189.21	269.21	269.21
C Current assets, loans and advances						
Inventories	675.32	816.13	1,796.26	2,328.40	3,450.59	4,079.67
Sundry debtors	319.20	350.17	955.94*	509.93	728.47	2,165.13
Cash and bank balances	6.04	5.29	41.55	15.03	177.82	17.56
Loans and advances	75.73	92.47	293.85#	337.68#	955.28#	1,431.51
Total (C)	1,076.29	1,264.06	3087.60	3,191.04	5,312.16	7693.87
D Liabilities and provisions						
Secured loans	714.78	661.27	1045.09	1,660.24	2,537.24	3,408.11
Unsecured loans	18.44	30.00	0.00	113.50	113.50	113.50
Deferred tax liability	76.74	106.79	131.58	193.87	299.47	311.65
Current liabilities and Provisions	509.54	795.03	2194.10	1486.49	1944.83	2188.39
Total (D)	1,319.51	1,593.09	3,370.77	3,454.11	4,895.04	6,021.64
E Net Worth (A+B+C-D)	388.21	440.82	744.27	1,288.10	3,151.39	4,495.69
F Represented by:						
1 Share Capital						
Equity share capital	97.38	97.38	129.70	518.80	797.60	807.60
2 Share application money	30.00	40.24	30.30	55.63	2.50	-
3 Reserves and Surplus	265.93	307.23	587.12	721.77	2,358.33**	3,760.70
4 Miscellaneous expenditure	5.09	4.03	2.85	8.10	7.04	72.61
Net Worth (1+2+3-4)	388.21	440.82	744.27	1,288.10	3,151.39	4,495.69

* Increase in sundry debtors during 2004-05 was mainly on account of increase in sales of around 135% during this period as we have introduced two products viz. CIS+ Hydroxy Lactum and Sodium Methoxide during this financial year.

We have paid an amount of Rs. 150.89 lakhs, Rs. 225.87 and Rs. 450.68 lakhs to Nitya Laboratories Limited during FY 2004-05, 2005-06 and 2006-07 respectively as advance towards Job work charges for using their facilities for manufacture of two products viz. CIS+ Hydroxy Lactum and Sodium Methoxide that we have introduced during 2004-05. Further, loans and advances for the year 2006-07 includes Export incentive receivable and MODVAT credits.

**Increase in reserves & surplus is mainly on account of transfer of Rs. 583.86 lakhs from the Share Premium A/c as 7,12,800 equity shares were issued during 2006-07 at premium, the details of which are on page no. 18 of the Red Herring Prospectus. Further, an amount of Rs. 880.93 lakhs was transferred from Profit & Loss A/c.

SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED						
(Rs. in Lakhs)						
	For the period ended					
	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
Income						
Sales						
Of Products Manufactured by the Company	2,272.54	3,011.32	7,062.63	10,076.28	12,066.98	11,703.29
Of Products traded in by the Company	-	-	-	-	-	-
Total	2,272.54	3,011.32	7,062.63	10,076.28	12,066.98	11,703.29
Less: Sales Tax	-	7.56	-	-	-	-
Less: Excise Duty	259.09	377.28	792.99	1,044.40	1,285.10	1,324.07
Net Sales	2,013.45	2,626.48	6,269.64	9,031.88	10,781.88	10,379.22
Other Income	160.19	86.06	16.55	67.24	135.39	320.71
Increase (Decrease) Inventories	131.60	97.54	436.22	434.81	1,212.25	682.33
Total	2,305.24	2,810.08	6,722.41	9,533.93	12,129.52	11,382.26
Expenditure						
Raw Material Consumed	1,677.92	2,063.99	4,491.88	5,598.40	7,159.57	6,543.66
Staff Cost	55.71	71.14	131.87	166.28	242.67	214.43
Other Manufacturing Expenses	261.43	316.54	1,267.47	1,622.12	1,603.20	1,321.74
Administration and other expenses	83.93	61.94	181.17	896.48	601.67	543.22
Selling and Distribution Expenses	12.19	12.28	49.42	91.71	122.08	95.81
Interest	135.46	152.05	272.32	322.68	477.98	549.02
Preliminary Expenses written off	0.05	0.05	0.05	0.05	1.06	-
Total	2,226.69	2,677.99	6,394.18	8,697.72	10,208.23	9,267.88
Profit/(loss) before depreciation and tax	78.55	132.09	328.23	836.21	1,921.29	2,114.38
Depreciation	34.40	40.55	48.98	63.37	94.55	102.43
Net Profit before tax and extra-ordinary items	44.15	91.54	279.25	772.84	1,826.74	2,011.95
Provision for taxes on income	-	-	-	-	-	-
Current tax	2.78	6.98	47.47	137.30	356.68	683.86
Deferred tax Liabilities/ (Assets)	30.80	30.56	22.71	62.29	105.59	12.19
Fringe Benefit Tax	-	-	-	2.16	5.32	3.54
Net Profit before Extraordinary items	10.57	54.00	209.07	571.09	1,359.15	1,312.36
Extra-ordinary Items (net of tax)	-	-	-	-	-	-
IT paid in next years	8.44	7.64	14.67	13.84	-	-
Profit/(loss) for the year as restated	2.13	46.36*	194.40**	557.25#	1,359.15#	1,312.36

* Increase in profit is mainly on account of increase in sales.

** Increase in profits during 2004-05 is mainly on account of increase in sales to the extent of around 135% as we have introduced two new products viz. CIS+Hydroxy Lactum and Sodium Methoxide.

During 2005-06 and 2006-07 profits increased due to substantial increase in sales of CIS + Hydroxy Lactum, Sodium Methoxide, Methyl-4 (4-Chloro 1-Oxo butyl)a, and a Di-Methyl Phenyl Acetate.

For details, please refer to section titled "Management Discussion and Analysis of financial conditions and results of our operations, on page no. 137.

The Issue

Equity Shares offered:	38,20,000 Equity Shares
Out of Issue	
Employees Reservation Portion	2,00,000 Equity Shares
Net Issue to Public	36,20,000 Equity Shares
QIB Portion including Mutual Funds*	Not more than 18,10,000 Equity Shares constituting 50% of the Net Issue to the Public (Allocation on proportionate basis) out of which 5% i.e. 90,500 Equity Shares will be available for allocation to Mutual Funds only and the remaining QIB portion will be available for allocation to QIBs, including Mutual Funds.
Non Institutional Portion*	At least 5,43,000 Equity Shares constituting 15% of the Net Issue to the Public (Allocation on proportionate basis)
Retail Portion*	At least 12,67,000 Equity Shares constituting 35% of the Net Issue to the Public (Allocation on proportionate basis)
Equity Shares outstanding prior to the Issue	82,56,000 Equity Shares
Equity shares outstanding after the Issue	1,20,76,000 Equity Shares
Objects to the Issue	Please see the section entitled "Objects of the Issue" on page no. 28 of this Red Herring Prospectus.

* Under subscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories including from over subscription in the Employee Reservation Portion at the sole discretion of our Company, in consultation with the BRLM.

The unsubscribed portion in the employee reservation portion, if any, shall be added back to the Net Issue to the public.

In case of under subscription in the net issue to the public portion, spill over to the extent of under subscription shall be permitted from the reserved category to the net public Issue portion.

General Information

Our Company was incorporated as Anu's Laboratories Limited on February 20, 1996 and got the Certificate of Commencement of Business Certificate on March 6, 1996.

Registered Office of the Company

A-49, Madhura Nagar,
Vengalrao Nagar,
Hyderabad - 500 038
Phone: +91 40 23741677
Fax: +91 40 23741678
E mail: ipo@anulabs.com
Website: www.anulabs.com

Address of the Registrar of Companies

Registrar of Companies, Andhra Pradesh,
2nd Floor, CPWD Building,
Kendriya Sadan, Sultan Bazar, Koti,
Hyderabad - 500 195

The Registration number of our Company is 23283 and the Company Identification Number of our Company is U24230AP1996PLC023283

Board of Directors

Sr. No.	Name	Designation
1.	Mr. M. Ajaya Kumar	Chairman (Non Executive Independent Director)
2.	Mr. K.Hari Babu	Managing Director
3.	Mr. N.S.Walimbe	Whole Time Director
4.	Mr. M.S.S.V. Satyanarayana	Non Executive Non Independent Director
5.	Dr. Rajeswararao Kosaraju	Non Executive Independent Director
6.	Mr. O.M.Kejriwal	Non Executive Independent Director

Brief details of Managing Director and Whole Time Director

Mr. K. Hari Babu, aged 51 years, is a Chartered Accountant and ranked 20th on an All India merit basis in the year 1980. He has 27 years of experience in various fields of management out of which 21 years was in pharmaceutical unit. He has experience in the field of strategic planning, Corporate and Project financing, human resource development, Information systems management, and marketing strategy. He started his career in 1981 with Standard Organics Limited as Accounts Officer responsible for finance and accounts function and resigned from the Company in 1988 as a General Manager (Finance). He had also worked with Powmex Steels Limited and Suven Pharmaceuticals. He promoted our Company in 1996 and since then he has been actively involved in the affairs of our Company since incorporation and has played a key role in the growth of the Company with his inputs in strategic planning and business development. He has been accredited with "State Level Best SSI Entrepreneur Award" for the year 2001-02 by the Government of Andhra Pradesh, Industry & Commerce Department.

Mr. N.S.Walimbe, aged 52 years, is a Chemical Engineer from Indian Institute of Technology, Mumbai. He has over 30 years of experience in chemical/pharmaceutical industry in the field of research and development,

operations management and project management. He started his career in the year 1978 with Gharda Chemicals Private Limited as Chemical Engineer and then had also worked with Hoechst India Limited as Assistant Manager (Projects); Lupin Laboratories Limited as Senior Manager (Projects) and SOL Pharmaceuticals Limited as General Manager - Projects. He promoted a technical and engineering consultancy services firm in 1995 in the name of Zen Chemiconsultech Private Limited to serve bulk drugs and chemical industry. During 1997 he joined our Company as Co-promoter and has been responsible for strategic planning, building up & heading the technical team to provide solutions to technical problems, improvisation of manufacturing processes, planning and implementing Research and Development activities, and monitoring manufacturing operations. His areas of specialization include design of batch & continuous manufacturing processes particularly for bulk drugs & organic intermediates.

For more details of Directors of our Company, see section titled "Our Management" on page no 99 of this Red Herring Prospectus.

Compliance Officer and Company Secretary

Mr. S. Naresh Kumar

A-49, Madhura Nagar, Vengalrao Nagar,

Hyderabad - 500 038

Phone: +91 40 23741677

Fax: +91 40 23741678

E mail: ipo@anulabs.com

Website: www.anulabs.com

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment and credit of allotted shares in the respective beneficiary account or refund orders.

Book Running Lead Manager

Almondz Global Securities Limited

33 Vaswani Mansion, 6th Floor

Dinsha Vachha Road

Churchgate, Mumbai - 400 020

Tel: +91-22-2287 0580

Fax: +91-22-2287 0581

Email: anu.ipo@almondz.com

Website: www.almondzglobal.com

Contact Person: Mr. Sunit Shangle

SEBI Registration Number: INM000000834

Syndicate Member

Almondz Global Securities Limited

33 Vaswani Mansion, 6th Floor

Dinsha Vachha Road

Churchgate, Mumbai - 400 020

Tel: +91-22-2287 0580

Fax: +91-22-2287 0581

Email: anu.ipo@almondz.com

Website: www.almondzglobal.com

Contact Person: Mr. Surender Tare

SEBI Registration Number: INM000000834

Registrars to the Issue

Karvy Computershare Private Limited

Karvy House, 46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad-500034

Tel: +91-40 23420818

Fax: +91+40 23420814

E-mail: einward.ris@karvy.com

Website: www.kcpl.karvy.com

Contact Person: Mr. M. Murali Krishna

Registration No. : INR000000221

Legal Advisor to the Issue

JurisPrudent Consulting Partners

1st Floor, Paramount Tower,
C-17, Community Centre, Janakpuri,
Delhi - 110058

Tel. No.: +91 11 4158 8441, 32000177

Fax No.: +91 11 25537779

Email: ajay@jurisprudentconsulting.in

Contact Person: Mr. Ajay Jain

Advisors to the Company

Atherstone Capital Markets Limited

121, 12th Floor, Maker Chamber IV,
Nariman Point, Mumbai - 400023

Tel: +91 22 66191920

Fax: +91 22 6615 2989

Email: anusipo@atherstone.in

Website: www.atherstone.in

Contact Person: Mr. Ajay Puri

SEBI Registration No.: INM000011245

Bankers to the Company

The Hongkong and Shanghai Banking Corporation Limited	Bank of Baroda
6-3-1107 & 1008, Rajbhavan Road, Somajiguda, Hyderabad - 500 082	6-1-84, Secretariat Road, P.B.No: 49, Khairatabad, Hyderabad - 500 004
Tel. No.: +91 40 23358686	Tel. No.: +91 40 2342 1614, 2342 1621
Fax No.: +91 40 23410201	Fax No.: +91 40 2342 1622
Email: info@hsbc.co.in	Email: khaira@bankofbaroda.com
Website: www.hsbc.co.in	Website: www.bankofbaroda.com

<p>Bank of India Hyderabad Main Branch, 5-8-659, Nampally, Hyderabad – 500 001 Tel. No.: +91 40 2320 2016, 2320 3478 Fax No.: +91 40 2320 3255 Email: hyderabad@bankofindia.co.in Website: www.bankofindia.co.in</p>	<p>Karur Vyasa Bank Limited 6549, Rashtriyapathi Road, Secundrabad – 500 030 Tel. No.: +91 40 2781 2929 Fax No.: +91 40 2781 2195 Email: secunderabad@kvb.co.in Website: www.kvb.co.in</p>
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Bankers to the Issue and Escrow Collection Banks

ICICI Bank Limited

Capital Market Division, 30 Mumbai Samachar Marg,
Mumbai – 400 001
Phone: +91 22 22627600, Fax: +91 22 22611138
Email: venkataraghavan.t@icicibank.com
Contact Person: Mr. Venkataraghavan T A
Website: www.icicibank.com

BNP Paribas

1 Forbes, 6th Floor, Dr. V.B Gandhi Marg,
Mumbai- 400 023
Phone: +91 22 66182647/ 648 / 98201 89385, Fax: +91 22 6633 7521
Email: rupa.balsekar@asia.bnpparibas.com
Contact Person: Ms. Rupa Balsekar
Website: www.bnpparibas.co.in

HDFC Bank Limited

Maneckji Wadia Building, 3rd Floor,
Nanik Motwani Marg, Fort, Mumbai - 400 001.
Tel : 022-66573746
Fax : 022-22700024
Email : deepak.rane@hdfcbank.com
Contact Person : Mr. Deepak Rane
Website : www.hdfcbank.com

Statutory Auditors to the Company

Karumanchi & Associates
Chartered Accountants
Flat No. 301, 7-1-619/A,
Swarganivas Enclave, Ameerpet,
Hyderabad – 500 038
Tel No.: +91 40 2373 4980
Email: karumanchi@myway.com
Contact Person: Mr. K.Peddabbai

IPO Grading

Our Company has appointed ICRA Limited for grading. ICRA has assigned a 'ICRA Grading 2' to the proposed initial public offering of the Company. For Rationale of IPO Grading of ICRA please refer to page no. 225 of this Red Herring Prospectus.

Credit Rating

As the Issue is of Equity Shares, credit rating is not required.

Trustees

As the Issue is of Equity Shares, the appointment of Trustees is not required.

Book Building Process

Book Building, refers to the process of collection of Bids from investors, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid / Issue Closing Date.

The principal parties involved in the Book Building Process are:

- Our Company;
- Book Running Lead Manager;
- Syndicate Member who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and are eligible to act as Underwriters. Syndicate Members are appointed by the BRLM;
- Escrow Collection Bank(s); and
- Registrar to the Issue.

This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Issue to Public shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to all QIBs including 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 to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

Though the process of Book Building under the SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed Book Running Lead Manager to manage the Issue and to procure subscription to the Issue.

QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. In addition, QIBs are now required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. Please refer to the section titled "Issue Procedure" beginning on page no. 170 of this Red Herring Prospectus for more details.

Steps to be taken by the Bidder for bidding:

- Check eligibility for making a bid, see the section titled “Issue Procedure-Who Can Bid?” beginning on page no.171 of this Red Herring Prospectus;
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form and
- Ensure that the Bid - Cum - Application Form is accompanied by the Permanent Account Number. For details please refer to the section titled “Issue Procedure” beginning on page no. 170 of this Red Herring Prospectus. Bidders are specifically requested not to submit their General Index Register number instead of Permanent Account Number as the Bid is liable to be rejected on those grounds.

Illustration of Book Building and Price Discovery Process

(Investors should note that this example is solely for illustrative purposes and is not specific to this Issue)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 30 to Rs. 34 per 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 as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	34	500	16.67%
1000	33	1500	50.00%
1500	32	3000	100.00%
2000	31	5000	166.67%
2500	30	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 32 in the above example. The issuer, in consultation with the Book Running Lead Manager, will finalize the issue price at or below such cut off price, i.e., at or below Rs. 32. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	MAY 12, 2008
BID/ISSUE CLOSES ON	MAY 15, 2008

Bids and any revision in Bids will be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned in the Bid cum application Form except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) and uploaded until 5.00 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders and Employees bidding under the Employee Reservation Portion where the Bid Amount is in excess of Rs. 100,000 and (ii) till such time as permitted by the BSE and the NSE, in case of Bids by Retail Individual Bidders and Employees Bidding under the Employee Reservation Portion where the Bid Amount is up to Rs. 100,000. Bids will be accepted only on working days i.e. Monday to Friday (excluding public holidays). Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their

Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 1.00 p.m (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, 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 under the Issue and the Issuer / BRLM and the Syndicate Member will not be responsible for such Bids not being uploaded. Bids will only be accepted on working days i.e. Monday to Friday (excluding any public holiday).

On the Bid / Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received upto the closure of the timing for acceptance of Bid-cum-Application Form as stated herein and reported by the BRLM to the Stock Exchange within half an hour of such closure.

Our Company reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price advertised at least one day before the Bid /Issue Opening Date. In case of revision of the Price Band, the Bid/Issue Period will be extended for three additional days after revision of the Price Band subject to the total Bid /Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bid/Issue period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release and also by indicating the changes on the web sites of the BRLM and at the terminals of the Syndicate

Underwriting Agreement

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

The Underwriter has indicated its 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 Registrar of Companies)

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. Lakhs)
Almondz Global Securities Limited 33 Vaswani Mansion, 6 th Floor Dinsha Vachha Road Churchgate, Mumbai - 400 020 Tel: +91-22-2287 0580 Fax: +91-22-2287 0581	[•]	[•]
TOTAL	[•]	[•]

The above-mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [•].

In the opinion of the Board of Directors and the BRLM (based on certificates given to them by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s). The above underwriting agreement has been accepted by the Board of Directors at the meeting held on [•] and the Company has issued letters of acceptance to the underwriters. Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments.

Notwithstanding the above table, the Underwriters shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement will also be required to procure / subscribe to the extent of the defaulted amount.

Capital Structure

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

(Rs. In lakhs)

Particulars		Aggregate Nominal Value	Aggregate value at Issue Price
A.	Authorized Capital		
	1,50,00,000 Equity Shares of Rs. 10/- each	1,500.00	
B.	Issued, Subscribed and Paid-up Capital		
	82,56,000* Equity Shares of Rs. 10/- each	825.60	[•]
C.	Present Issue to the Public in terms of this Red Herring Prospectus		
	38,20,000* Equity shares of Rs. 10/- each fully paid up	382.00	[•]
D.	Employee Reservation Portion		
	2,00,000 Equity shares of Rs. 10/- each fully paid up	20.00	[•]
E.	Net Issue to Public		
	36,20,000 Equity shares of Rs. 10/- each fully paid up	362.00	[•]
F.	Paid up Capital after the Issue		
	1,20,76,000 Equity Shares of Rs. 10/- each	1,207.60	
G.	Share Premium Account		
	Before the issue	968.36	
	After the issue		[•]

*We have completed pre-IPO placement of 1,80,000 equity shares out of 2,00,000 equity shares proposed at the time of filing of Red Herring Prospectus. For details, please refer to Note No. 15 to Capital Structure appearing on page no. 25 of the Red Herring Prospectus.

Details of increase of the Authorised Capital of our Company

Sr. No.	Date	Increased from (Rs. In lakhs)	Increased to (Rs. In lakhs)	REMARKS
1.	February 20, 1996		10.00	On Incorporation
2.	September 26, 1997	10.00	100.00	Increased from Rs. 10 lakhs divided into 1,00,000 equity shares of Rs. 10 each to Rs. 100 lakhs divided into 10,00,000 equity shares of Rs. 10 each.
3.	August 30, 2004	100.00	500.00	Increased from Rs. 100 lakhs divided into 10,00,000 equity shares of Rs. 10 each to Rs. 500 lakhs divided into 50,00,000 equity shares of Rs. 10 each.
4.	September 30, 2005	500.00	1000.00	Increased from Rs. 500 lakhs divided into 50,00,000 equity shares of Rs. 10 each to Rs. 1,000 lakhs divided into 1,00,00,000 equity shares of Rs. 10 each.
5.	July 16, 2007	1000.00	1500.00	Increased from Rs. 1,000 lakhs divided into 1,00,00,000 equity shares of Rs. 10 each to Rs. 1,500 lakhs divided into 1,50,00,000 equity shares of Rs. 10 each.

NOTES TO CAPITAL STRUCTURE

Capital Build up (Equity Share capital history of our Company):

(Rs. In lakhs)

Date of Allotment / Fully Paid up	Date when made fully paid up	No. of Equity Shares	Face Value	Issue Price	Consideration	Reasons for Allotment / Reduction	Cumulative Securities Premium Account	Cumulative No. of Equity Shares	Cumulative Paid-up Capital
February 20, 1996	February 20, 1996	900	10	10	Cash	Subscribers to the Memorandum	Nil	900	0.09
March 16, 1998	March 16, 1998	30,000	10	10	Cash	Further issue of equity shares	Nil	30,900	3.09
March 5, 1999	June 14, 2000	6,73,100	10	10	Cash	Further issue of equity shares	Nil	7,04,000	70.40
October 15, 2001	October 15, 2001	70,513	10	10	Cash	Further issue of equity shares	Nil	7,74,513	77.4513
September 25, 2002	September 25, 2002	1,99,318	10	40	Cash	Further issue of equity shares	59.7954	9,73,831	97.3831
March 22, 2005	March 22, 2005	3,23,169	10	40	Cash	Further issue of equity shares	156.7461	12,97,000	129.70
October 10, 2005	October 10, 2005	38,91,000	10	-	-	Bonus in the ratio of 3:1	Nil*	51,88,000	518.80
October 27, 2006	October 27, 2006	20,75,200	10	-	-	Bonus in the ratio of 2:5	Nil*	72,63,200	726.32
February 15, 2007	February 15, 2007	3,66,200	10	50	Cash	Further issue of equity shares	146.48	76,29,400	762.94
March 15, 2007	March 15, 2007	70,600	10	90	Cash	Further issue of equity shares	202.96	77,00,000	770.00
March 31, 2007	March 31, 2007	11,000	10	100	Cash	Further issue of equity shares	212.86	77,11,000	771.10
March 31, 2007	March 31, 2007	2,65,000	10	150	Cash	Further issue of equity shares	583.86	79,76,000	797.60
September 20, 2007	September 20, 2007	1,00,000	10	100	Cash	Further issue of equity shares	673.86	80,76,000	807.60
January 24, 2008	January 24, 2008	1,70,000	10	175	Cash	Further issue of equity shares	954.36	82,46,000	824.60
January 24, 2008	January 24, 2008	10,000	10	150	Cash	Further issue of equity shares	968.36	82,56,000	825.60

*Share premium amount of Rs. 156.75 lakhs together with general reserves of Rs. 232.35 lakhs was utilised for issue of bonus shares in October, 2005. In October, 2006 an amount of Rs. 205.75 lakhs from general reserves was utilized for bonus shares.

Details of Promoters contribution and lock in

i. Build up of Promoters

Name	Date of Allotment / Transfer Acquisition	Date when made fully paid up	Nature of Allotment (Allotment/ bonus/ Rights/ kind etc.)	No. of Equity Shares	Face Value (Rs.)	Issue Acquisition Price	% of Post issue Paid up Capital	Lock-in Period (Years)
Mr. K. Hari Babu	February 20, 1996	February 20, 1996	Subscriber	100	10	10		1 Year
	March 5, 1999	March 5, 1999	Allotment	1,00,000*	10	10		1 Year
	March 5, 1999	March 5, 1999	Allotment	1,27,700	10	10		3 Year
	October 15, 2001	October 15, 2001	Allotment	11,049	10	10		3 Year
	October 15, 2001	October 15, 2001	Allotment	10,000	10	10		-
	September 25, 2002	September 25, 2002	Allotment	64,040*	10	40		1 Year
	March 22, 2005	March 22, 2005	Allotment	1,40,111*	10	40		1 Year
	October 10, 2005	October 10, 2005	Bonus	9,12,453	10	Nil		1 Years
	October 10, 2005	October 10, 2005	Bonus	4,46,547	10	Nil		3 Years
	October 27, 2006	October 27, 2006	Bonus	1,13,214	10	Nil		3 Years
	October 27, 2006	October 27, 2006	Bonus	6,11,586	10	Nil		-
	November 1, 2006	November 1, 2006	Transfer	(6,21,586)	10	10		-
	February 15, 2007	February 15, 2007	Allotment	2,20,200	10	50		1 Year
	March 31, 2007	March 31, 2007	Allotment	2,65,000	10	150		1 Year
		TOTAL		24,00,414			19.88%	
Ms. K. Padmaja Rani	February 20, 1996	February 20, 1996	Subscriber	100	10	10		1 Year
	March 5, 1999	March 5, 1999	Allotment	2,00,000	10	10		1 Year
	March 5, 1999	March 5, 1999	Allotment	55,400*	10	10		1 Year
	October 15, 2001	October 15, 2001	Allotment	23,608	10	10		3 Year
	September 25, 2002	September 25, 2002	Allotment	71,827	10	40		3 Year
	March 22, 2005	March 22, 2005	Allotment	1,65,965*	10	40		1 Year
	October 10, 2005	October 10, 2005	Bonus	6,64,095	10	Nil		1 Year
	October 10, 2005	October 10, 2005	Bonus	8,86,605	10	Nil		3 Years
	October 27, 2006	October 27, 2006	Bonus	2,80,226	10	Nil		3 Years
	October 27, 2006	October 27, 2006	Bonus	5,46,814	10	Nil		-
	November 1, 2006	November 1, 2006	Transfer	(5,46,814)	10	10		-
	February 15, 2007	February 15, 2007	Allotment	26,000	10	50		1 Year
		TOTAL		23,73,826			19.66%	

Mr. M.S.S.V. Satyanarayana	February 20, 1996	February 20, 1996	Subscriber	100	10	10		3 Year
	March 5, 1999	March 5, 1999	Allotment	60,000	10	10		3 Year
	October 15, 2001	October 15, 2001	Allotment	5,553	10	10		3 Year
	September 25, 2002	September 25, 2002	Allotment	16,922	10	40		3 Year
	March 22, 2005	March 22, 2005	Allotment	4,425	10	40		3 Year
	October 10, 2005	October 10, 2005	Bonus	2,61,000	10	Nil		3 Year
	October 27, 2006	October 27, 2006	Bonus	66,200	10	Nil		3 Years
	October 27, 2006	October 27, 2006	Bonus	73,000	10	Nil		-
	November 1, 2006	November 1, 2006	Transfer	(73,000)	10	10		-
		TOTAL		4,14,200			3.43%	
Mr. N. S. Walimbe	March 16, 1998	March 16, 1998	Allotment	30,000	10	10		1 Year
	March 5, 1999	March 5, 1999	Allotment	54,000	10	10		1 Year
	October 15, 2001	October 15, 2001	Allotment	7,762	10	10		1 Year
	September 25, 2002	September 25, 2002	Allotment	23,641	10	40		1 Year
	March 22, 2005	March 22, 2005	Allotment	6,097	10	40		1 Year
	October 10, 2005	October 10, 2005	Bonus	3,64,500	10	Nil		1 Year
	October 27, 2006	October 27, 2006	Bonus	92,400	10	Nil		3 Years
	October 27, 2006	October 27, 2006	Bonus	1,02,000	10	Nil		-
	October 27, 2006	October 27, 2006	Transfer	(1,02,000)	10	Nil		-
	TOTAL		5,78,400			4.79%		

Note: * These shares totalling 5,25,516 have been pledged by the promoters with Bank of India as security for working capital facilities sanctioned by them. However these shares together with the bonus shares entitlement on these shares have not been considered for calculating the minimum promoters contribution and lock in.

ii. Lock-in of Minimum Promoter's Contribution

Pursuant to the SEBI Guidelines, an aggregate of 20% of the shareholding of our Company's Promoters shall be locked in for a period of three years from the date of allotment in the Issue. The lock-in details are as under:

Sr. No	Name of Promoter	No. of Shares	Face Value (Rs.)	% of post issue paid up capital	Lock-in Period
	Mr. K. Hari Babu	6,98,510	10	5.78%	3 years
	Ms. K. Padmaja Rani	12,62,266	10	10.45%	3 years
	Mr.M.S.S.V. Satyanarayana	4,14,200	10	3.43%	3 years
	Mr. N. S. Walimbe	92,400	10	0.77%	3 years
Total		24,67,376		20.43%*	3 years

The Equity Shares to be locked-in for a period of three years have been computed as 20% of Equity Share Capital after the Issue.

The Promoters have vide their letter dated September 21, 2007 given their consent for lock in of shares as stated above. Equity Shares issued last shall be locked in first. The lock-in shall start from the date of allotment in the public issue and the last date of the lock-in shall be reckoned as three years from the date of commencement of commercial production or the date of allotment in the issue, whichever is later.

In addition to above promoters contribution which is locked in for a period of three years, the entire remaining pre-Issue Equity Capital of the Company i.e. 57,88,624 equity shares will be locked in for a period of one year from the date of allotment of Equity Shares in this Issue constituting 47.93% of the post issue equity share capital of the Company.

In terms of clause 4.15.1 of the SEBI (DIP) Guidelines, locked in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan. Provided that if securities are locked in as minimum promoters' contribution under Clause 4.11.1 of SEBI (DIP) Guidelines, the same may be pledged only if in addition to fulfilling the above requirements, the loan has been granted by such banks or financial institution for the purpose of financing one or more of the objects of the issue.

In terms of clause 4.16.1 (b) of the SEBI Guidelines, Equity Shares held by the Promoter may be transferred to and amongst the Promoters / Promoter Group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover Regulations), 1997 as applicable. Further, in terms of clause 4.16.1 (a) of the SEBI (DIP) Guidelines, locked in Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

The Equity Shares forming part of promoter's contribution do not consist of any private placement made by solicitation of subscription from unrelated persons, either directly or through any intermediary. Further, shares considered for promoter's contribution have not been acquired for consideration other than cash and revaluation of assets or resulting from bonus issue out of revaluation reserves or reserves created without accrual of cash resources or against shares which are other wise ineligible for promoter's contribution. Also, promoter's contribution does not include any shares acquired during last one year at a price lower than the Issue price.

2. None of the equity shares held by Promoters and considered for the purpose of promoter's contribution are pledged with any bank or financial institution.
3. There is no "buyback" or "standby" arrangement for purchase of Equity Shares by our Company, our Directors, our Promoters, or the BRLM for the Equity Shares offered through this Red Herring Prospectus.
4. Our Company has not issued any equity shares for consideration other than cash except for bonus issue as set out in this "Capital Structure" Chapter.
5. An over-subscription to the extent of 10% of Net Issue to the Public can be retained for the purpose of rounding off to the nearer multiple of 1, while finalizing the Basis of Allotment. Consequently, the actual allotment may go up by a maximum of 10% of the Net Offer to Public, as a result of which, the post Issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Equity Shares held by our Promoters and subject to lock- in shall be suitably increased, so as to ensure that 20% of the post Issue paid-up capital is locked in.
6. As on date of filing of this Red Herring Prospectus with SEBI, the entire issued share capital of our Company is fully paid-up.

7. The Equity Shares offered through this public issue shall be made fully paid up and the unpaid equity shares may be forfeited within 12 months from the date of allotment of shares in the manner specified as per clause 8.6.2 of the SEBI (Disclosure and Investor Protection) Guidelines.
8. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in para on “Basis of Allocation” on page no. 195 of this Red Herring Prospectus.
9. a) Details of top ten shareholders of the Company on the date of filing the Red Herring Prospectus with SEBI are as follows:

S. No.	Name of the shareholder	No. of Equity Shares	% of Holding
1.	Mr. K. Hari Babu	24,00,414	29.07
2.	Ms. K. Padmaja Rani	23,73,826	28.75
3.	Struzzo Capital Services Private Limited	9,00,000	10.90
4.	Mr. N. S. Walimbe	5,78,400	7.01
5.	Mr. M.S.S.V. Satyanarayana	4,14,200	5.02
6.	Mr. Ramesh Babu	3,45,000	4.18
7.	Mr. Sandeep Bhammer	2,00,000	2.42
8.	Mr. Kabir Gumnani	1,70,000	2.06
9.	Andhra Pradesh State Financial Corporation	1,20,000	1.45
10.	Dimensional Securities Private Limited	1,00,000	1.21
	TOTAL		92.08%

- b) Details of top ten shareholders as on ten days prior to filing this Red Herring Prospectus with SEBI are as follows:

S. No.	Name of the shareholder	No. of Equity Shares	% of Holding
1.	Mr. K. Hari Babu	24,00,414	29.07
2.	Ms. K. Padmaja Rani	23,73,826	28.75
3.	Struzzo Capital Services Private Limited	9,00,000	10.90
4.	Mr. N. S. Walimbe	5,78,400	7.01
5.	Mr. M.S.S.V. Satyanarayana	4,14,200	5.02
6.	Mr. Ramesh Babu	3,45,000	4.18
7.	Mr. Sandeep Bhammer	2,00,000	2.42
8.	Mr. Kabir Gumnani	1,70,000	2.06
9.	Andhra Pradesh State Financial Corporation	1,20,000	1.45
10.	Dimensional Securities Private Limited	1,00,000	1.21
	TOTAL		92.08%

- c) Details of top ten shareholders as of two years prior to filing this Red Herring Prospectus with SEBI were as follows:

S. No.	Name of the shareholder	No. of Equity Shares	% of Holding
1.	Ms. K. Padmaja Rani	20,67,600	39.85
2.	Mr. K. Hari Babu	18,12,000	34.93
3.	Mr. N. S. Walimbe	4,86,000	9.37

S. No.	Name of the shareholder	No. of Equity Shares	% of Holding
4.	Mr. M.S.S.V. Satyanarayana	3,48,000	6.71
5.	Mr. Ramesh Babu	2,90,000	5.59
6.	Ms. Sujatha	1,52,000	2.93
7.	Dr. N. Srinivasan	11,200	0.22
8.	Mr. P. Butchinayudamma	8,400	0.16
9.	Mr. E. Bhaskara Rao	5,600	0.11
10.	Mr. S. M. Jilani	5,600	0.11
	TOTAL		99.98%

10. Details of Pre-Issue shareholding of the Promoter / Promoter Group as on date are as follows:

S. No.	Name	Number of Shares	% of Shareholding
(A) Promoters - Core Promoters			
	Mr. K. Hari Babu	24,00,414	29.07
	Ms. K. Padmaja Rani	23,73,826	28.75
	Mr. M.S.S.V. Satyanarayana	4,14,200	5.02
	Mr. N. S. Walimbe	5,78,400	7.01
	Sub-Total (A)	57,66,840	69.85
(B) Promoter Group			
1.	Mr. Ramesh Babu	3,45,000	4.18
2.	Ms. Sujatha	62,800	0.76
	Sub-Total (B)	4,07,800	4.94
	Total (A) + (B)	61,74,640	74.79

11. Details of Other Shareholders in our Company, which are not related to Promoter / Promoter Group, as on the date of filing of this Red Herring Prospectus:

Sr. No.	Name of Shareholder	Number of Equity Shares held	% of Pre-Issue Share Capital
1.	Struzzo Capital Services Private Limited	9,00,000	10.90%
2.	Mr. Sandeep Bhammer	2,00,000	2.42%
3.	Mr. Kabir Gumnani	1,70,000	2.06%
4.	Andhra Pradesh State Financial Corporation	1,20,000	1.45%
5.	Dimensional Securities Private Limited	1,00,000	1.21%
6.	Quintessence Enterprises Pvt. Ltd	1,00,000	1.21%
7.	Mr. N. Ravinder Reddy	1,00,000	1.21%
8.	Mr. Jaya Prakash Baddey	60,000	0.73%
9.	Mr. G. Chandrasekhar Reddy	20,000	0.24%
10.	Mr. Popat Lal Fulchand	25,000	0.30%
11.	Guardian Portfolio Consultant Pvt. Ltd.	25,000	0.30%
12.	Mr. R. Siva Ram Reddy	20,000	0.24%
13.	Mr. B.Murlidhar Reddy	16,650	0.20%
14.	Dr. N. Srinivasan	13,680	0.19%

15.	Mr. Pankaj Jain	12,500	0.15%
16.	Ms. Payal Kapoor	12,500	0.15%
17.	Ms. Priya Jain	12,500	0.15%
18.	Ms. Pooja Jain	12,500	0.15%
19.	Mr. P. Butchinayudamma	11,760	0.14%
20.	Mr. Kishore Kumar Thapadia	11,000	0.13%
21.	Mr. K. Srinvasa Rao	10,000	0.12%
22.	Mr. Ravipudi Ramesh	10,000	0.12%
23.	Mr. Nitesh Vijaywargiya	10,000	0.12%
24.	Mr. K.Muralikrishna Reddy	8,000	0.10%
25.	Mr. E. Bhaskara Rao	7,840	0.09%
26.	Mr. S. M. Jilani	7,840	0.09%
27.	Ms. G.Usha Reddy	5,550	0.07%
28.	Mr. M.Bhoopal Reddy	5,500	0.07%
29.	Mr. V.Mohan Chandra Prasad	5,000	0.06%
30.	Mr. Devprakash Yadava & Ms. Sharda Yadava	5,000	0.06%
31.	Ms. Sharda Yadava & Mr. Dev Prakash Yadava	5,000	0.06%
32.	Mr. G.Goverdhana Reddy	4,000	0.05%
33.	Ms. E.Jayanthi	4,000	0.05%
34.	Ms. E.Gangaiah	4,000	0.05%
35.	Ms. G.Rajeswari	3,600	0.04%
36.	Ms. Ravipudi Padmaja	3,300	0.04%
37.	Dr. B Chandrasekhar Reddy	3,150	0.04%
38.	Ms. Karumanchi Anitha	3,000	0.04%
39.	Ms. C.Anuradha	2,500	0.03%
40.	Ms. Ravipudi Laxmi Sowmya	2,500	0.03%
41.	Mr. Ravipudi Ram Sai	2,500	0.03%
42.	Mr. G.Brahmananda Reddy	2,000	0.02%
43.	Ms. C.Padmavati	2,000	0.02%
44.	Mr. G. Naveen Kumar	2,000	0.02%
45.	Ms. G.Uma	1,800	0.02%
46.	Mr. G.Vijayendra	1,000	0.01%
47.	Mr. S.Surendra	1,000	0.01%
48.	Mr. AV Reddy	1,000	0.01%
49.	Mr. K. Prathap Kumar	1,000	0.01%
50.	Mr. Sanjay Agarwal	1,000	0.01%
51.	Mr. Sunil Agarwal	1,000	0.01%
52.	Mr. V. Vijaya Kumar	1,000	0.01%
53.	Mr. Y.A. Kishore	1,000	0.01%
54.	Mr. G. Sambasiva Rao	1,000	0.01%
55.	A. R. Vishwanath	1,000	0.01%
56.	C. Bhagyalakshmi	850	0.01%
57.	Mr. Venkateshwarlu Jasti	560	0.01%
58.	Mr. M. Ajaya Kumar*	560	0.01%

59.	Mr. D. Murali	560	0.01%
60.	Mr. P.G.N. Sreenivasa Rao	560	0.01%
61.	Mr. Adir Rafique	500	0.01%
62.	Dr. S. Venkata Prasad Reddy	500	0.01%
63.	Mr. G. Venkateswara Rao	500	0.01%
64.	Mr. K. Amarnath	500	0.01%
65.	Mr. K. Sekhar	500	0.01%
66.	Mr. M. Chowdhary Babu	500	0.01%
67.	Mr. M. Satyanarayana	500	0.01%
68.	Mr. M. Srinivas	500	0.01%
69.	Mr. P. Sivaji Ganesh	500	0.01%
70.	M. Rajyalakshmi	200	Negligible
71.	Mr. M. Raman	200	Negligible
72.	Mr. Rakesh Kumar Agarwal	200	Negligible
	Total	20,81,360	25.21

* Mr. M. Ajaya Kumar is Director in our Company.

12. Pre-Issue and Post-Issue Shareholding of our Company

Particulars	Pre-Issue		Post -Issue	
	No. of Equity Shares	% to the present share capital	No. of Equity Shares	% of post issue Share Capital
Promoter / Core Promoter	57,66,840	69.85%	57,66,840	47.75%
Promoter Group	4,07,800	4.94%	4,07,800	3.38%
Total Promoter and Promoter Group	61,74,640	74.79%	61,74,640	51.13%
Others - Not related to Promoter Group	20,81,360	25.21%	20,81,360	17.24%
Public (Net Issue to Public)	Nil	Nil	36,20,000	29.98%
Employees	Nil	Nil	2,00,000	1.65%
Total	82,56,000	100.00%	1,20,76,000	100.00%

- As on the date of this Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debenture, loans or other financial instruments into Equity Shares of our Company.
- Our Promoters/ Promoter Group/Directors have not purchased / sold / financed / acquired any shares of our Company during the past 6 months.
- Our Company has completed pre-IPO placement of 1,80,000 equity shares out of 2,00,000 equity shares proposed at the time of filing of Red Herring Prospectus as per following details:

Date of Allotment	Name of Allottees	Number of Shares Allotted	Price at which allotted	Relation with Promoter/Promoter group/Directors
January 24, 2008	Mr. Kabir Gumnani	1,70,000	175.00	Nil

January 24, 2008	Mr. Nitesh Vijaywargiya	10,000	150.00	Nil
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16. The Company has not raised any bridge loan against the proceeds of the present issue.
17. There would be no further issue of capital in any manner whether by way of issue of bonus shares, preferential allotment, rights issue, public issue or otherwise during the period commencing from submission of this Red Herring Prospectus with SEBI till the Equity Shares offered through this Red Herring Prospectus have been listed.
18. At present, our Company does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise except that our Company may issue options to its employees pursuant to any employee Stock Option plan, or if our Company go for acquisitions and joint ventures, our Company may consider raising additional capital to fund such activity or use shares as currency for acquisition and / or participation in such joint venture.
19. Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any shares to our employees under ESOS/ESPS scheme from the proposed issue. As and when, options are granted to our employees under the ESOP scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.
20. The Company has not issued any shares out of revaluation reserves.
21. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, unless otherwise permitted by law. Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
22. A Bidder cannot make a bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
23. The Company has 78 members as on the date of filing of this Red Herring Prospectus with SEBI.
24. Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion on competitive basis. Bid/ Application by Eligible Employees can be made also in the "Net Issue to the Public" and such Bids shall not be treated as multiple Bids.
25. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue. In case of under subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion to the net public Offer.
26. Not more than 50% of the Net Issue to the public shall be allocated to QIBs on a proportionate basis out of which 5% shall be available for allocation on proportionate basis to Mutual Funds only and the remainder shall be available for allotment 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 the remaining 35% of the Net Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price. Under-subscription, if any, in any category would be met with spill over from other categories at our sole discretion, in consultation with the BRLM.
27. Our Company has not revalued its assets.
28. In the case of employee reservation category, a single applicant in the employee reservation category can make an application for a number of Equity Shares, which exceed the employee reservation.

29. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in Para on “Basis of Allocation” on page no. 195 of this Red Herring Prospectus.

30. Restrictive Covenants of Lenders

The covenants in borrowings from banks, among other things, require us to obtain the bank’s consent to effect any adverse changes in Company’s capital structure, enter into any scheme of amalgamation/ re-construction, implement any scheme of expansion or diversification or capital expenditure, effect any change in the constitution of the Company, enter into borrowing or non-borrowing arrangements either secured or unsecured with any other bank, financial institution etc., sell or dispose off or create security or encumbrances on the assets charged to bank, repay monies brought in by the promoters, partners, directors, shareholders their friends and relatives, to declare dividend or pay dividend from profits which are not for current year, to invest by way of share capital or lend or advance funds or place deposit with or undertake guarantee obligation on behalf of any other concern.

Objects of the Issue

Rationale for the Issue

We are presently engaged in the manufacture of basic, advanced intermediates and fine chemicals and supplying them to various drug manufacturers. The main products of our Company include 2,4-Di-Chloro-5-Fluoro Acetophenone (DCFA) (an intermediate for synthesizing quinolone antibiotics like ciprofloxacin) , Chlorohexanone, Methyl-4 (4-Chloro 1 Oxo Butyl) a, a Di-Methyl Acetate and Poly Aluminium Chloride, which are manufactured from our existing location located at Chilakamarri Village, Shadnagar, District Mahboobnagar, Andhra Pradesh.

In order to diversify and expand our business activities by means of forward integration we have decided to expand our operations by implementing the following:

- Setting up a new plant for manufacturing of drug intermediates including Active Pharmaceutical Ingredients (APIs) at Vishakhapatnam.
- Setting up of pilot plant for carrying out Contract Research and Manufacturing (CRAM) at Vishakhapatnam.
- Meeting long term working capital requirement
- Meeting general corporate purposes
- Meeting Issue expenses

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

The fund requirements and the intended use of the net proceeds as described herein are based on management estimates and our current business plan. The fund requirements and intended use of net proceeds is based on management estimates and various quotations received by us from different suppliers. In view of the competitive nature of Pharmaceutical industry, we may have to revise our expenditure and fund requirements as a result of variations in the cost structure, changes in estimates and external factors, which may not be within the control of our management. This may entail rescheduling, revising or cancelling the planned expenditure and fund requirements and increasing or decreasing the expenditure for a particular purpose from its planned expenditure at the discretion of our management. In addition, the estimated dates of completion of various projects as described herein are based on management's current expectations and are subject to change due to various factors, some of which may not be in our control.

The fund requirement is proposed to be raised mainly through IPO proceeds and the proceeds from the Initial Public Offering/ IPO would be crystallized on finalization of the Issue Price on conclusion of the Book Building Process. Any shortfall in meeting the objects of the issues on determination of issue price on conclusion of the Book Building Process, would be met from internal accruals and / or debt. Further, the amount that is in excess of the funds required for the objects proposed project and Issue expenses will be utilized for general corporate purposes, which would be in accordance with the policies of our Board made from time to time.

COST OF PROJECT

The total project cost for the above mentioned objects as per our Company's estimate is as follows:

Sr. No.	Fund Requirement	Amount (Rs. In lakhs)
1	Setting up a new plant for manufacturing of drug intermediates including Active Pharmaceutical Ingredients (APIs)	5,509.08
2	Setting up of pilot plant for carrying out Contract Research and Manufacturing (CRAM)	834.35
3	Meeting long term working capital requirement	1,667.00
4	Meeting general corporate purposes	[•]
5	Meeting Issue expenses	[•]
	Total Project Cost	[•]

MEANS OF FINANCE

The above cost of project is proposed to be financed as under:

Sr. No.	Means of Finance	Amount (Rs. In lakhs)
1	Internal Accruals*	1200.00
2	Proceeds of the Issue**	[•]
	Total	[•]

* As on December 31, 2007 our Company has Cash & Bank balances of Rs. 17.56 lakhs and total reserves and surplus of Rs. 3760.70 lakhs which will form part of internal accruals.

**Will be incorporated after finalization of Issue Price.

We confirm that firm arrangements of finance through verifiable means towards more than 75% of the stated means of finance excluding the amount to be raised through public issue have been made.

Details of Utilisation of Issue Proceeds

1. Setting up a new plant for manufacturing of drug intermediates including Active Pharmaceutical Ingredients (APIs)

Our Company, with a view to expand its activities, by way of forward integration, is proposing to set up new plant for manufacture of Intermediates including APIs at an estimated cost of Rs. 5,509.08 lakhs, details of which are as under:

Sr. No.	Particulars	Amount (Rs. In lakhs)
a)	Site Development	143.26
b)	Buildings & Civil works	871.10
c)	Plant & Machinery	3,233.97
d)	Equipments	859.80
e)	Furniture & Fixtures	60.00

f)	Pre-operative Expenses	211.75
g)	Contingencies	129.20
	Total	5,509.08

a) Site Development

Our Company proposes to set up new plant at Jawaharlal Nehru Pharma City, Vishakhapatnam, Andhra Pradesh. Our Company has already purchased the land admeasuring 9.54 acres for total consideration of Rs. 143.30 lakhs by Agreement of Sale for purchase of land and a separate Development-cum-Service Agreement for development of land entered into on June 21, 2006 with Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC), Ramky Pharma City (India) Limited (Ramky) and our Company. The total cost of Rs. 143.30 lakhs constitutes Rs. 38.16 lakhs as sale consideration and Rs. 105.14 lakhs include cost of infrastructure development charges. We have already got possession of the land and had already paid an amount of Rs. 91.11 lakhs. The balance amount of Rs. 52.19 lakhs is yet to be paid by us. A sale deed in our Company's favour will be executed by APIIC after payment of balance consideration, which will be paid after necessary infrastructure facilities are provided by Ramky. The infrastructure facilities provided by Ramky Pharma City (India) Limited are landscaping, street lighting, internal roads within the Pharma-City, power, water treatment, water storage systems, water supply, effluent / sewerage connection, Central Effluent Treatment Plant (CETP), hazardous waste management services, storm water drainage and marine outflow from CETP. For details of "Development-cum-Service Agreement", please refer to page number 98 of this Red Herring Prospectus appearing under sub-paragraph "Other Agreements" of "History and Certain Corporation Matters".

The site development cost for the entire land is estimated at Rs.143.26 lakhs, as per estimates received from Reynold Engg. Consultants vide their letter dated September 1, 2007. We have awarded the work to Reynold Engg. Consultants vide our Order dated September 30, 2007. The site development cost comprises of elevations, construction of compound walls, internal roads within the manufacturing unit, water arrangements, gardens, lightings and labour charges.

b) Building and Civil works

The cost of Building construction and civil works is estimated to Rs 871.10 lakhs as per estimate received from M/s Reynolds Engg. Consultants vide their letter number REC/III-132/ALL-PHARMACITY/VSP/A995/HYD dated September 1, 2007. We have awarded the work to Reynold Engg. Consultants vide our Order dated September 30, 2007. The building and civil works envisages the construction of main production blocks, warehouse, boiler shed, DG shed, utility shed and administrative block, the details of which are as follows:

Sr.No.	Particulars	Build-up area in sq. meters	Amount (Rs. In lakhs)
1.	Construction of production blocks	9180	468.45
2.	Construction of laboratory, administration, amenities, and parking space	1566	85.05
3.	Construction of shed for various utilities and stock yards	2378	136.20
4.	Construction of warehouse	1972	96.18
5.	Construction of shed for solvent recovery system	240	19.50
6.	Solvents storage tanks and platform for non-explosive	914	13.72

	and explosive tank		
7.	Construction of shed for effluent treatment facility	476	23.96
8.	Construction of gate office	192	13.44
9.	Underground Water sumps for fire hydrant and plant water (320kl)	144	9.60
10.	Overhead water tanks	60	5.00
	Total	17122	871.10

c) Plant and Machinery

We propose to purchase plant & machineries of Rs. 3,233.97 lakhs, details of which are as under:

Sr. No	Description of Equipment/Machinery	Name of Supplier	Date of Quotation**	Qty (Nos.)	Total Amount (including duties & taxes) (Rs. In lakhs)
1.	Stainless steel & mild-steel Equipments (Reactors, Heat Exchangers & Tanks of various capacities)	Sree Vishnu Engineers	August 20, 2007	216	1,127.02
		Susan Engineer & Fabricator	August 28, 2007, September 9, 2007 September 11, 2007		
		V.V. Fabrications & Manufacturing Private Limited	August 25, 2007 & September 7, 2007		
2.	Polypropylene / Fire proof Equipments (Filters, Tanks, Receivers, Motors etc.)	Yen Fab Equipments	September 7, 2007	32	42.46
3.	Ejectors (Polypropylene, Stainless steel)	Achivelli Vacuum Systems	September 7, 2007	12	3.38
4.	Pumps and motors (various ratings and material and make)	Excell Engineers	August 22, 2007 August 23, 2007	313	79.42
		Shree Enterprises,	August 22, 2007 August 28, 2007		
5.	Weighing machines (various capacities)	Essae Teraoke Limited	August 8, 2007	9	9.29
6.	MS glass lined Reactors (3 KL & 4 KL)	M/s Nile limited	September 8, 2007	12	157.08
7.	Centrifuges (ss-316, Halari lined, 12"- 48")	Hyderabad Met Chem Pvt. Ltd.	September 08, 2007	31	281.27
8.	Pharma Equipments (Blenders, vacuum dryers, multimeters, trays etc.)	Pharma Basics	September 10, 2007	23	206.88
9.	HDPE Equipments (Storage Tanks), Graphite Heat Exchangers & Press Filters	Supra Marketing	September 8, 2007	8	15.09
		Cor-Resist (Nasik) Pvt. Ltd.	September 7, 2007		
		GP Filtech	September 7, 2007		

Sr. No	Description of Equipment/Machinery	Name of Supplier	Date of Quotation**	Qty (Nos.)	Total Amount (including duties & taxes) (Rs. In lakhs)
10.	Boilers (4 ton & 6 Ton) Accessories & Installation for Boilers*	Thermax Ltd	August 7, 2007	2	76.28 130.00
11.	Cooling Towers	Inductokool Systems	September 7, 2007	5	17.29
12.	Chilling Plants	Voltas Limited	September 10, 2007	3	53.67
13.	Ro plant (5m3hr - 8m3/hr)	Sneha Hydro systems	August 22, 2007	2	16.65
14.	HVAC Systems	Sree Airtech Systems & Services	September 10, 2007	2	91.89
15.	Pipes and fittings	Reynold Engg. Consultants	September 5, 2007		400.00
16.	Insulation	Reynold Engg. Consultants	September 7, 2007	-	172.00
17.	Structural steel including support, pipe bridge, racks and painting of the structure	Reynold Engg. Consultants	September 3, 2007	-	200.80
18.	Erection charges	Reynold Engg. Consultants	September 7, 2007	-	43.50
19.	Miscellaneous Plant & Machinery*	-	-	-	40.00
20.	Packing Forwarding and Insurances*	-	-	-	70.00
Total					3,233.97

*Estimates by Management for which no quotations have been obtained.

** These quotations have been revalidated vide supplier's letter dated April 1, 2008 except for revalidation letter from Inductokool Systems (Equipment mentioned at Sr. no. 11 above) is dated April 10, 2008. Further, none of the plant and machineries described above are used /second hand in nature, and we do not proposed to purchase any used/second hand machinery for proposed project

d) Equipments

The equipments include pollution control equipments, electrical equipments, warehouse and safety equipments the total cost of which is estimated at Rs. 859.80 lakhs as per following details:

(i) Pollution control equipments

Sr. No	Description of Equipments	Name of Supplier	Date of Quotation / Date of revalidation	Total Amount (Rs. In lakhs)
1.	Polypropylene / Fire proof Equipments Scrubbers for process emissions	Yagna Envirochem Pvt. Ltd.	September 10, 2007 / April 1, 2008	10.00

2.	40 KLPD waste water treatment plant, Centrifuged closed system. Effluent segregation facility and multiple effect evaporator	Yagna Envirochem Pvt. Ltd.	September 10, 2007 / April 1, 2008	110.00
Total				120.00

(ii) Electrical Equipments

Sr. No	Description of Equipment	Name of Supplier	Date of Quotation / Date of revalidation	Total Amount (Rs. In lakhs)
1.	DG set each of 380 KVA & 750 KVA (2 Numbers)	Powerica Limited	September 8, 2007 / April 1, 2008	83.08
2.	External Power Supply & Main Power Distribution System which includes supply and erection of DP structure, earthing materials, 11KV sub station, MV panels, Main Power Control Centre, APFCR panel, metering for incomer, miscellaneous accessories Cables and Fittings.	Vidyut Systems	September 8, 2007 / April 1, 2008	105.84
3.	Power Distribution Panel Board which includes supply and erection of Power supply distribution, auto changeover panel, AMF panels, MCC panels, socket outlets and push button.	Vidyut Systems	September 8, 2007 / April 1, 2008	116.60
4.	Cable Trays and Earthing which includes supply and erection of MV cables, end terminations, cable trays, earthing, GI Strips etc.	Vidyut Systems	September 8, 2007 / April 1, 2008	139.49
5.	Lighting Distribution System which includes supply and erection of Lighting distribution consisting of light points, cables, sockets, distribution boards, lighting panels, end fittings, street lighting luminaries, earthing, lighting protection etc.	Vidyut Systems	September 8, 2007 / April 1, 2008	65.24
Total				510.25

(iii) Warehouse Equipments

Sr. No.	Description of Equipment	Name of Supplier	Date of Quotation**	Qty (Nos.)	Total Amount (Rs. In lakhs)
1.	Tanks of various capacity	Susan Engineers and Fabricators	September 8, 2007	19	44.62
2.	Hydraulic lift	Landskey Engineers Pvt. Ltd.	September 8, 2007	1	6.28
3.	Air handling unit in sampling room and dispensing room	Sree Airtech Systems & Services	September 10, 2007	1	9.00

4.	Hydraulic Drum Truck	Landskey Engineers Pvt. Ltd.	September 8, 2007	4	12.26
5.	HDPE Pallets	Supra Marketing Agencies	September 7, 2007	130	7.80
6.	Tools and tackles*	-	-	-	10.00
7.	Others including trolleys, Transportation vehicles*	-	-	-	25.00
	Total				114.96

*Estimates by Management for which no quotations have been obtained.

** These quotations have been revalidated vide supplier's letter dated April 1, 2008.

(iv) Safety Equipments

Sr. No	Description of Equipment/Machinery	Name of Supplier	Date of Quotation**	Total Amount (Rs. in lakhs)
1.	Fire hydrant system with trailer pumps, piping, nozzles and controls	Systems Tek India Pvt. Ltd.	September 10, 2007	84.59
2.	Fire extinguishers, personal protective equipments*	-	-	30.00
	Total			114.59

*Estimates by Management for which no quotations have been obtained.

** These quotations have been revalidated vide supplier's letter dated April 1, 2008.

e) Furniture and Fixtures

We propose to purchase furniture & fixtures for an estimated value of Rs. 60 lakhs which includes office furniture, fittings, air conditioners, computers and other miscellaneous items.

f) Pre-operative Expenses

Pre-operative Expenses include legal and professional charges, consultancy charges, travelling expenses, trial production costs, and deposits aggregating to Rs. 211.75 lakhs. We intend to implement our proposed project as FDA compliant, for which we propose to pay Rs. 111.75 lakhs as consultancy fee which includes expenditure to be incurred on approvals of plant layouts as pre-regulatory norms, consultancy charges for preparation of drug master files and filing the same in to different drug authorities in different countries, civil engineering consultancy fees and equipment commissioning charges. We are also required to pay an estimated security deposit of Rs. 30 lakhs to Transmission Corporation of Andhra Pradesh (APTRANSCO), a power distribution company in the State of Andhra Pradesh for getting power permission from them based on our power requirement. The other pre-operative expenses including travelling expenses, trial production costs, salary expenditure estimated to be Rs. 70 lakhs.

Contingencies

In the event of any cost overruns due to any changes in quoted prices of plant & machinery, equipments, time variation, transportation cost, insurance, unexpected price rise due to factors beyond our control, contingencies have been provided for to cover any such eventuality which may occur. Contingencies have been estimated at 2.5% of cost of setting up new plant for drug intermediates is estimated at Rs. 129.20 lakhs.

Raw Materials

Majority of the raw materials required for the APIs proposed to be manufactured in the proposed facility at Pharma City, Vishakhapatnam, are chemicals namely, 3 Chloro 4, Fluoro Aniline, EMME, Piperazine (anhydrous), EDTA, L- Menthol, Glyoxalic acid, 2,5 Dihydroxy-1,4 dthiane,2,6 Dichloro Phenol, Aniline, Mono methyl chloro acetate, tertiary Butanol, Diclofenac Sodium, Alpha Naphthol, m-Chloro aniline, Thiophene 2-Ethanol etc., AP is a major centre for API manufacturing units. There are dealers and distributors representing National and International companies supplying raw materials to this industry in Hyderabad. Hence, all these raw materials are available from multiple sources. Moreover, the products manufactured by the Company, would also serve as raw materials for the manufacturing of APIs.

Process Description

For details of process description refer section titled "Our Business" appearing on page no. 67 of this Red Herring Prospectus.

Infrastructural Facilities

a. Power Consumption

The total requirement of power at full capacity has been estimated at 2000 HP, which will be sourced from Transmission Corporation of Andhra Pradesh (APTRANSCO). In addition, we propose to install two DG sets of 380 KVA and 750 KVA to ensure uninterrupted supply of power.

b. Water

The total water requirement at the proposed plant is estimated to be 250 KLPD for the operation of the plant, for boilers, cooling towers and human consumption which will be supplied by Ramky Pharma City (India) Limited, the developer of site as per Development-cum-Service Agreement entered into with Ramky Pharma City (India) Limited, Andhra Pradesh Industrial Infrastructure Corporation Limited and our Company. For details, please refer to paragraph "Other Agreements" appearing on page number 98 of this Red Herring Prospectus.

c. Fuel

We require diesel as fuel for our DG sets and coal and husk as fuel for boilers which are readily available from the surrounding areas.

d. Utilities

Utilities like the Boilers, Cooling towers, brine compressors, and water chilling units are required to maintain the designed process conditions during the reactions. The requirement of steam would be met by the steam generated from the Boilers.

Manpower

The additional manpower required for the proposed project would be 140 employees including 90 people at the skilled level and 50 at the unskilled level as per details given below:

Sr. No.	Category of Employees	Proposed number of Employees
	Skilled Employees	
1.	Managerial Post	6

2.	Officers /Engineers	11
3.	Marketing	2
4.	Supervisor	18
5.	Technicians	49
6.	Assistants	4
	Total	90
	Unskilled Employees	
1	Contract Labour	50
Total		140

As the proposed facilities are located at Jawaharlal Nehru Pharma City, Vishakhapatnam, Andhra Pradesh, an industrial area, the manpower will be available locally. Our Company does not envisage any difficulty in sourcing the additional manpower required for the project.

Effluent Treatment Plant

The effluents generated in the plant will be both in solid and liquid form which will be treated using the effluent treatment plant and will be disposed-off / reused accordingly. For more details about effluent plant please refer to the section titled "Our Business" appearing on page no 75 of this Red Herring Prospectus.

Further our Company has entered into agreement on June 21, 2006 with Ramky Pharma City (India) Limited wherein Ramky Pharma City (India) Limited shall provide sewerage treatment facility for common effluent treatment and drainage as per the standard prescribed by Andhra Pradesh Pollution Control Board (APPCB). For details, please refer to paragraph "Other Agreements" appearing on page number 98 of this Red Herring Prospectus.

2. Setting up of pilot plant for carrying out Contract Research and Manufacturing (CRAM)

Our Company is planning to set up pilot plant for carrying out Contract Research and Manufacturing (CRAM) at Jawaharlal Nehru Pharma City to focus on research, brief details of which are as under:

Sr. No.	Particulars	Amount (Rs. In lakhs)
a.	Building & Civil works	96.75
b.	Plant & Machinery	455.95
c.	In-house Research & Development facilities	122.16
d.	Laboratory Equipments	139.14
e.	Contingencies	20.35
	Total	834.35

Our Company is proposing to set up the pilot plant at the same location at which we are setting up the new plant for manufacture of intermediate for drugs.

a) Building and Civil works

The cost of building construction and civil work is estimated to Rs. 96.75 lakhs as per estimate received from M/s Reynolds Engineering Consultants vide their letter number REC/III-132/ALL-PHARMACITY/VSP/A995/HYD dated September 1, 2007. We have awarded the work to Reynold Engg. Consultants vide our Order dated September 30, 2007.

b) Plant and Machinery

We propose to purchase plant & machineries of Rs. 455.95 lakhs, details of which are as under:

Sr. No	Description of Equipment/Machinery	Name of Supplier	Date of Quotation*	Qty (Nos.)	Total Amount
1.	SS & MS Equipments (Reactors, Heat Exchangers & Tanks of various capacities)	Sree Vishnu Engineers,	August 20, 2007 & September 7, 2007	35	122.78
		Susan Engineer & Fabricator	August 28, 2007 September 11, 2007		
2.	PP/ FRP Equipments (Filters, Tanks, Receivers, Motors etc.)	Yen Fab Equipments	September 7, 2007	8	4.40
3.	Ejectors (PP,SS)	Achivelli vaccum systems	September 7, 2007	3	1.18
4.	Pumps and motors (various ratings and material and make)	Shree enterprises, Excell engineers	August 20, 2007 August 22, 2007	24	4.35
5.	Weighing machines (various capacities)	Essae Tarooka Limited	August 8, 2007	2	1.30
6.	MS glass lined Reactors (3 KL & 4 KL)	M/s Nile limited	September 6, 2007	6	44.85
7.	Centrifuges	Mudunuri Industries	August 21, 2007	6	14.73
8.	Pharma Equipments (Blenders, vacuum dryers, multimeters, trays etc.)	Pharma Basics	September 10, 2007	8	48.73
9.	Press Filters	GP Filtech	September 7, 2007	1	2.47
10.	All Glass System	Shree Vamsa Sales Organisation	August 6, 2007	14	33.35
11.	HVAC Systems	Sree Airtech Systems & Services	September 10, 2007	1	45.94
12.	Pipes and fittings	Reynold Engg. Consultants	September 5, 2007	-	50.00
13.	Insulation	Reynold Engg. Consultants	September 7, 2007	-	20.75
14.	Structural steel including support, and painting of the structure	Reynold Engg. Consultants	September 3, 2007	-	30.12
15.	Erection & Commissioning	Reynold Engg. Consultants	September 7, 2007		4.75
16.	Miscellaneous Plant & Machinery	-	-	-	15.00
17.	Packing Forwarding and Insurances	-	-	-	11.25
Total					455.95

** These quotations have been revalidated vide supplier's letter dated April 1, 2008.

c) In-house Research & Development facilities

Our Company proposes to set up an in-house R&D facilities aggregating to Rs. 122.16 lakhs, brief details of which are as under:

Sr. No.	Equipment Name	Name of Supplier	Date of Quotation**	Qty (Nos.)	Amount (Rs. in Lakhs)
1.	Web lab Instrumentation, UV/VIS Spectrometers	MH Enterprises	September 7, 2007	15	37.35
2.	Gas Station for GC, water purification system, Polarimeter (Imported)	Shimadzu Asia Pacific (Pte) Limited	August 24, 2007	2	50.81
3.	Stability chambers and other miscellaneous Equipments*	-	-	-	34.00
	Total				122.16

*Estimates by Management for which no quotations have been obtained.

** These quotations have been revalidated vide supplier's letter dated April 1, 2008.

d) Laboratory Equipments

We propose to purchase laboratory equipment aggregating to Rs. 139.14 lakhs, details of which are as under:

Sr. No.	Description of Equipment/Machinery	Name of Supplier	Date of Quotation**	Qty (Nos.)	Total Amount (Rs. in lakhs)
1.	HPLC, Gas Chromatography (Imported)	Shimadzu Asia Pacific (Pte) Limited	August 24, 2007	3	72.27
2.	Ovens & Humidifiers	Vision Lab Equipment	July 30, 2007	14	3.98
3.	Pumps	MH Enterprises	September 7, 2007	10	3.41
4.	UPS Systems	Electric and Control Power System	September 5, 2007	5	7.83
5.	Potentiometric Titration, Bulk Density Apparatus, Karl Fisher Titration, Autoclaves, melting Point apparatus etc.	MH Enterprises	September 7, 2007	92	29.65
6.	Fuming cupboards, writing, work benches, fire proof sinks, storage, instrument table, centre island table*	-	-	-	22.00
	Total				139.14

*Estimates by Management for which no quotations have been obtained.

** These quotations have been revalidated vide supplier's letter dated April 1, 2008.

e) Contingencies

In the event of any cost overruns due to any changes in quoted prices of plant & machinery, equipments, time variation, transportation cost, insurance, unexpected price rise due to factors beyond our control, contingencies have been provided for to cover any such eventuality which may occur. Contingencies have been estimated at 2.5% of cost of setting up pilot plant is estimated at Rs. 20.35 lakhs.

Manpower

We would be requiring 35 employees at our pilot plant all being skilled employees. Our Company will be recruiting the additional manpower in due course for which our Company does not envisage any difficulty as the same is easily available in and around the proposed plant location.

3. Meeting long term working capital requirements

Presently, our Company enjoys working capital credit limits as stated in the section "Financial Information" beginning on page no. 125 of this Red Herring Prospectus. These limits and our internal accruals are adequate to meet our existing working capital requirements. However, our Company will utilise a part of the net proceeds of the Issue to meet long-term working capital requirements for expansion which has been estimated as under:

(Rs. in lakhs)

Particulars	F.Y. 2008-09 (Estimates)	March 31, 2007 (Audited)
Raw Materials	1,457.00	741.02
Work in Process	2,242.00	2,252.23
Finished Goods	1,385.00	457.34
Total Inventories	5,084.00	3,450.59
Receivables	3,684.00	728.47
Advance and deposits	788.00	738.31
Total receivables	4,472.00	1,466.78
Other current assets	594.00	216.98
Total current assets	10,150.00	5,134.35
Less : Creditors	1,919.00	1404.21
Other current liabilities	2,016.00	98.47
Total current liabilities	3,935.00	1502.68
Net working capital requirement	6,215.00	3,631.67
Funding Pattern		
Internal Accruals	1,048.00	
Estimated Bank Finance available	3,500.00	
Proposed to be funded from Public Issue	1,667.00	
Total	6,215.00	

The above working capital estimates are based on the following assumptions:

Particulars	Period (In Days)
Raw Materials	38
Work in Progress	36
Finished Goods	21
Sundry debtors	53
Sundry Creditors	50

- The net working capital for 2006-07 is based on the position of the current assets and current liabilities as per the audited financial position of our Company for the financial year ended 2006-07.
- The projected levels of holding periods of various items of current assets and current liabilities are shown in the above table.

On the basis of estimated holding period for the FY 2009, we have projected the bank borrowings for the year 2009 at the level of Rs. 3,500 lakhs against the net working capital requirement of Rs. 6,215 lakhs, which gives the balance long term working capital requirement of Rs. 2,715 lakhs for FY 2008-09, part of which amounting to Rs. 1,048 lakhs would be met from internal accruals and the balance of Rs. 1667.00 is proposed to meet through IPO proceeds.

4. General Corporate Purposes

We, in accordance with the policies set up by the Board will have flexibility in applying the net proceeds of the Issue for general corporate purposes including but not restricted to offsetting secured loan borrowings, strategic initiatives, expanding into new geographies and meeting any additional working capital borrowings.

5. Issue Expenses*

The total estimated expenses are Rs. [•] lakhs which is [•] % of the Issue size. All expenses with respect to the Issue will be borne by our Company. The details of the expenses are as given below:

Activity	(Rs. in lakhs)		
	Amount (Rs. In Lakhs)	% of Total Issue Size	% of Issue Expenses
Issue Management Fees, Brokerage & Selling Commission	[•]	[•]	[•]
Fees payable to Registrars to the Issue	[•]	[•]	[•]
Fee for Legal Advisors to the Issue			
Fee payable to Grading Agency for grading the Issue	[•]	[•]	[•]
Printing and Distribution of Issue Stationery	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Other expenses (stamp duty, initial listing fees, depository fees, charges for using the book building software of the exchanges and other related expenses)			
Total	[•]	[•]	[•]

*Will be incorporated after finalization of Issue Price

Schedule of Implementation

Sr.No.	Activity	Expected month of commencement	Expected month of Completion
1. Setting up of a plant for manufacture of Intermediates including APIs			
(i)	Site Development	Commenced	September ,2008
(ii)	Civil works	Commenced	October, 2008
(iii)	Installation of Plant and machinery		
(iv)	Placement orders	May, 2008	September, 2008
(v)	Delivery	August, 2008	November, 2008
(vi)	Installation	November, 2008	February, 2009
(vii)	Electric Installations and other Fixed Assets	November, 2008	February, 2009
(viii)	Trial Runs	March, 2009	April, 2009
(ix)	Commercial Production	April 2009	Onwards
2. Setting up of Pilot Plant for carrying out CRAMs			
(i)	Civil works	Commenced	October, 2008
(ii)	Installation of Plant and machinery		
(a)	Placement of orders	May, 2008	September, 2008
(b)	Delivery	August, 2008	November, 2008
(c)	Installation	November, 2008	February, 2009

Proposed quarter-wise deployment of funds in the project

The quarter -wise break-up of proposed deployment of funds is mentioned below:

	Already Incurred till Date	Fiscal year 2008-09				2009-10 Q1	Total
		Q1	Q2	Q3	Q4		
Setting up of a plant for manufacture of intermediates including APIs							
Site Development	29.40	50.00	63.85	-	-	-	143.25
Buildings and civil works	25.00	100.00	346.91	290.37	108.82	-	871.10
Plant and Machinery	-	150.00	658.49	808.49	1,408.98	208.01	3,233.97
Equipments	-	86.00	200.60	286.60	146.60	140.00	859.80
Furniture & Fixtures	-	-	-	30.00	30.00	-	60.00
Pre-Operative Expenses	-	15.00	20.00	35.00	20.00	121.75	211.75
Contingencies	-	-	-	-	-	129.20	129.20
Setting up of Pilot Plant for carrying of CRAM							
Buildings and civil works	-	25.00	39.50	32.25	-	-	96.75
Plant and Machinery	-	30.00	83.99	113.99	227.97	-	455.95
In House R&D Facilities	-	-	-	61.08	61.08	-	122.16
Laboratory equipments	-	-	-	69.57	69.57	-	139.14
Contingencies	-	-	-	-	-	20.35	20.35
Additional Working Capital requirement	-	-	-	800.00	867.00		1,667.00
Public Issue Expenses	74.45	[•]	-	-	-	-	[•]
General Corporate Purpose	-	[•]	[•]				[•]
Total	128.85	[•]	[•]	[•]	[•]	[•]	[•]

Details of funds already deployed till Date & Sources of funds deployed

The funds deployed upto March 31, 2008 pursuant to the object of this issue on the project as certified by the Statutory Auditors of our Company, viz. Karumanchi & Associates, Chartered Accountants pursuant to their certificate dated April 7, 2008 is given below:

Particulars	Amount (Rs. In lakhs)
Funds Deployed	
Setting up of the new Manufacturing Unit	54.40
Issue Expenses	74.45
Total	128.85
Sources of Funds	
Internal Accruals	128.85

Interim Use of Proceeds

The Company's management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization of the proceeds out of the Issue for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including money market mutual funds and deposits with banks. Such investments would be in accordance with the Investment Policies prescribed by the Board from time to time. The Company confirms that pending utilization of the Issue proceeds, it shall not use the funds for any investments in the Equity markets.

Monitoring of Utilisation of funds

The appointment of monitoring agency was not required in accordance with Clause 8.17 of SEBI (DIP) Guidelines, 2000. We have therefore not appointed any Monitoring Agency for the purpose of monitoring the utilization of issue proceeds. We will disclose the utilization of proceeds under a separate head in our Company's balance sheet for fiscal 2008 and 2009 clearly specifying the purpose for which such proceeds have been utilized. We, in our Balance Sheet for fiscal 2008 and 2009, provide details if any, in relation to all such proceeds of the issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the issue.

Pursuant to Clause 49 of the Listing Agreement, our Company shall on quarterly basis disclose to the Audit Committee the uses and applications of the proceeds of the Issue. On an annual basis, our Company shall prepare a statement of fund utilized for purposes other than stated in this Red Herring Prospectus and place it before the Audit Committee. Such disclosures shall be made only until such time that all the proceeds of the Issue have been utilized in full. The statement will be certified by the Statutory Auditors of our Company.

Our Company shall be required to inform the material deviations in the utilization of the issue proceeds to the Stock Exchanges and shall also be required to simultaneously make the material deviation / adverse comments of the Audit Committee public through advertisement in newspaper.

No part of the issue proceeds, will be paid by the Company, as consideration to Promoters, Directors, Promoter Group Companies, key managerial personnel except in the usual course of business.

Basic Terms of Issue

Public Issue of 38,20,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] per Equity Share aggregating to Rs. [•] lakhs including Employee Reservation of 2,00,000 Equity Shares of face value of Rs. 10 each at a price of Rs. [•] per Equity Share aggregating to Rs. [•] lakhs (hereinafter referred to as the Employee Reservation Portion). The Issue less Employee Reservation portion shall be 36,20,000 Equity Shares of Rs. 10 each (hereinafter referred to as "Net Issue" to the public). The issue will constitute 31.63% of the fully diluted post issue paid up capital of our Company.

	QIBs	Non-Institutional Bidders	Retail individual Bidders	Employee Reservation Portion
Number of Equity Shares available for Allocation*	Not more than 18,10,000 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Not less than 5,43,000 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 12,67,000 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders	Upto 2,00,000 Equity Shares
Percentage of Issue Size Available for allocation*	Not more than 50% of the Net Issue or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders. However, 5% of the QIB portion shall be available for allocation proportionately to Mutual funds only. Mutual Funds participating in the 5% reservation in the QIB portion will also be eligible for allocation in the remaining QIB portion. The unsubscribed portion in the Mutual Fund reservation will be available to QIBs.	Not less than 15% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of Net Issue or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders	Upto 5.23% of Issue Size
Basis of Allocation if respective category is oversubscribed	Proportionate as follows: a. Equity Shares shall be allocated on proportionate basis to Mutual Funds in the Mutual Fund portion; b. Equity Shares shall be allocated on proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate

Minimum Bid	Such number of Equity Shares in multiples of 30 Equity Shares so that the Bid Amount exceeds Rs. 1,00,000.	Such number of Equity Shares in multiples of 30 Equity Shares so that the Bid Amount exceeds Rs. 1,00,000.	30 Equity Shares	30 Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of 30 Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits.	Such number of Equity Shares in multiples of 30 Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits.	Such number of Equity in multiples of 30 Equity Shares so that the Bid amount does not exceed Rs. 1,00,000	Not Exceeding 2,00,000 Equity Shares
Mode of Allotment	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode
Trading Lot	One	One	One	One
Who can apply**	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable laws, National Investment Fund set up by resolution F.No. 2/3/2005-DD-11 dated November 23, 2005 of Government of India.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions, societies and trusts.	Individuals including NRIs and HUFs (in the name of the Karta) applying for Equity Shares such that the Bid amount does not exceed Rs. 100,000 in value.	Eligible Employees
Terms of	Margin Money applicable to	Margin Money	Margin Money	Margin

Payment	QIB Bidders at the time of submission of Bid cum Application Form to the BRLM.	applicable to Non institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.	applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.	Money applicable to Eligible Employees at the time of submission of Bid cum Application Form to the Syndicate Member.
Margin Amount	10% of the bid amount	100% of the Bid amount	100% of the Bid amount	100% of the Bid amount

* Subject to valid bids being received at or above the Issue Price.

The Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (“QIBs”). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. Further, not less than 15% of the Net Issue to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 2,00,000 Equity Shares shall be available for allocation on a proportionate basis to Employees, subject to valid Bids being received at our above the Issue Price. Any under-subscription in the Employee Reservation Portion will be added back to the categories of Non-Institutional Bidders and Retail Individual Bidders in the ratio of 50:50. If the aggregate demand in the Employee Reservation Portion is greater than 2,00,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis, provided that the maximum allotment to any Employee shall be capped at upto 2,00,000 Equity Shares.

Under-subscription, if any, in any category would be met with spill over from other categories at the sole discretion of the Company, in consultation with the BRLM.

** In case the bid cum application form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the bid cum application form.

Basis for Issue Price

The Issue Price will be determined by our Company in consultation with the BRLM 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 Issue Price is Rs. [●] per Equity Shares and is [●] times the face value.

Investors should read the following summary with the risk factors beginning from page nos. iii of this Red Herring Prospectus and the details about our Company and its financial statements included in this Red Herring Prospectus. The trading price of the Equity Shares of our Company could decline due to these risk factors and you may lose all or part of your investments.

Qualitative Factors

Track record of dividend payment

Our Company is an existing profit making Company and has also declared dividend during last five years as under:

Financial Year	Rate of Dividend (%)
2006-07	10.00
2005-06	15.00
2004-05	15.00
2003-04	15.00
2002-03	5.00

Research & Development

Our Company has a team of 25 chemists who are engaged in research and development. Our in-house R&D team has manpower to handle complex molecular synthesis and operations. Our Company has presence in custom synthesis and contract research which encompasses process development and scaling up technologies in pilot plants. Our R&D facilities are recognized by Government of India, Department of Scientific & Industrial Research (DSIR) which is at present valid till March 31, 2010.

Complying with environmental norms

We have already set up systems in the existing business which not only meet the present environmental norms but are also geared up to face stricter environmental norms in production processes, when enforced and thereby will enable us to leverage newer business opportunities. Our Company was granted subsidy in 2001-02 of Rs. 7.90 lakhs from Andhra Pradesh Pollution Control Board as incentive for implementing projects for recovery of by-products and for showing our commitment towards "Cleaner Production".

Quality Standards

Our Company has been granted ISO 9001:2000 Certificate of Assessment by AQA International LLC with a scope of design development, manufacture and supply of organic and inorganic intermediates which is revalidated till December 30, 2008.

Existing client relationship

We have existing client relationships with pharmaceutical companies in domestic and international markets from whom we get repeat orders. We believe that our existing relationship with our clients represents a competitive advantage in gaining new clients and increasing our business. Our domestic clientele includes Dr. Reddy's Laboratories Limited, Hiran Orgochem Limited, Sun Pharmaceuticals Limited, Sreepathi Pharmaceuticals Limited, Matrix Laboratories Limited, Arene Life Sciences Limited, Neuland Laboratories

Limited and Hetero Laboratories Limited. The major international clients include M/s Teva, Mitsui & Co., ABIC Ltd., Polpharma, Sanofi Aventis, Tradecom Services PTE Limited and Tanabe.

Synergy of Business Lines

We propose to set up new manufacturing facilities at Jawaharlal Nehru Pharma City, Vishakhapatnam, Andhra Pradesh for APIs and are also proposing another research & development facility at the same location, which gives us synergy in our operations.

Experienced management team

Our Company is managed by a team of experienced and professional personnel with exposure in different aspects of pharmaceutical industry including production, quality control, research & development, marketing and finance. Mr. K. Hari Babu, Managing Director is a Chartered Accountant and has 27 years of experience in various fields of management. Mr. N.S. Walimbe is a Chemical Engineer from Indian Institute of Technology, Mumbai and has around 30 years of experience in chemical / pharmaceutical industry. Mr. M. Ajaya Kumar also has over 23 years of experience in pharmaceutical industry out of his total experience of 39 years.

Market Penetration

We have been awarded the “Market Penetration Leadership in the Indian Pharmaceutical Intermediates Market Award” by Frost & Sullivan for the year 2005 for demonstrating excellence in capturing market share within our Industry, excellence in product innovation, marketing and sales strategies.

Quantitative Factors

Adjusted Basic Earning Per Share (EPS)

Year Ended	Earning per Equity Share (Rs.)	Weight
March 31, 2005	2.67	1
March 31, 2006	7.67	2
March 31, 2007	18.57	3
Nine months ended December 31, 2007 (Annualised and Diluted)	21.84	
Weighted Average	12.29	

Price/Earning (P/E) ratio

	At the Lower Band of Rs. 200 per Equity Share	At the Upper Band of Rs. 210 per Equity Share
Based on the Adjusted EPS for the year ended March 31, 2007	10.77	11.31
Based on the Adjusted EPS for the period ended December 31, 2007 (Annualised & Diluted)	9.16	9.62
Based on the weighted average EPS	16.27	17.09

Industry P/E - (Pharmaceuticals-Bulk Drugs)

Particulars	P/E multiple
Highest	35.70
Lowest	3.70
Industry Composite	15.00
<i>Source: Capital Markets, April 7 - 20, 2008</i>	

Return on Net worth (RONW)

Year Ended	RONW %	Weight
March 31, 2005	27.23	1
March 31, 2006	45.21	2
March 31, 2007	43.16	3
For nine months period ended December 31, 2007 (Annualised)	38.92	
Weighted Average	41.19	

Minimum Return on Increased Net Worth to maintain pre-issue EPS of Rs. 18.57

Particulars	At the Lower Band of Rs. 200 per Equity Share	At the Upper Band of Rs. 210 per Equity Share
Minimum Required RoNW for maintaining above EPS	19.11	18.54

Net Asset Value (NAV) per share (in Rs.)

Particulars	Adjusted NAV
As at March 31, 2007	43.06
As at December 31, 2007	56.10
After Issue	100.18 (At the Upper band) 97.18 (At the lower band)
Issue Price	[●]

Comparison with Industry Peers* - (Pharmaceuticals-Bulk Drugs)

Name of the Company (for the period ended March 31, 2007)	Face Value (Rs.)	Operating Income (Rs. In lakhs)	EPS (Rs.)	P/E (times)	NAV (Rs.)	RoNW (%)
SMS Pharmaceuticals Limited	10	17,060.00	20.60	9.10	182.80	17.60
Dishman Pharma	2	27,970.00	7.50	35.70	49.80	28.30
Neuland Labs	10	20,240.00	16.4	7.90	107.40	16.60
Shilpa Medicare	10	6,750.00	4.00	12.80	23.80	18.60
Anu's Laboratories Limited	10	10,781.88	18.57	#	43.06	43.16

*Competitors have been selected on basis of same business line

*(Source: Capital Markets, April 7 - 20, 2008)

will be determined by Book Building Process

Note: All the financial parameters / accounting ratio of our Company disclosed throughout the Red Herring Prospectus are based on the Un-consolidated Restated Financial Statements. Moreover the restated financial information of the Industry Peers is not ascertainable, the ratios disclosed in the Red herring Prospectus for the purpose of comparison with the accounting ratios of our Company is not based on restated financial statements of the Industry Peers.

The face value of Equity Shares of Anu's Laboratories Limited is Rs. 10 and the Issue Price is Rs. [●] i.e. [●] times of the face value.

The BRLM believes that the issue price of Rs. [●] is justified in view of the above qualitative and quantitative factors. See the section titled "Risk Factors" and "Financial Information" beginning on page no. iii and 118 of this Red Herring Prospectus, including important profitability and return ratios, as set out in the Auditors Report beginning on page no. 118, for further information.

Statement of Tax Benefits

To
The Board of Directors
Anu's Laboratories Limited
A-49, Madhuranagar,
Vengalarao Nagar,
Hyderabad - 500 038

Dear Sirs,

Statement of Possible Tax Benefits available to the Company and its shareholders

We hereby report that the enclosed statement states the possible tax benefits available to the Company under the Income-tax Act, 1961 amended by Finance Bill 2006, presently in force in India and to the shareholders of the Company under the Income tax Act, 1961, Wealth Tax Act, 1957 and the Gift Tax Act, 1958, 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.

For Karumanchi & Associates
Chartered Accountants

K. Peddabbai
Partner
Membership Number: 25036

Place: Hyderabad
Date: 07-04-2008

A. SPECIAL TAX BENEFITS

1. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY

There are no special tax benefits available to the Company.

2. SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY

There are no special tax benefits available to the shareholders of the Company.

B. GENERAL TAX BENEFITS

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961 ('the IT Act')

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions as may be prescribed under the relevant sections of the Income Tax Act, 1961.

I. BENEFITS AVAILABLE TO THE COMPANY

Subject to compliance of certain conditions laid down in Section 32 of the Income Tax Act 1961, (hereinafter referred to as ACT) the Company will be entitled to a deduction for depreciation:

- In respect of building, machinery, plant or furniture being tangible assets
- In respect of intangible assets being in the nature of know how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired after 31st day of March, 1998 at the rates prescribed under Income Tax Rules, 1962;
- In respect of new plant or machinery which has been acquired and installed after 31st March, 2005 by a tax payer engaged in the business of manufacture or production of any article or thing, additional depreciation of 20% of the actual cost of such new plant or machinery will be allowed as deduction.

Subject to compliance of certain conditions laid down in Section 35 (1) (iv) of the Act, the Company is entitled to claim as deduction the whole of capital expenditure, other than the expenditure incurred on the acquisition of any land, incurred on scientific research related to the business of the Company.

The Company is eligible for amortization of preliminary expenses including the expenditure on public issue of shares under Section 35D of the Act, subject to the conditions and limits specified in the section.

Under Section 36 (1) (xiii) of the Act, the Company is entitled to claim deduction of Banking Cash Transaction Tax paid on taxable Banking Transactions entered into by it.

MAT credit allowable is the difference between MAT paid and the tax computed as per the normal provisions of the Act and can be utilized in those years in which tax becomes payable under the normal

provisions of the Act. MAT credit can be utilised to the extent of difference between tax payable under the normal provisions and MAT payable for the relevant year. MAT credit cannot be carried forward and set off beyond 7 years immediately succeeding the assessment year in which it becomes allowable under section 115JAA(1A) of the Act [section 115 JAA(1A) of the Act].

II. BENEFITS AVAILABLE TO THE COMPANY AND PROSPECTIVE RESIDENT SHAREHOLDERS OTHER THAN DOMESTIC COMPANIES

DIVIDENDS EXEMPT UNDER SECTION 10(34) OF THE ACT

1. Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/ shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date will be disallowed to the extent of dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

- 2.1 Section 48 of the IT Act, categorises capital assets into two major categories viz. Long term Capital Assets and Short Term Capital Assets. If the shares are held for a period more than 12 months it is termed as a long term asset and otherwise as a short term asset. Any profit or loss arising on account of sale/transfer of such Long Term Assets are termed as long term capital gains and short term assets as short term capital gains.
- 2.2 Section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, as per second proviso to Section 48 of the IT Act, in respect of long term capital gains arising from transfer of shares of Indian Company, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed annually.
- 2.3 Provisions of Section 112 of the IT Act, permit taxing long term capital gains (which are not exempt under Section 10(38) of the IT Act) arising on transfer of shares in the Company at a rate of 20 percent (plus applicable surcharge and education cess) after factoring the indexation benefit. However, the share holder may opt for the tax on long term gains computed at the rate of 10 percent (plus applicable surcharge and education cess), if the tax on indexed long term capital gains resulting on transfer of listed securities calculated at the rate of 20 percent exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit.
- 2.4 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity shares in the Company at a rate of 10 percent (short term capital gains are proposed to be taxed @ 15% vide Finance Bill 2008) (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax.

- 2.5 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered on a recognized stock exchange of India and is liable to securities transaction tax.
- 2.6 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act) from being taxed to the extent such capital gains are invested in long term specified assets within a period of 6 months after the date of such transfer in notified bonds (Presently, bonds issued by the National Highways Authority of India or the Rural Electrification Corporation Limited have been specified) Where only a part of the capital gains is so invested, the exemption is proportionately available. The minimum holding period prescribed to remain eligible for the exemption is 3 years. However, in terms of Union Budget 2007-08 investments in the specified assets by an assessee during any Financial Year should not exceed 50 lakhs rupees.
- 2.7 Subject to the conditions specified under the Provisions of Section 54F of the IT Act, long-term capital gains (which are not exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax if the sale proceeds from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property, within a period of 3 years after the date of such transfer.
- 2.8 In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125 percent of the value payable by both buyer and seller. (The non-delivery based sale transactions are liable to tax @ 0.025 percent of the value payable by the seller).
- 2.9 Provisions of Section 88E provides that where the total income of a person includes income chargeable under the head "**Profits and Gains of business or profession**" arising from purchase or sale of equity shares in a company entered into on a recognized stock exchange, i.e. from taxable securities transactions, he shall get a rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax on such income.

III. BENEFITS AVAILABLE TO CORPORATE RESIDENT SHAREHOLDERS (DOMESTIC COMPANIES).

DIVIDENDS EXEMPT UNDER SECTION 10(34) OF THE ACT

1. Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/ shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

- 2.1 Section 48 of the IT Act, categorises capital assets into two major categories viz. long term capital assets and short term capital assets. If the shares are held for a period more than 12 months it is termed as a long term asset and otherwise short term asset. Any profit or loss arising on account of sale/transfer of such long term assets are termed as long term capital gains and short term assets as short term capital gains.
- 2.2 Section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. Further, in respect of long term capital gains from transfer of shares of Indian Company, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed annually.
- 2.3 Provisions of Section 112 of the IT Act, permit taxing long term capital gains (which are not exempt under Section 10(38) of the IT Act) arising on transfer of shares in the Company at a rate of 20 percent (plus applicable surcharge and education cess) after factoring the indexation benefit. However, the share holder may opt for the tax on long term gains computed at the rate of 10 percent (plus applicable surcharge and education cess), if the tax on indexed long term capital gains resulting on transfer of listed securities calculated at the rate of 20 percent exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit.
- 2.4 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity share in the Company at a rate of 10 percent (short term capital gains are proposed to be taxed @ 15% vide Finance Bill 2008) (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax.
- 2.5 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax, subject to the condition that the income by way of long-term capital gain of the company shall be taken into account in computing the book profit and income tax payable under Section 115JB.
- 2.6 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act) from being taxed to the extent such capital gains are invested in long term specified assets within a period of 6 months after the date of such transfer in notified bonds (Presently, bonds issued by the National Highways Authority of India or the Rural Electrification Corporation Limited have been specified) Where only a part of the capital gains is so invested, the exemption is proportionately available. The minimum holding period prescribed to remain eligible for the exemption is 3 years. However, in terms of Union Budget 2007-08 investments in the specified assets by an assessee during any Financial Year should not exceed 50 lakhs rupees.
- 2.7 In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable

to securities transaction tax @ 0.125 percent of the value payable by both buyer and seller. (The non-delivery based sale transactions are liable to tax @ 0.025 percent of the value payable by the seller).

2.8 Provisions of Section 88E provides that where the total income of a person includes income chargeable under the head “**Profits and Gains of business or profession**” arising from purchase or sale of an equity share in a company entered on a recognized stock exchange, i.e. from taxable securities transactions, the company shall get a rebate equal to the securities transaction tax paid by it in the course of its business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax on such income.

IV. BENEFITS AVAILABLE TO MUTUAL FUNDS

Provisions of Section 10(23D) of the IT Act exempts the Mutual Funds registered under the Securities and Exchange Board of India or Mutual Funds set up by Public Sector Banks or Public Financial Institutions or authorized by the Reserve Bank of India and subject to the conditions specified therein, from income tax on their income.

V. BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS (‘FIIS’)

DIVIDENDS EXEMPT UNDER SECTION 10(34) OF THE ACT

1. Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/ shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

2.1 Provisions of Section 115AD of the IT Act, provides for taxing income of FIIS arising from securities (other than income by way of dividends referred to in section 115(O) of the IT Act) at concessional rates, set forth below:

Nature of income	Rate of tax (%)
Income in respect of securities (other than units referred to in Section 115AB)	20
Long Term capital gains	10
Short term capital gains (other than short term capital gain referred to in section 111A)	30

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided under Section 48 of the IT act are not available to a FII.

- 2.2 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity share in the Company at a rate of 10 percent (short term capital gains are proposed to be taxed @ 15% vide Finance Bill 2008) (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax.
- 2.3 Provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the FII would prevail over the provisions of the IT Act, as per section 90(2) of the Act; to the extent they are more beneficial to the FII.
- 2.4 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax, subject to the condition that the income by way of long-term capital gain of the company shall be taken into account in computing the book profit and income tax payable under Section 115JB.
- 2.5 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act) from being taxed to the extent such capital gains are invested in long term specified assets within a period of 6 months after the date of such transfer in notified bonds (Presently, bonds issued by the National Highways Authority of India or the Rural Electrification Corporation Limited have been specified) Where only a part of the capital gains is so invested, the exemption is proportionately available. The minimum holding period prescribed to remain eligible for the exemption is 3 years. However, in terms of Union Budget 2007-08 investments in the specified assets by an assessee during any Financial Year should not exceed 50 lakhs rupees.
- 2.6 In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125 percent of the value payable by both buyer and seller. (The non-delivery based sale transactions are liable to tax @ 0.025 percent of the value payable by the seller).
- 2.7 Provisions of Section 88E provides that where the total income of a person includes income chargeable under the head “**Profits and Gains of business or profession**” arising from purchase or sale of an equity share in a company entered on a recognized stock exchange, i.e. from taxable securities transactions, he shall get a rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax on such income.

VI. BENEFITS AVAILABLE TO NON-RESIDENTS/ NON-RESIDENT INDIAN SHAREHOLDERS (OTHER THAN MUTUAL FUNDS, FIIS AND FOREIGN VENTURE CAPITAL INVESTORS)

DIVIDENDS EXEMPT UNDER SECTION 10(34) OF THE ACT

1. Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/ shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/ transfer of shares purchased up to three months prior to the record date and sold within three

months after such date will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

- 2.1 In terms of first proviso to Section 48 of the IT Act, in case of a non-resident, while computing the capital gains arising from transfer of shares in or debentures of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of shares.
- 2.2 Provisions of Section 112 of the IT Act, permit taxing long term capital gains (which are not exempt under Section 10(38) of the IT Act) arising on transfer of shares in the Company at a rate of 20 percent (plus applicable surcharge and education cess) after factoring the indexation benefit. However, the share holder may opt for the tax on long term gains computed at the rate of 10 percent (plus applicable surcharge and education cess), if the tax on indexed long term capital gains resulting on transfer of listed securities calculated at the rate of 20 percent exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit.
- 2.3 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity share in the Company at a rate of 10 percent (short term capital gains are proposed to be taxed @ 15% vide Finance Bill 2008) (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short term capital gains arising from transfer of shares in a company other than those covered by Section 111A of the IT Act would be subject to tax as calculated under the normal provisions of the IT Act.
- 2.4 Provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the non resident would prevail over the provisions of the IT Act, as per section 90(2) of the Act; to the extent they are more beneficial to the non-resident.
- 2.5 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
- 2.6 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act) from being taxed to the extent such capital gains are invested in long term specified assets within a period of 6 months after the date of such transfer in notified bonds (Presently, bonds issued by the National Highways Authority of India or the Rural Electrification Corporation Limited have been specified) Where only a part of the capital gains is so invested, the exemption is proportionately available. The minimum holding period prescribed to remain eligible for the exemption is 3 years. However, in terms of Union Budget 2007-08 investments in the specified assets by an assessee during any Financial Year should not exceed 50 lakhs rupees.

2.7 Subject to the conditions specified under the Provisions of Section 54F of the IT Act, long-term capital gains (which are not exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax if the sale proceeds from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.

2.8 Where shares of the Company have been subscribed in convertible foreign exchange, Non-Resident Indians (i.e. An individual being a citizen of India or person of Indian origin who is not a resident) have the option of being governed by the provisions of Chapter XII-A of the IT Act, which *inter alia* entitles them to the following benefits:

- Under Section 115E, where the total income of a non-resident Indian includes any income from investment in convertible foreign exchange, such income shall be taxed at a concessional rate of 20 per cent (plus applicable surcharge and education cess). Income arising to a non - resident Indian in form of long term capital gain shall be taxed at a concessional rate of 10 percent (plus applicable surcharge and education cess).
- Under Section 115F of the IT Act, long-term capital gains (in cases not covered by section 10(38) of the IT Act) arising to a non-resident Indian from transfer of shares of the company, subscribed in convertible foreign exchange (in case not covered under Section 115E of the IT Act), shall be exempt from income tax, if the entire net consideration is reinvested in specified assets/saving certificates referred to in Section 10(4B) within 6 months of the date of transfer. Where only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets/saving certificates are transferred or converted into money within 3 years from the date of their acquisition.
- Under Section 115G of the IT Act, it shall not be necessary for a non-resident Indian to furnish his return of income under Section 139(1) if his income chargeable under the IT Act comprises only investment income or long term capital gains or both, arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the IT Act.
- Under Section 115I of the IT Act, a Non-Resident Indian may elect not to be governed by the foregoing provisions for any assessment year by furnishing his return of income for that assessment year under Section 139 of the IT Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the IT Act.

2.9 In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125 percent of the value payable by both buyer and seller. (The non-delivery based sale transactions are liable to tax @ 0.025 percent of the value payable by the seller).

2.10 Section 88E provides that where the total income of a person includes income chargeable under the head “**Profits and gains of business or profession**” arising from purchase or sale of an equity share in a company entered into on a recognized stock exchange, i.e. from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957

1. Investment in shares of companies are excluded from the definition of the term “**asset**” as given under section 2(ea) of the Wealth Tax act, 1957, and hence the shares held by the shareholders would not be liable to Wealth tax.

BENEFITS AVAILABLE UNDER THE GIFT TAX ACT

1. Gift tax is not leviable in respect of any gifts made on or after 1st October, 1998. Therefore, any gift of shares of the Company will not attract Gift tax.

Notes:

- The above Statement of Possible Direct Tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.
- The above Statement of Possible Direct Tax benefits sets out the possible tax benefits available to the Company and its shareholders under the current 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 tax laws.
- 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, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect of the specific tax implications arising out of their participation in the issue.
- In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.

SECTION IV - ABOUT THE COMPANY

Industry Overview

The information presented in this section has been obtained from publicly available documents from various sources including officially prepared materials from the Government of India and its various ministries, industry websites and from publications and company estimates. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in Red Herring Prospectus is reliable; these have not been independently verified. Similarly, internal Company estimates, which we believe to be reliable, have not been verified by any independent agencies.

Pharmaceutical Sector

Indian pharmaceutical industry can be widely classified into bulk drugs and formulations. Bulk drug is the Indian name for Active Pharmaceuticals Ingredients (API). Formulations cover both branded products and generics. Indian pharmaceuticals sector is self sufficient in meeting domestic demand and exports successfully to various markets globally. The existence of process patents in India till January 2005 fuelled the growth of domestic pharmaceutical companies and developed them in areas like organic synthesis and process engineering, as a result of which, Indian pharmaceuticals sector is able to meet almost 80-90% of the country's pharmaceutical needs. India is ranked among the top 15 drug manufacturing countries worldwide. India is globally recognized as a low cost, high quality bulk drugs and formulations manufacturer and supplier. It exports bulk drugs and formulations to more than 65 countries globally. Indian companies are capable of developing cost effective technologies for the manufacturing of bulk drugs and intermediates in world standards in a very short time. (Source: Report - Industry Insight - Indian Pharmaceuticals - April 2007; www.cygnusindia.com)

Bulk drugs

The Indian API manufacturing industry is the third largest in the world with sales of US\$2 billion (€1.56bn) in 2005, and is expected to touch US\$4.8 billion by 2010, at an average yearly growth rate of 19.3%. The bulk drug market is fragmented with about 1,333 pharmaceutical companies. Near about 70% of the bulk drug manufactured in India is exported to more than 50 countries. The market size is expected to grow at higher percentages in future years with more and more international companies depending on India to meet their bulk-drug supply needs.

Formulations

In India, near about 60,000 formulations in 60 different therapeutic categories are being manufactured. Formulations comprise more than 75% of the total Indian production. A huge proportion of formulations are exported mainly to the developing nations in CIS, South East Asia, Africa and Latin America. Over the last 4 years, generic exports to developed countries are growing. In the coming years, opening up of US generics market and anti-Aids market in Africa are expected to fuel export business of formulations.

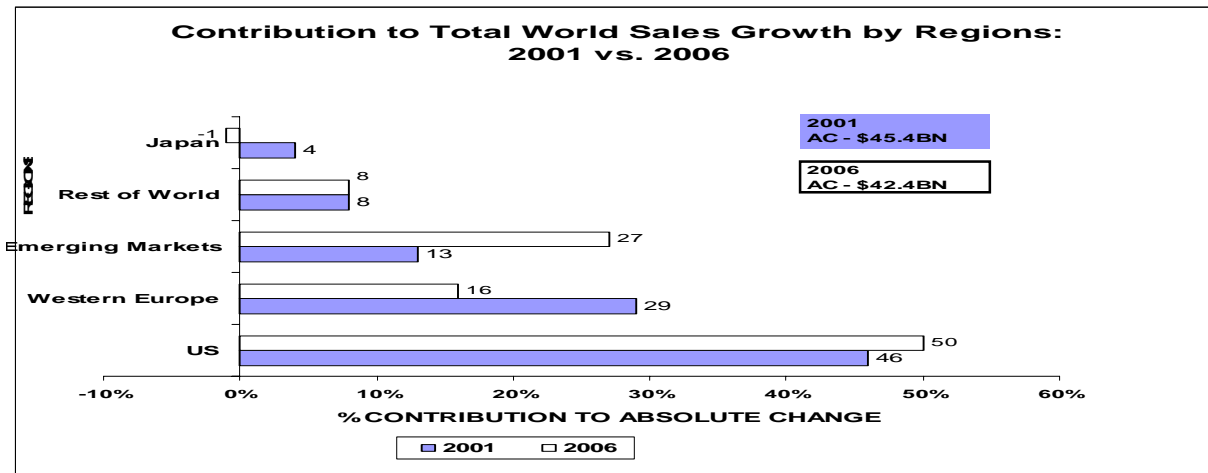
The formulation segment as on 2004 is valued at Rs.293 billion. Most of the domestic demand for formulations is met by the domestic industry. In the next four years blockbuster drugs worth US\$34 billion are going off patent in US alone, which will present a huge opportunity to Indian generic players. Indian companies are expected to produce six of the top 10 drugs that are scheduled to lose patent protection over the next five years. (Source: Cygnus Business consulting and Research (www.cygnusindia.com)).

Global Scenario

In the year 2006 the total pharmaceutical market grew 7.0% to reach \$ 643.00 billions. About 50% of this growth came from the US market, where the growth rate of 8.3% reflected the impact of the first year of the Medicare Part D benefit and a lift in the volume of prescription. Across the five major European markets, growth was 4.4% compared to 4.8% in 2005, reflecting the third year of slow down in performance. By comparison many of the Eastern European countries achieved double digit growth in 2006. Japan experienced the Impact of biennial price decrease, which contributed to an overall market decline of 0.4%. This was a sharp contrast to 2005's stellar growth of 6.8%. Latin American markets performed well, increasing sales by 12.7% and across Asian markets, China's growth slowed considerably from 20.5% in 2005 to 12.3% on the heels of a government anti-corruption campaign introduced during the second quarter of 2006. The campaign limits physician promotion and has served to dampen the sales in the region. While the US continues to account for half of the global market growth in 2006, there has been some rebalancing. Over one-quarter of the growth (27%) is coming from countries, with a gross national income of less than \$ 20,000 per capita on a Purchasing Power Parity (PPP) basis, with 23% contributed by all other countries outside of the US. This is a radically different picture than the one we saw in 2001, when the US contributed 46% of the total growth and low income countries contributed only 13%. (Source: Report - intelligence.360 - Global Pharmaceutical Perspective -2006; www.imshealth.com).

The relative contribution to future growth will continue to skew away from the US and the five major European markets, which are forecast to grow at 5-6% and 3-4% respectively in 2007. Longer term, we continue to see a compound annual growth rate from 2005 to 2010 in the 5-8% range, taking the total market to between \$ 775 billion and \$ 895 billion by 2010. (Source: Report - intelligence.360 - Global Pharmaceutical Perspective -2006; www.imshealth.com).

Contribution by Pharmaceutical sales to Total World Sales Growth by Regions: 2001 vs. 2006



(Source: IMS health, IMS Market Prognosis International, February 2007)

In 2006, growth was subdued across much of Europe and Japan, rebounded in the US, and was robust in a number of emerging markets.

Top 10 Audited Global Markets: 2006



Source: IMS Health, MIDAS, Mat December, 2006

Pharmaceutical Sales (Audited) By Region: 2006

	2006 GLOBAL SALES		% CONSTANT US\$ GROWTH	
	US\$BN	% GLOBAL SALES	2006	CAGR 01-05
WORLD AUDITED MARKET				
North America	289.9	47.7	8.0	9.5
Europe	181.8	29.9	4.8	8.0
Japan	56.7	9.3	-0.7	3.5
Asia/Africa/Australia	52.0	8.6	9.8	11.6
Latin America	27.5	4.5	12.9	13.4
TOTAL IMS Audited	\$ 607.9	100.0%	6.5%	8.7%

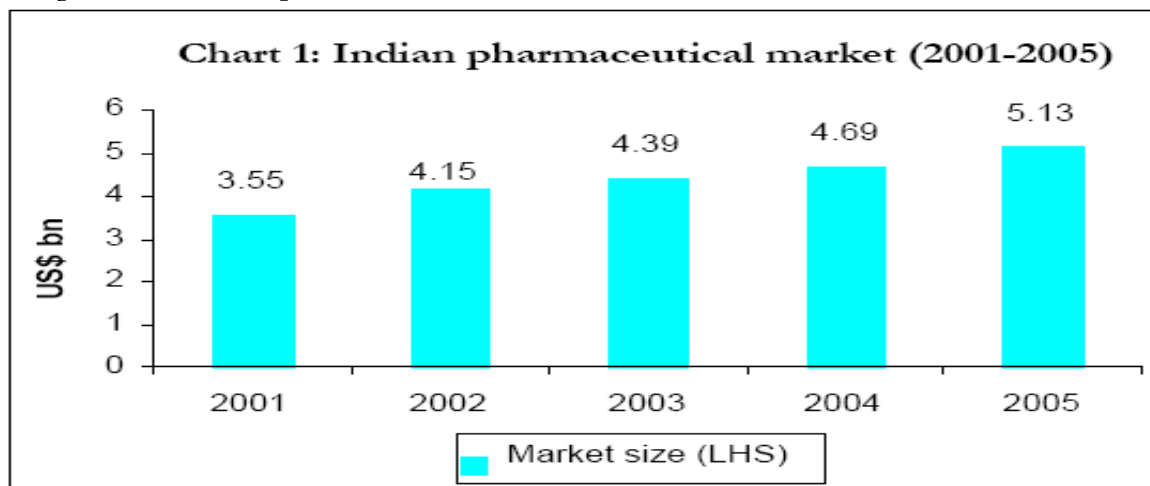
Source: IMS health, MIDAS, Mat December, 2006

As it is clear from above, North American market contributed almost 48% to the total worldwide pharmaceutical sales in the year 2006. However, the CAGR of 13.4% during the period 2001-2005 was highest in the Latin America market followed by Asia/Africa/Australia region with a CAGR of 11.6% followed by North America of 9.5%.

Indian Pharmaceutical Industry

The Indian Pharmaceuticals sector has come a long way, being almost non-existent during 1970, to a prominent provider of health care products, meeting almost 95% of country's pharmaceutical needs. The domestic pharmaceutical output has increased at a compound growth rate (CAGR) of 13.7% per annum. Currently the Indian pharmaceutical industry is valued at approximately US\$ 8.0 billion. Globally, the Indian industry ranks 4th in terms of volume and 13th in terms of value. Indian pharmaceuticals industry has over 20,000 units. Around 260 constitute the organized sector, while others exist in the small scale sector. However, the Indian pharmaceutical sector is currently undergoing unprecedented change. This can be attributed largely to the country's introduction of product patents on January 1, 2005. Under the new patent regime, many multinationals are making a comeback on the Indian centre stage; the attractions being India's traditional strengths in contract manufacturing and as an outsourcing location for R&D, particularly for clinical trials and other services. (Source: FICCI Report for National Manufacturing Competitiveness Council, 2005)

Today the sector has increasing direct investment from MNCs and is placing more emphasis on the biotech segment and brand development. Global pharmaceutical outsourcing is also gaining popularity and Indian companies are well poised to exploit this opportunity with its technical skills, regulatory skills, cost advantage and global relationships.



(Source: Cygnus Business consulting and Research(www.cygnusindia.com))

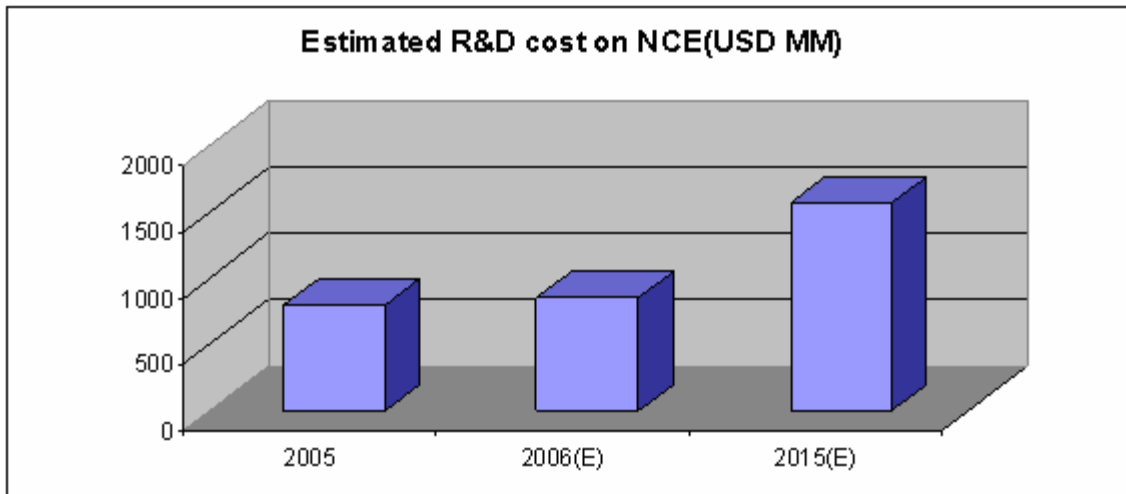
Major Drivers of Indian Pharmaceutical Industry

- Research and development
- CRAMs
- Growing Exports
- USFDA plants and DMF filings

Research and Development

Indian pharmaceutical companies are increasingly realizing the importance of drug efficacy, safety, stability and focusing more on research and development which is helping the Pharma companies to grow at a rapid pace. Indian manufacturers are one of the lowest cost producers of drugs in the world. Indian pharmaceutical industry poses excellent chemistry and engineering skills. This adds to the competitive advantage to develop processes, which are cost effective.

The major R&D expense is incurred mainly on New Chemical Entities (NCEs). The R&D cost on NCEs over the years has increased drastically against NCEs approvals. In 2005, the cost in bringing up a NCE is around USD800 million. Cygnus estimates the future R&D cost per NCE in pharmaceutical industry to be USD856 million in 2006. In the future the cost is expected to escalate to USD1574 million in 2015. The cost is expected to continue increasing in the next decade.



Contract Research And Manufacturing (CRAM)

Contract Research

A contract research organization, or a CRO, is an organization (commercial, academic, or other) contracted by the sponsor to perform one or more of a sponsor's trial-related duties and functions. These functions consist of:

- Drug discovery stage
- Preclinical stage
- Clinical stage

Contract manufacturing

Contract manufacturing consists of activities like manufacturing of intermediates and Active Pharmaceutical Ingredients (APIs) for New Chemical Entities (NCEs) or generics.

Companies can leverage technology and benefit from faster time-to-market and cost savings. The major business motive to outsourcing is generally cost reduction. The companies want to focus on their core business area and prefer outsourcing some of their work. Presently 20-25% of research is done through contract companies and this figure is expected to increase to 50% in the near future.

Many pharma companies are now actively targeting international companies for CRAMS deals. Medicinal chemistry, custom synthesis, and clinical studies are some areas in which the Indian firms are pitching and winning new business. The market size of contract manufacturing in India in 2005 was USD445 million registering a growth of 48% over previous year. Cygnus estimates that contract manufacturing of drugs would be worth USD900 million in India by 2010.

Advantage India-CRAM

Cost Saving

Today, the cost of hiring a medicinal chemist in the US is very high, approximately US\$250,000-300,000 per year. The US pharma industry employs roughly 50,000 chemists. According to industry sources, Indian discovery research outfits charge global pharma companies around US\$60,000 per chemist which is roughly one-fifth of what the pharma companies pay abroad.

Improved skills to face international competition

Indian discovery services companies have the opportunity to make it to the global scheme of things. Time will tell which of the niche players will consolidate to become fully integrated discovery companies and which of the Indian companies, if any, will become global players. Indian scientists are exposed to the outsourcing environments, improved confidence to face international challenges. This directly attracts international players to the Indian market.

Already existing strong manufacturing base

India's manufacturing clout has become a massive threat to the Western generic firms. The freedom to manufacture generic versions of patent protected drugs using non-infringing processes has also given them a head start in developing new methods of production and getting them to the market very rapidly.

Strong marketing and distribution network

Many of the Indian mid sized pharmaceutical companies have extensive marketing and distribution network facilitating the business of contract research and manufacturing services.

Rich biodiversity

The huge patient population offers vast genetic diversity, making the country an ideal site for clinical trials.

Growing Exports

Indian exports totalled INR 216 billion during 2005-2006. The exports constitute almost 46% of the total production of pharmaceuticals in India. India's pharmaceutical exports are to the tune of US\$4.8 billion currently, of which formulations contribute nearly 55% and the rest 45% comes from bulk drugs. India's pharmaceutical industry is the fourth largest in the world in terms of volume with exports reaching an estimated 200 countries including the highly regulated markets of U.S. Europe, Japan and Australia.

Indian companies tend to focus on exports owing to higher realizations. They also have the capability producing molecules to succeed in the export market. The Indian pharmaceutical export will have potential to increase around 18% by 2007-08 to take its total export volume to about INR 300,000 MM from the exports volumes of INR 155,000 MM during 2003-04.

USFDA approved plants and DMF filings

India leads in DMF-filing. India is the top country in DMF submissions and has retained the position during April-June 2006 and July-September 2006 quarters. The Indian companies accounted for the largest share, which is 35% of 355 DMF submissions during April-June 2006 and 28% of 223 during the July-September quarter ending 2006.

In 2004, ANDA filings by Indian companies constituted about 25% of the total filings with US FDA. There are 75 US FDA approved plants in India, which is the highest outside US. (Source: Cygnus Business consulting and Research (www.cygnusindia.com))

Budget 2007 - Impact on Pharmaceutical Industry

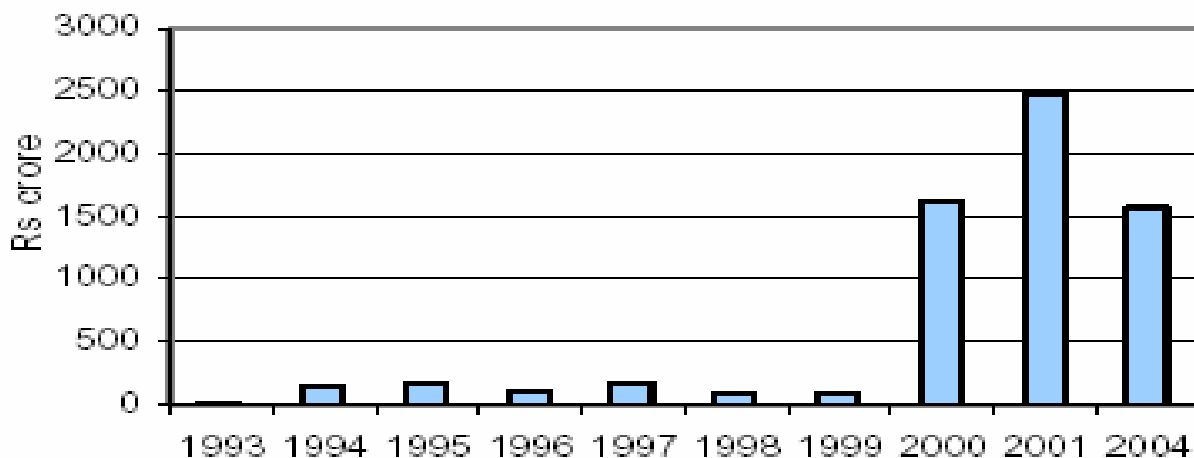
The tax exemption for research and development (R&D) has been extended for five years up to 2012. Global clinical trials mainly for clinical research organizations have been exempted from the 12.5 per cent service tax. The Fringe Benefit Tax for physician samples, which were not a benefit to employees, has been correctly withdrawn after two years. Also, the import of R&D equipment for laboratories was taxed at 5 per cent for

public sector labs, while it was at 7.5 per cent for private labs and that has been brought to a uniform 5 per cent. (Source: <http://indiabudget.nic.in>)

Foreign Direct Investments in Indian Pharmaceutical Industry

The Indian government has been progressively lifting controls on foreign direct investment in Indian pharmaceutical industry. The pharmaceutical sector has accounted Rs. 15,711.0m in 2004 which was declined to almost 36% from 2001. This has aided in increased investments in R&D infrastructure by MNC's in India and technology transfer for the subsidiaries would speed up the patent regime. Market growth during 2005 was primarily driven by a number of new product launches by both Indian and foreign companies. The Indian market started attracting a number of foreign players, with the implementation of product patents in January 2005. The FDI in Pharma industry was US\$172m in 2005-06, growing at a CAGR of 62.6% during the period 2002-06. The Indian government's decision to raise the FDI has led to the revival of interest of multinationals in the Indian Pharma market. This is due to two reasons. One is the low-cost manufacturing and research base and the other is growing domestic market size. Some of the products that are not being launched in the domestic market by MNC's as a result of the market being of generic would change with the patent regime in place.

FDI Investments in Pharmaceuticals 1993-2004



(Source: Cygnus Business consulting and Research (www.cygnusindia.com))

Our Business

Business Overview

Our Company was incorporated in the year 1996 for manufacture of Bulk Active Pharma Ingredients and Intermediates for drug molecules and was promoted by Mr. K. Hari Babu. Mr. N.S. Walimbe joined as co-promoter in the year 1997.

We started our own manufacturing facilities in the year 1998 from Chilakamarri Village, Shadnagar, Mahboobnagar District, Andhra Pradesh with manufacturing of 2,4 Dichloro 5 Fluoro Acetophenone (DCFA).

Further with a view to add more products in our product profile we entered into contracts in 2004 with Nitya Laboratories Limited for conversion jobs for manufacture of "Sodium Methoxide or Sodium Methyl Acetate Solution & Powder" and "CIS (+) Hydroxide Lactam. Sodium Methoxide and CIS Lactam contributed 9.73% and 24.27% respectively during nine months period ended December 31, 2007 in our total sales. For details of contracts, please refer to paragraph "Other Agreements" appearing on page number 95 of this Red Herring Prospectus.

We are engaged in manufacture of Basic & Advanced Intermediates and fine chemicals and are presently having manufacturing facilities for key intermediates like 2,4-Dichloro-5-Fluoro Acetophenone (DCFA) (an intermediate for synthesizing quinolone antibiotics like ciprofloxacin); Chlorohexanone (key intermediate in the manufacture of cardio vascular medicine) and Methyl-4 (4-Chloro 1 Oxo Butyl) a, a Di-Methyl Acetate (an intermediate in the manufacture of Fexofenadine an anti allergic drug). DCFA have contributed 28.81% of our total sales during the nine months period ended December 31, 2007 whereas Methyl-4 (4-Chloro 1 oxo butane) a, a Di-Methyl Acetate contributed 24.54% and Chlorohexanone contributed 8.95% of the total sales.

Our Company had started export of their products in the year 2002 to Israel followed by exports to other countries like Italy, Japan, France, USA and Singapore. Currently, our exports comprise of 19.97% of our total turnover.

Our Company has a team of 25 chemists who are engaged in research and development. Our in-house R&D team has manpower to handle complex molecular synthesis and operations. Our Company has presence in custom synthesis and contract research which encompasses process development and scaling up technologies in pilot plants. Our in-house R&D facilities are recognized by Government of India, Department of Scientific & Industrial Research (DSIR). With continuous focus on research & development, our in-house R&D team has been able to develop process for some of APIs / intermediates viz. Diltiazem, Pentoxifyline, Ciprofloxacin, Fexofenadine, Iopamidol and Naproxen.

Our Company has also been granted ISO 9001:2000 Certificate of Assessment by AQA International LLC with a scope of design development, manufacture and supply of organic and inorganic intermediates.

Our Strengths:

Research & Development

We believe a key factor in our ability to succeed and to continue to sustain and strengthen our business has been and will continue to be our ability to innovate and develop improvements to existing products and to create and introduce new products that will meet or create demands which are not presently being satisfied by available products. With this believe, we have established our in-house Research & Development facility which encourages innovation and development. In developing new products, our in-house R&D team follow a

structured process chemistry, yield improvement techniques and engineering designs. With continuous focus on research & development, our in-house R&D team has been able to develop process for some of APIs / intermediates viz. Diltiazem, Pentoxyfiline, Ciprofloxacin, Fexofenadine, Iopamidol and Naproxen.

Our Company has a team of 25 chemists who are engaged in research and development. Our in-house R&D team has manpower to handle complex molecular synthesis and operations. Our Company has presence in custom synthesis and contract research which encompasses process development and scaling up technologies in pilot plants. Our R&D facilities are recognized by Government of India, Department of Scientific & Industrial Research (DSIR) which is at present valid till March 31, 2010.

Complying with environmental norms

We have already set up systems in the existing business which not only meet the present environmental norms but are also geared up to face stricter environmental norms in production processes, when enforced and thereby will enable us to leverage newer business opportunities. Our Company was granted subsidy in 2000-01 of Rs. 7.90 lakhs from Andhra Pradesh Pollution Control Board as incentive for implementing projects for recovery of by-products and for showing our commitment towards “Cleaner Production”.

Quality Standards

Our Company has been granted ISO 9001:2000 Certificate of Assessment by AQA International LLC with a scope of design development, manufacture and supply of organic and inorganic intermediates which is revalidated till December 30, 2008.

Existing client relationship

We constantly try to address customer needs around a spectrum of products and services. Our production (approved and dedicated facilities that can provide from laboratory scale to commercial production) and research facilities (process innovation) help us to get repeat business from our customers. This has helped us maintain a long term working relationship with our customers and improve our customer retention strategy. We have existing client relationships with pharmaceutical companies in domestic and international markets from whom we get repeat orders. We believe that our existing relationship with our clients represents a competitive advantage in gaining new clients and increasing our business. Our domestic clientele includes Dr. Reddy’s Laboratories Limited, Hiran Orgochem Limited, Sun Pharmaceuticals Limited, Sreepathi Pharmaceuticals Limited, Matrix Laboratories Limited, Arene Life Sciences Limited, Neuland Laboratories Limited and Hetero Laboratories Limited. The major international clients include M/s Teva, Mitsui & Co., ABIC Ltd., Polpharma, Sanofi Aventis, Tradecom Services PTE Limited and Tanabe.

Our top 10 clients on the basis of sales made during nine months period from April 1, 2007 to December 31, 2007 are as under:

	Name of Customer	Amount (Rs. in lakhs)	% of total Sales
1	Dr. Reddy Laboratories Limited	5533.68	47.29
2	ABIC Limited	1468.82	12.55
3	Hiran Orgochem Limited	965.91	8.26
4	Sun Pharmaceuticals Limited	759.82	6.49
5	Sreepathi Pharmaceuticals Limited	476.9	4.07
6	Matrix Laboratories Limited	216.7	1.85
7	Arene Life Sciences Limited	201.05	1.72
8	Neuland Laboratories Limited	193.4	1.65

9	POL Pharma	193.34	1.65
10	Hetero Laboratories Limited	123.88	1.06

Synergy of Business Lines

We propose to set up new manufacturing facilities at Jawaharlal Nehru Pharma City, Vishakhapatnam, Andhra Pradesh for APIs and are also proposing another research & development facility at the same location, which gives us synergy in our operations.

Experienced management team

Our Company is managed by a team of experienced and professional personnel with exposure in different aspects of pharmaceutical industry including production, quality control, research & development, marketing and finance. Mr. K. Hari Babu, Managing Director is a Chartered Accountant and has 27 years of experience in various fields of management. Mr. N.S. Walimbe is a Chemical Engineer from Indian Institute of Technology, Mumbai and has around 30 years of experience in chemical / pharmaceutical industry. Mr. M. Ajaya Kumar also has over 23 years of experience in pharmaceutical industry out of his total experience of 39 years.

Market Penetration

We have been awarded the “Market Penetration Leadership in the Indian Pharmaceutical Intermediates Market Award” by Frost & Sullivan for the year 2005 for demonstrating excellence in capturing market share within our Industry, excellence in product innovation, marketing and sales strategies.

Business Strategy

Increase in Product Portfolio

The implementation of the ongoing expansion will enable us to forward integrate and add other products in our portfolio. At present our Company only manufactures Basic and Advance intermediates for drug molecules which are critical inputs for the APIs that are now proposed to be manufactured at the new plant to be set up with the proceeds of the proposed issue. The production facilities are flexible to carry out various chemical reactions and produce a variety of APIs and their intermediates.

Increasing Contract manufacturing activities

We have identified Contract manufacturing as one of the options to maintain growth and profitability as that offers a low-cost manufacturing base. We are undertaking a contract manufacturing project wherein we have entered into Manufacturing and Supply Agreement with Dr. Reddy’s Laboratories Limited. As per the said agreement, we will manufacture Ciprofloxacin Hcl for Dr. Reddy’s Laboratories Limited and they will be supplying the entire raw material to us. We envisage a potential for supply of our products to the other pharmaceutical companies in India and abroad. We intend to upgrade our manufacturing facilities to make them compliant with international regulatory authorities like US FDA. Our Company intends to capitalize on the opportunity as it has the requisite expertise and established clientele.

Enhancing focus on Research & Development

Our in-house Research & Development facilities is playing a key role in development of new processes and enhancing the process development of our existing products. Presently our Company research focuses on process improvement, yield improvement, quality improvement and custom synthesis. Considering opportunities in custom synthesis, Our Company is planning to set up a pilot plant for custom synthesis at Jawaharlal Nehru Pharma City, Vishakhapatnam, Andhra Pradesh to enhance our focus on research & development.

Focus on environmental protection

We are committed to provide a safe, clean and healthy environment. We focus on minimizing the generation of waste water and air emissions, thereby preventing pollution at source and that can be achieved by adopting cleaner technologies, reducing the use of natural resources and recovering & recycling wastes.

Reduction of Operational cost

We want to remain as a cost competitive Company. Our focus shall be to reduce the operational cost to increase our competitiveness.

Increase in Exports

Our Company had started export of their products in the year 2002 to Israel followed by exports to other countries like Italy, Japan, France, USA and Singapore. For the period ended December 31, 2007 our exports comprise 19.97% of the total turnover. Our Company intends to increase our geographical presence in the International markets.

Details of Existing Facilities

Location

Our Company has one manufacturing facility and one basic Research & Development facility both in and around Hyderabad. The details of location of these facilities are provided below:

Type of Facility	Location	Total Area
Manufacturing Facility (Owned)	Survey No. 17, Chilakamarri Village, Shadnagar, District Mahaboobnagar, Andhra Pradesh - 509 216	Total built-up area is 7,562 sq mtrs. Total plant area is 24,444 sq. mtrs.
Research & Development Facility (Rented)	Shed No. 28/1, First Floor, TIE Balanagar, Hyderabad- 500 037	Total plant area is 185.81 sq. mtrs

Plant & Machinery

Our unit has 30 reactors with capacity ranging from 3KL to 35KL, centrifuges, rotary cone dryers, scrubber made of graphite or HDPE material, heat exchangers of various capacity made of stainless steel, glass, graphite, and charging tank of various capacities. Apart from these our Company also have different capacity pumps, storage tanks, chilled water tubs, nutsche filters, Spray columns etc..

Our Products and Business Operations

Business of our Company comprises of the following segments:

- a) Basic and Advanced intermediates for drug molecules and fine chemicals.
- b) Contract Manufacture.

Intermediates manufactured by us are purchased by Bulk Drug/API manufactures for further processing and conversion into bulk drugs/APIs.

Product Details

The Products of our Company can be divided in three categories:

- i. Basic Intermediates
- ii. Advanced Intermediates
- iii. Fine Chemicals

The details of major products in our Company's product portfolio including contract manufacturing are as under:

Sr. No	Products	Markets	Type of Intermediate	Applications	Contribution in total turnover during 2006-07	Contribution in total turnover for nine months period ended December 31, 2007
1.	2,4 Dichloro 5 Fluoro Acetophenone (DCFA)	Domestic	Basic	It is the starting intermediate for Ciprofloxacin which is a broad spectrum antibiotic.	39.88 %	28.81%
2.	Methyl-4(4-Chloro 1-Oxo butyl) a, a Di Methyl Phenyl Acetate	Domestic	Advanced	It is used as an intermediate in the manufacture of Fexofenadine an anti allergic drug.	18.30%	24.54%
3.	Chlorohexanone	Domestic and International	Advanced	It's a key intermediate in the manufacture of Pentoxifyline which is a cardio vascular medicine.	5.39%	8.95%
4.	CIS (+) Hydroxy Lactam*	Domestic and International	Advanced	It's an advanced intermediate used in the manufacture of Diltiazem which is a cardio vascular drug.	21.01%	24.27%
5.	Sodium Methoxide (SMO)*	Domestic & International	Fine Chemical	It is used as a catalyst in making of chemicals and Bio Fuels.	11.21%	9.73%

* We have entered into a contract with Nitya Laboratories Limited for manufacture of these products. For details of the contract, please refer to paragraph "Other Agreements" appearing on page number 95 of this Red Herring Prospectus under Chapter "History and Certain Corporate Matters".

Contract Manufacture/ Contract Research

At present contract manufacturing involves manufacturing of products for our customer for which our Company has the technology and process. Contract research is mainly developing process development for the chemistry given by the customer or scaling of technology from the laboratory to commercialization. We are undertaking a contract manufacturing project wherein we have entered into Manufacturing and Supply Agreement with Dr. Reddy's Laboratories Limited. As per the said agreement, we will manufacture

Ciprofloxacin Hcl for Dr. Reddy's Laboratories Limited and they will be supplying the entire raw material to us. We envisage a potential for supply of our products to the other pharmaceutical companies in India and abroad.

Present & future capacity & capacity utilization

Typically in Pharmaceutical Industry, the production facility is multipurpose in nature and can be used to manufacture any of the bulk drugs/API. As can be seen from the Annual Report of our Company there is no Licensed Capacity and Installed capacity. Since beginning we have been working in three shifts for all 365 days a year.

The details of sales figures for our existing products during the last three years are as under:

	Nine months period ended December 31, 2007		FY 2006-07		FY 2005-06		FY 2004-05	
	Sales (MT)	Sales (Value Rs. In lakhs)	Sales (MT)	Sales (Value Rs. in lakhs)	Sales (MT)	Sales (Value Rs. in lakhs)	Sales (MT)	Sales (Value Rs. in lakhs)
2,4 Dichloro 5 Fluoro Acetophenone (DCFA)	877.38	3371.46	1051.31	4812.28	638.97	3613.35	823.32	3479.55
Methyl-4(4-Chloro 1-Oxo butyl) a, a Di Methyl Phenyl Acetate	190.46	2871.71	129.73	2207.90	73.76	1202.40	4.73	79.90
Chlorohexanone	125.51	1047.49	76.35	650.52	44.45	362.69	32.72	249.08

Technology and Manufacturing Process

The manufacturing process of bulk drugs/intermediates involves a series of reaction steps under controlled conditions of temperature and pressure. An intermediate can be produced by a number of alternative methods from different starting points and under a variety of controlled operations. For each product, our Company identifies several alternative methods of manufacture and the most appropriate alternative is chosen which will enable us in achieving a desired quality standard, environment impact etc. The finished product can be either in powder or liquid form.

Brief manufacturing process of some of our major products

Acetophenone (DCFA)

2, 4 Dichloro Fluoro benzene on reaction with aluminium chloride and acetyl chloride in the presence of solvent forms 2,4 -Dichloro-5-fluro Acetophenone. This organic layer after quenching and washing crude will be formed. Crude is purified with distillation and crystallization to obtain high quality 2,4 DCFA

Chlorohexanone

Bromo Chloro Propane is reacted with Methyl Acetate to give Pyrane ester. Pram ester reacts with Hydrochloric acid gives Chlorohexanone crude. The crude is then subjected to high vacuum fractional distillation to produce pure Chlorohexanone.

Methyl-4-(4-Chloro 1-Oxo butyl)a,a Di Methylphenyl Acetate

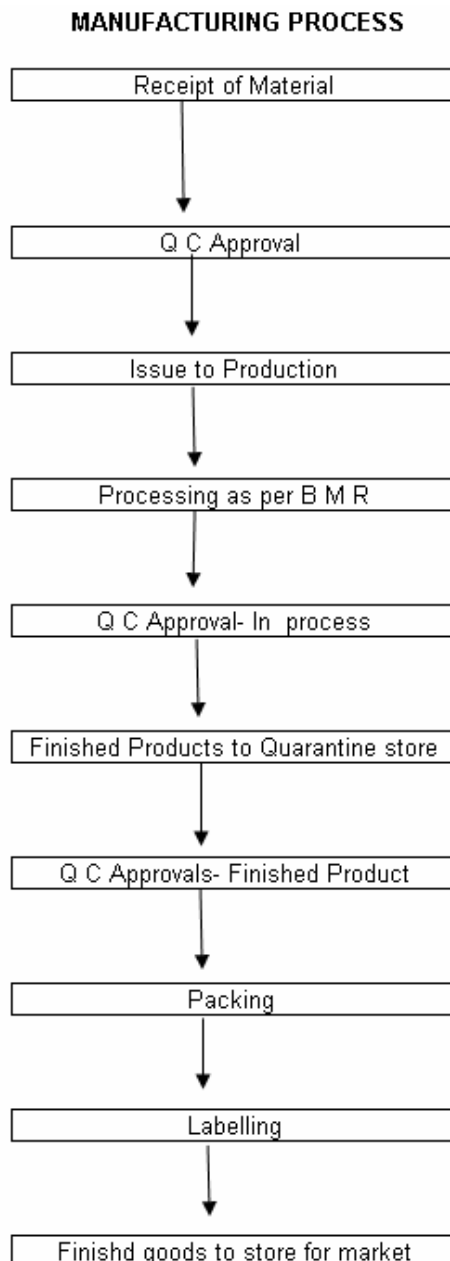
2, 4 DMPAA on reaction with methanol in the presence of catalyst gives stage I .This stage I reacts with 4CBC and catalyst in the presence of solvent forms Methyl-4-(4-Chloro 1-Oxo butyl)a, a Di Methyl phenyl Acetate

Meta Chloro Propiophenone: (MCP)

Propiophenone on reaction with chlorine gas in the presence of catalyst forms MCP crude .This crude is distilled and crystallised to obtain pure MCP.

Apart from above we supply Sodium Methoxide or Sodium Methyl estate Solution & Powder and CIS Lactam which are manufactured by Nitya Laboratories Limited on contract jobs.

Flow chart of manufacturing process



Raw Materials

The basic raw materials used by our Company for manufacture of various products are 2,4 DCFB, Aluminum Chloride, Acetyl Chloride, Sodium Carbonate, 1 bromo 3 Chloro propane, Hcl, Sodium Carbonate, Toluene, Methyl Chloride, Sodium Acetate, N-Methyl Pirrolidine, Benzene, Aluminium Chloride, Methanol, Toluene, Chlorine Gas, Aluminium Chloride, etc. Apart from these Raw Materials, various solvents are also used in the manufacture of the bulk drugs and intermediates. These raw materials are procured from both domestic as well as international market at competitive prices. However, no long-term contract has been entered into with any of the suppliers. The ratio of imported and indigenous raw material consumed in value terms was 25.78% and 74.22% respectively for the nine months period December 31, 2007. We generally maintain adequate stock of raw material to cover the existing order book position, which mitigates any adverse effect due to price fluctuation. Other steps taken by us to ensure continuous flow of raw material include maintaining a daily raw material stock statement, approved vendor list, obtaining quotations and comparative statements etc. on a regular basis.

Utilities

Power

The total requirement of power for existing manufacturing facility is 1238 HP. Our Company has a sanctioned load of 1238 HP from Central Power Distribution Company of Andhra Pradesh. In addition we have two DG set of capacity of 500 KVA and 380 KVA as a standby arrangement for uninterrupted power supply.

Water

Our current water requirement is 30 Kilo litres per day for our process requirement, human consumption and gardening requirement. For our water requirement we are dependent on private water suppliers who supply water through tankers and also through pipelines.

Steam & Cooling Arrangements

Utilities like the Boilers, Cooling towers, brine compressors, and water chilling units are required to maintain the designed process conditions during the reactions and play vital role in the production. All the units have required quantity of steam generation capacity, compressors, chilling units and cooling towers to meet the process requirements. The manufacturing facilities have a standby equipment to meet any eventuality of a breakdown or failures.

Fuel

We require diesel as fuel for our DG sets and coal and husk as fuel for boilers at our unit. Our Company has not faced any problem in procurement of these fuels as they are easily available locally.

Manpower

Our manufacturing process requires mix of skilled, semi-skilled and unskilled labour, which is readily available. As on March 31, 2008 our Company has 118 employees. The details of our employees are as under:

Sr. No.	Category	Total
1	Skilled	86
2	Semi Skilled	20
3	Un-Skilled	12
TOTAL		118

In addition to the above, we have 40 employees on contract basis. Till date we have not experienced any strike, lockout or go-slow at any of our Company's premises.

By-products

There are some by-products which are formed from solvents in manufacturing process viz. Poly Aluminium Chloride Solution, Hcl Solution, Potassium Bromide Solution, Calcium Chloride Solution. These by-products are sold to various manufacturing units for their consumption as raw material like:

- Poly Aluminium Chloride solution and Hcl solution which are derived from manufacture of Acetophenone are supplied to paper mills and calcium chloride manufacturing units.
- Hcl Solution which is derived from manufacture of Acetophenone is supplied to calcium chloride manufacturing units.
- Potassium Bromide Solutions which are derived from manufacture of Chloro-Hexanon-2-1 product is sold to units engaged in Bromide recovery process.
- Hcl Solution derived from Chloro-Hexanon-2-1 is converted to calcium chloride solution using effective scrubbing system which is later used for captive consumption as well as supplied to customer.

During nine months period ended December 31, 2007 sale of by-products contributed around 1.23% to our total sales.

Effluent treatment

The manufacturing of drugs and intermediates involves generation of material, which may lead to pollution of air, water and soil if not treated and disposed in an appropriate manner. We have environment protection system to take care of the generation of any waste material on day to day basis.

The process emissions are let-out into atmosphere after the pollutants are scrubbed in well-designed scrubbers. The solvent used in the process as a medium is recovered and recycled back into the process. We have full fledged water treatment systems like equalization and neutralization facility and the forced evaporation system, where the effluent is evaporated, which is condensed and used back as cooling towers makeup water or water for gardening, while the solids separated by evaporation are sent for disposal to the Common Effluent Treatment Plant (ETP) being operated by Patancheru Enviro-Tech Limited. We have entered into an agreement with Patancheru Enviro-Tech Limited since October 8, 2004, for treatment of liquid waste.

We focus on minimizing the generation of waste water and air emissions, thereby preventing pollution at source and that can be achieved by adopting cleaner technologies, reducing the use of natural resources and recovering & recycling wastes. Our company has received grants from Andhra Pradesh Pollution Control Board as incentive for implementing project for recovery of by-products and for showing its commitment towards "Cleaner Production"

The air pollution generated by our plant is within the limits prescribed by the Pollution Control Board. Andhra Pradesh Pollution Control Board has tested and verified the manufacturing process and granted its consents under Air (Prevention and Control of Pollution) Act, 1981 and Water (Prevention and Control of Pollution) Act, 1974 dated February 9, 2007 which are valid till December 31, 2008.

Andhra Pradesh Pollution Control Board has also given its authorisation under the provisions of Hazardous Waste (M&H) Rules dated February 9, 2007 which is valid till December 31, 2008.

Quality Control and assurance

Our company adheres to its own cGMP (Current Good Manufacturing Practices) guidelines as a basis for its quality systems. To ensure the quality, internal quality audits are done regularly. cGMP training is given to the employees. Quality trends are monitored and stability studies and impurity profiles are carried out on a regular basis. Further we have been awarded ISO 9001:2000 by AQA International LLC to design development, manufacture and supply of organic and inorganic intermediates which is valid till December 30, 2008.

Research & Development (R&D)

We believe a key factor in our ability to succeed and to continue to sustain and strengthen our business has been and will continue to be our ability to innovate and develop improvements to existing products and to create and introduce new products that will meet or create demands that are not presently being satisfied by available products. With this objective, we have established our in-house R&D facility for product and process development supported by competent and qualified personnel. This facility has been recognised and approved as "IN-HOUSE R&D CENTRE" by the Ministry of Science & Technology, Government of India. All products are based on complete in-house technology and engineering.

The R&D facility includes:

- Laboratory for research and product development
- Custom synthesis
- Contract research for scaling up technologies in pilot plants
- Yield improvement techniques and engineering designs

In developing new products, our in-house R&D team follows a structured process chemistry, yield improvement techniques and engineering designs. With continuous focus on research & development, our in-house R&D team has been able to develop process for some of APIs / intermediates viz. Diltiazem, Pentoxifyline, Ciprofloxacin, Fexofenadine, Iopamidol and Naproxen.

Our Company has a team of 25 chemists who are engaged in research and development. Our in-house R&D team has manpower to handle complex molecular synthesis and operations.

Our existing Marketing setup

Our Company manufactures a range of Basic and Advanced Intermediates for drug molecules and fine chemicals which we supply to leading manufacturers of various drugs. Marketing is an important function of our Company. Our company directly deals with our client companies. We already have established a client network. For new customers, we identify prospective customers, negotiate with them and submit our samples with related documents. Product approval is an important part in our selling process and once the product is approved as per the customers specification, the customers generally do not prefer changing their approved suppliers as changing the vendors is time consuming and expensive process which involves approval from their respective regulatory bodies and in some cases approval from their respective Ministry of Health is also required. Keeping this in view, we adhere to the quality expectations of the customers and take inputs from them which help us in improving our product quality and relationship with the clients.

With necessary infrastructure facilities in place, our Company started exporting their products to M/s Teva in Israel in the year 2002, followed by exports to other countries like Italy, Japan, France, USA and Singapore. During the last three years, our total sales constitute the following:

Name of Product	Nine months period ended December 31, 2007		FY 2006-07		FY 2005-06		FY 2004-05	
	Amount (Rs. in lakhs)	%age	Amount (Rs. in lakhs)	%age	Amount (Rs. in lakhs)	%age	Amount (Rs. in lakhs)	%age
Domestic Sales	9366.38	80.03%	10573.98	87.63%	9,048.92	89.80	6359.39	90.04%
Export Sales	2336.91	19.97%	1492.99	12.37%	1,027.36	10.20	703.24	9.96%
Total Sales	11703.29	100.00%	12066.97	100.00%	10,076.28	100.00%	7062.63	100.00%

Competition

We operate in an industry which faces stiff competition from domestic as well as international players. Our competition depends on several factors which include quality, price and most importantly our research & development and development of new products.

Competition emerges not only from the organized as well as the unorganized sector and from both small and big players. We face competition from Neuland Laboratories Limited, Matrix Laboratories Limited, Sun Pharmaceuticals Limited, Hikal Limited, etc. At the international level, we are in direct competition with companies having a low cost base especially from the countries like China.

Our Major customers

Our major customers in the domestic market for our products are Dr. Reddy's Laboratories Limited, Hiran Orgochem Limited, Sun Pharmaceuticals Limited, Sreepathi Pharmaceuticals Limited, Matrix Laboratories Limited, Arene Life Sciences Limited, Neuland Laboratories Limited and Hetero Laboratories Limited, In the international market, our major customers are Teva of Israel, Ingene Biotech (Israel), Mitsui & Co (France), ABIC Ltd, Polpharma, Quimidis S A (France), Sanofi Aventis (France), and Tanabe (Japan).

Our top 10 customers accounts for majority of our sales and the details of composition of our sales to top 10 customers during the last three years is as under:

Name of Product	Nine months period ended December 31, 2007		FY 2006-07		FY 2005-06		FY 2004-05	
	Amount (Rs. in lakhs)	%age	Amount (Rs. in lakhs)	%age	Amount (Rs. in lakhs)	%age	Amount (Rs. in lakhs)	%age
Top 10 customers	10,133.50	86.59%	10331.47	85.62%	8193.57	81.32%	5806.44	82.21

Details of the proposed products

In developing new products, R&D team follows structured process chemistry, yield improvement techniques and engineering designs. With continuous focus on research & development, our in-house R&D team has been able to develop process for some of APIs / intermediates viz. Diltiazem, Pentoxyfiline, Ciprofloxacin, Fexofenadine, Iopamidol and Naproxen, brief details of which are as under:

Name of API and Intermediate	Applications	Present Status of process development of proposed products
Diltiazem	Vasodilator	Laboratory work is completed and ready for production
Pentoxifyline	Vasodilator	Laboratory work is completed and ready for production
Ciprofloxacin	Broad Spectrum Antibiotic	Laboratory work is completed and ready for production
Fexofenadine	Anti Allergic	Laboratory work is completed and ready for production
Iopamidol	Diagnostic Agent	Laboratory work is completed and ready for production
Naproxen	Analgesic -It is used as a pain killer.	Laboratory work is completed and ready for production

Export Obligation

We have 16 outstanding advance licenses aggregating an outstanding export obligation of Rs. 1,510.71 lakhs as on March 31, 2008. The details of advance licenses are as under:

(Rs. in lakhs)

License No.	License Date	Export Obligation to be completed by	Export Obligation as per License	Export Obligation fulfilled as on March 31, 2008	Balance Export Obligation to be completed
0910026568	June 15, 2006	June 14, 2008	30.95	6.19	24.76
0910026968	July 24, 2006	July 23, 2008	40.73	0.00	40.73
0910028156	November 9, 2006	November 8, 2008	17.54	1.75	15.78
0910026776	July 7, 2006	July 6, 2008	97.02	48.51	48.51
910030046	April 18, 2007	April 17, 2009	206.58	0.00	206.58
0910030404	September 5, 2007	September 4, 2009	27.31	27.05	0.26
0910030711	July 2, 2007	July 1, 2009	155.40	116.55	38.85
0910030199	May 7, 2007	May 6, 2009	417.00	0.00	417.00
0910030198	May 7, 2007	May 6, 2009	41.70	0.00	41.70
0910030567	June 15, 2007	June 14, 2009	93.00	0.00	93.00
0910031153	August 16, 2007	August 15, 2009	258.65	172.43	86.22
0910031076	August 10, 2007	August 9, 2009	155.40	54.39	101.01
0910031386	September 4, 2007	September 3, 2009	258.65	0.00	258.65
0910031851	October 23, 2007	October 22, 2009	207.00	186.30	20.70
0910015905*	September 25, 2003	March 24, 2005	96.60	6.44	90.16
0910021680*	January 31, 2005	January 30, 2007	117.25	90.45	26.80
TOTAL			2220.78	710.06	1510.71

*We could not fulfil our export obligation arising out of these advance licenses on due date and therefore, applied to Director General of Foreign Trade on September 11, 2007 and September 6, 2007 respectively for extension of time period, however the same has been rejected by DGFT.

We have received letter dated October 9, 2007 from Joint Director General of Foreign Trade, Hyderabad rejecting our request and asked us to pay duty together with interest on excess imported inputs in respect of the Advance License no. 0910015905. For Advance License no. 0910021680 we have received a letter dated October 25, 2007 requesting for additional papers. However, we have been advised by DGFT, Hyderabad to request for extension to DGFT, Delhi. We have in turn applied to DGFT, New Delhi for extension of time for above two licenses vide our letter dated January 10, 2008 but had not yet received any response from them.

Material handling and Storage

Most of the material handled is hazardous, though in small quantities. Transport of these materials is done in covered closed receptacles, loading and unloading of the same is done with fork lifts and hydraulic pallet trolleys / trucks. Aisle ways and passages are clearly marked and provided adequately.

Storage is an important element of operations involving the use of reactive materials and chemicals. Aluminium Chloride, Acid Chlorides and Bromine are extremely reactive with both air and water, hence, they are stored in containers, with adequate amounts of dry sand stored aside in drums for fire fighting, if need be, along with fire extinguishers. Liquids like Methanol, toluene, MDC, IPA, O-Xylene, diesel oil, etc., are stored in ground tankages. Gases like ammonia, Chlorine etc., are pressured in cylinders, which are further stored in separate sheds. These cylinder stations are equipped with water spraying arrangements for fighting fire and gas leakages. All storages carry labels describing the name of material and date of storage. The receipt, issue and recycle of all raw materials are controlled.

Health and Safety of Workmen

We have policy in place for health and safety for our workmen which has following salient features:

- Compliance with relevant Safety and Statutory Regulations and Rules both in letter and in spirit.
- Maintenance of safe, healthy and congenial working atmosphere by constant monitoring of environment around the work place.
- Ensuring cleanliness of work place in compliance with the relevant regulations.
- Providing work force with appropriate tools, including ongoing knowledge/instructions on work procedures and safety precautions.
- Conducting classes on safety, first aid training, fire fighting, mock drills, safety audit, risk analysis studies, etc.
- Ongoing assessment on the status of safety, health and environment at the work place and take appropriate measures to improve the same.
- Obligation and responsibility on every employee to perform the tasks ensuring complete safety.

Our Property

The brief details of our Company's properties are as under:

Sr.No.	Location of Property	Nature of Title/ Interest	Details	Total Area
Corporate & Registered Office				
1	A-49, Madhura Nagar, Vengalarao Nagar, Hyderabad - 500 038.	Rented	A Rental Agreement has been entered on April 1, 2007 for a period of 5 years at a monthly rent of Rs. 0.15 lakhs.	232.26 Sq. mtrs
Research & Development				
	Shed No. 28/1, First Floor, TIE Balanagar, Hyderabad - 500 037	Rented	A Rental Agreement has been entered on November 30, 2005 for a period of 5 years from December 1, 2005 at a monthly rent of Rs. 0.13 lakhs with a condition to increase the rent by 10% every year.	185.81 Sq. mtrs
Existing Unit				
3	Survey No. 17, Chilakamarri Village, Shadnagar, Mahaboobnagar District, Andhra Pradesh.	Free hold*	Purchased from Andhra Pradesh Industrial Development Corporation Limited and Andhra Pradesh State Financial Corporation.	24,444 Sq. mtrs
Proposed Unit				
4	Plot No. 12, JN Pharma City, Survey No. 161, Tadi Revenue Village, Parawada Mandal, Vishakhapatnam District, Andhra Pradesh	Free hold*#	Purchased from Ramky Pharma City (India) Limited and Andhra Pradesh Industrial Infrastructure Corporation.	38620.52 Sq. mtrs

*The said property has clear title and is free from all encumbrances except for the equitable mortgage created in favour of lenders who have extended loan facility in the normal course of business. However, there is an outstanding litigation against the said property, details of which are disclosed on page number 147 of this Red Herring Prospectus under section "Outstanding Litigations".

#Yet to be registered in the name of the Company. However, we have already received the possession of the said property.

Purchase of Property

Except as stated in section titled "Objects of the Issue" in this Red Herring Prospectus, on page no. 28 of this Red Herring Prospectus, there is no property which the Company has purchased or acquired or propose to purchase or acquire which is to be paid wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed as on the date of filing of this Red Herring Prospectus with SEBI, other than property:

- the contract for the purchase or acquisition whereof was entered into in the ordinary course of the business, the contract not being made in contemplation of this Issue, nor this Issue in contemplation of the contract; or
- in respect of which the purchase money is not material.

Except as stated in the section titled "Related Party Transactions" on page no. 134 of this Red Herring Prospectus, the Company has not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

Insurance Policies

We have insured our assets and stocks lying at our godowns through various insurance policies, details of which are as under:

(Rs. in lakhs)

S. No.	Policy No.	Policy Type	Insurance Details	Sum Insured	Premium Amount	Date of Expiry
1.	051103/11/07/11/001394	Standard Fire and Special Perils policy including Earthquake and Terrorist activity	Stocks and other goods lying at the Factory at Shadnagar.	2600.00	3.59	February 2, 2009
2.	OG-08-1801-4007-00000001	Standard Fire and Special Perils policy	Foundation, Building, Furniture, Fixture, fittings, Plant & Machinery at Shadnagar factory.	1297.91	4.69	December 2, 2008
3.	000801010	Birla Sun Life Term Plan	Life insurance of Shri K. Hari Babu (Key-man)	335.00	1.37	December 6, 2021
4.	051113/11/07/11/00001392	Standard Fire and special Perils Policy including terrorist activity	Laboratory Equipment, Computers and Furniture, Fixtures & fittings at R&D Lab.	30.00	0.06	February 1, 2009
5.	051103/11/07/11/00001244	Standard Fire and Special Perils policy including earthquake	Building and Plant & Machinery at Shadnagar factory.	1352.00	2.46	December 17, 2008
6.	051103/11/07/11/001393	Standard Fire and Special Perils policy including earthquake and terrorist activity	Registered Office Building	80.00	0.05	February 2, 2009
7.	051103/11/07/11/001395	Special Fire and special Perils Policy including earthquake and terrorist activity	Stocks and other goods lying at the factory of Nitya Laboratories Limited	400.00	0.55	February 2, 2009
8.	051103/11/07/11/00001799	Standard Fire and Special Perils policy including Earthquake and Terrorist activity	Stocks and other goods lying at the Factory at Shadnagar.	800.00	1.04	March 17, 2009
	TOTAL			6894.91		

*The above policy is in the name of Ms. Sujatha, the owner of the building but the premium has been paid by our Company.

Apart from above we have taken various Marine Transit policies to cover the transit risk and vehicle policies to cover comprehensive risk on various vehicles owned by our Company.

Our Indebtedness

The following is the details of our fund based limits:

Name of the Bank	Type of the Loan Facility	Amount (In Rs. Lakhs)	Interest	Repayment	Security
Karur Vysya Bank Limited	OCC/ Book Debts	350.00	BPLR Minus 1.50% with Minimum of 11% p.a.	-	1. Pari passu first charge over entire current assets of the Company (Present and future). - Hypothecation of fully paid up stocks of raw material, stock in process, finished goods and book debts not older than 60 days.
	Packing Credit Limit / Foreign Bills Purchase / Foreign Bills Negotiated	125.00	7.5%		2. Pari passu second charge over entire fixed assets of the Company both present and future. 3. Collateral Security over the following:
	Packing Credit Limit / Foreign Bills Purchase (Adhoc)	450.00	BPLR minus 4.5% with minimum of 9.5%		<ul style="list-style-type: none"> • Residential building belonging to Mr. K. Hari Babu located at Plot No. 1168 and 1169 Pragati Nagar, Bachupalli Village, Kukatpally, Hyderabad. • Residential building belonging to Mr. M.S.S.V. Satyanaryana located at Plot No. 21 Survey No. 50, Sahib Nagar, Vanasthalipuram, Hyderabad. • Agricultural property belonging to Ms. Vanaja Rani located at Kolavenu Village, Kankipadu Mandal, Krishna District, Hyderabad. • Residential building belonging to Ms. Sujatha located at Plot No. 8-3-222/C/13/11 at A-49, Madhura Nagar, Hyderabad. • Residential building belonging to Ms. Sujatha located at Plot No. 7/157/89&10 Karmanghat, Hayathnagar, Hyderabad.
					4. Personal guarantees of Mr. K. Hari Babu, Mr. N.S. Walimbe and Mr. M.S.S.V. Satyanarayana, Smt. Sujatha

					and Smt. Vanaja Rani.
Bank of Baroda	Cash Credit	425.00	2% over BPLR i.e. 14.50% p.a.		<p>1. Pari passu first charge over entire current assets of the Company covering raw material, stock in progress, finished goods, spares and book debts upto 90 days.</p> <p>2. Pari passu second charge over entire fixed assets of the Company both present and future.</p> <p>3. Pari-passu first charge on the collateral security alongwith Karur Vysya Bank Limited.</p> <p>4. Personal guarantees of Mr. K. Hari Babu, Mr. N.S. Walimbe and Mr. M.S.S.V. Satyanarayana Dr. N. Srinivasan, Smt. Sujatha and Smt. Vanaja Rani.</p>
Bank India	Cash Credit	600.00	1% over BOIPLR with a minimum of 13% p.a.		<p>1. Hypothecation of stocks and books debts on first pari passu basis with other working capital lenders.</p> <p>2. Second Pari passu charge on fixed assets of the Company with other working capital lenders located at Sy. 17, Chilakamarri Village, Shadnagar, Mahaboobnagar District, Andhra Pradesh.</p> <p>3. Second pari passu charge with other working capital lenders over industrial land of 9.54 acres in Tadi Village, Parawada (Mandal), Visakhapatnam District, Andhra Pradesh.</p> <p>4. Equitable Mortgage over the collateral security on the same properties as mortgaged with Karur Vysya Bank Limited.</p> <p>Personal guarantees of Mr. K. Hari Babu, Mr. N.S. Walimbe and Mr. M.S.S.V. Satyanarayana, Smt. Sujatha and Smt. Vanaja Rani.</p>

					Pledge of Shares of Promoters to the extent of 10% of Issued and fully paid up capital.
The Hongkong and Shanghai Banking Corporation Limited	Combined Overdraft, Export Facility for purchase/ negotiation of Documents Against Payment (D/P), Export Facility for purchase/ negotiation of Documents Against Acceptance (D/A), Pre- Shipment Loan against Export (LAE), Domestic Factoring, Vendor Financing, Buyers Credit	600.00	At present 15.25% p.a.		<ol style="list-style-type: none"> 1. Pari passu charge over entire current assets of the Company. 2. Pari passu second charge over entire fixed assets of the Company both present and future. 3. Equitable Mortgage over the collateral security on the same properties as mortgaged with Karur Vysya Bank Limited. 4. Personal guarantees of Mr. K. Hari Babu, Mr. N.S. Walimbe and Mr. M.S.S.V. Satyanarayana, Smt. Sujatha and Smt. Vanaja Rani.
Andhra Pradesh Financial Corporation	Term Loan	1440.00	15% p.a.	Moratorium of one year starting from the date of first disbursement and the term loan will be repayable in 17 quarterly instalments. First instalment at Rs. 80 Lakhs and subsequent 16 instalments of Rs. 85 Lakhs	<ol style="list-style-type: none"> 1. First pari-passu charge with J&K Bank Limited on existing manufacturing facilities located at Shadnagar, Mahaboobnagar District, Andhra Pradesh. 2. (a) Collateral security on land at our proposed manufacturing facilities located at Jawaharlal Nehru Pharma City, District Visakhapatnam, Andhra Pradesh. (b) Joint equitable mortgage with The Jammu & Kashmir Bank Limited of collateral securities offered to them.

				each.	3. Personal guarantees of Mr. K. Hari Babu, Mr. N.S. Walimbe and Mr. M.S.S.V. Satyanarayana.
The Jammu & Kashmir Bank Limited	Term Loan	817.42	PLR i.e. 13% at present	<ol style="list-style-type: none"> 1. 8 quarterly instalments of Rs. 2.2 lakhs commencing from 01.06.2005. 2. 24 quarterly instalments of Rs. 4.40 lakhs commencing from 01.06.2005. 3. 15 quarterly instalments of Rs. 9.60 lakhs commencing from 01.06.2005 4. 18 quarterly instalments of Rs. 6.00 commencing from 01.06.2005 5. 20 quarterly instalments of Rs. 22.13 lakhs after initial moratorium period of one year from the date of first disbursement. 	<ol style="list-style-type: none"> 1. First exclusive charge over entire fixed assets of the Company both existing as well as to be acquired in future. 2. 2nd Charge over current assets on pari passu basis with working capital lenders. 3. Personal Guarantee of Mr. K. Hari Babu, Mr. N.S. Walimbe and Mr. M.S.S.V. Satyanarayana.

Restrictive Covenants in Loan Agreements

The covenants in borrowings from banks, among other things, require us to obtain the bank's consent to effect any adverse changes in Company's capital structure, enter into any scheme of amalgamation/ re-construction, implement any scheme of expansion or diversification or capital expenditure, effect any change in the constitution of the Company, enter into borrowing or non-borrowing arrangements either secured or unsecured with any other bank, financial institution etc., sell or dispose off or create security or encumbrances on the assets charged to bank, repay monies brought in by the promoters, partners, directors, shareholders their friends and relatives, to declare dividend or pay dividend from profits which are not for current year, to invest by way of share capital or lend or advance funds or place deposit with or undertake guarantee obligation on behalf of any other concern.

Pursuant to the aforesaid we have received no objection certificate from the following banks / institution:

S. No.	Name of Lender	Letter Ref. No. and Date
1	The Hongkong and Shanghai Banking Corporation Limited	Nil dated July 6, 2007
2	Bank of Baroda	Khaira/Adv/204/2007-08 Dated September 24,2007
3	Bank of India	Hyd/CRA/AT/461 Dated July 28, 2007
4	The Karur Vysaya Bank Limited	Ref:Gen:555:3007-08 Dated August 8, 2007
5	Andhra Pradesh State Financial Corporation	AFC/PROJ/T-III/2007-08 Dated September 21, 2007
6	J&K Bank Limited	JKB/Hydadvall/TL-(13-17)07-1012 Dated September 17, 2007

Intellectual Property Rights

Our company does not have any Intellectual Property Rights and has not entered into any trade mark agreement. We have applied for registration of our name "Anu's" pursuant to application made on August 27, 2007 with Trademark Registry, Chennai under section 5, 16 & 35 of the Trade Marks Act, 1999. The Registrar of Trade Marks, Chennai has allotted serial numbers viz. 0601290, 0601291 & 0601292 respectively to these applications vide their letter dated September 13, 2007. However these registrations have yet to be approved. We have not yet applied for registration of our logo.

We have applied for process patent for recovery of pharmaceutical grade by-products from Aluminium Chloride solutions generated as a waste stream in Friedel-Craft and similar reactions on May 20, 2002.

Awards/recognitions

We have received the following awards / recognitions in the past:

- In the year 2006 our Company was awarded Best Practices Award for Market Penetration Leadership in the Indian Pharmaceutical Intermediates for 2005 from Frost & Sullivan.
- Our Company's R&D is recognized by Department of Scientific and Industrial Research (DSIR), Government of India, New Delhi.
- Our Company has received a grant of Rs. 7.90 lakhs from Andhra Pradesh Pollution Control Board, as incentive for implementing project for recovery of by-products and for showing its commitment towards cleaner production.

Regulations and Policies

1. The Drugs (Prices Control) Order, 1995

The Drugs (Prices Control) Order 1995 was promulgated under the Essential Commodities Act, 1955. Under this Order, the Government of India regulates the equitable distribution and increase in supply of a bulk drugs, and regulates the availability and fair price mechanism at which bulk drugs are sold. A manufacturer has to submit a list of all the Scheduled and Non-Scheduled drugs produced by it and also the cost of each of the bulk drugs. This Order is to be read in consonance with the Drugs and Cosmetics Act, 1940.

The Government of India also fixes the ceiling price of scheduled formulations, keeping in view the cost or efficiency, or both of major manufacturers of such formulations. Such price consequently operates as the ceiling sale price for all packs including those sold under generic name. Contravention of any provisions of this Order is punishable in accordance with the provisions of the Essential Commodities Act.

2. Poisons Act

The Provisions of the Poisons Act restrict the use of poisons. The poisonous substances covered by the Act are classified into two categories. These include aconite, arsenic, morphine, heroin, essential oil of almonds, oxalic acid, poppies, chloroform, zinc chloride, etc.

3. Patent Regulation

The protection and enforcement of patent rights in India are essentially governed by the Patents Act, 2005 (including the rules framed there under), as amended from time to time, the Patent Co-operation Treaty (PCT) and related international conventions to which India is a signatory. A patent unlike a trademark or copyright is territorial in nature meaning that an invention (be it product or process) that is patented in one country does not enjoy protection as a patented invention in any other country.

India is required to recognise product patents in addition to process patents in respect of pharmaceutical products. Under the amended Patents Act 1970, patents in India can be granted for a product or a process. Under the new Indian patent regime, patent protection has been increased from seven years to twenty years.

4. Environmental Regulations

In India, regulation and enforcement of environment protection and safety is governed by three major central regulations namely Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981, and the Environment Protection Act, 1986. The main purpose of these legislations is to regulate prevent and control pollution, by the setting up, *inter alia* of national and regional Pollution Control Boards (PCBs) which monitor and enforce standards and norms in relation to air, water pollution and other kinds of wastes causing environmental damage.

Further, Hazardous Wastes (Management and Handling) Rules, 1989 & Bio- Medical Waste (Management and Handling) Rules, 1998 has also been prescribed under the Environment (Protection) Act, 1986 for the management and disposal of hazardous industrial wastes.

5. Foreign Direct Investment Policy

i) Industrial Licensing

Industrial licensing for all bulk drugs and their intermediates and formulations has been abolished, subject to stipulations laid down from time to time in the Industrial Policy, except in the cases of :

- a) bulk drugs produced by the use of recombinant DNA technology,
- b) bulk drugs requiring in-vivo use of nucleic acids as the active principles, and
- c) specific cell/tissue targeted formulations

ii) Foreign Direct Investment

Foreign Direct Investment up to 100% is permitted, subject to stipulations laid down from time to time in the Industrial Policy, through the automatic route in the case of all bulk drugs and their intermediates and formulations, except those kept under industrial licensing.

iii) Foreign Technology Agreements

Automatic approval for Foreign Technology Agreements is available in the case of all bulk drugs and their intermediates and formulations, except those kept under industrial licensing for which a special procedure prescribed by the Government is to be followed.

6. Labour Laws

i) Factories Act, 1948

The said act is applicable on establishments employing 10 or more worker. As per the requirement under the Act, Companies have to apply to the Chief Inspector of Factories for certificate of stability, before any premises of a factory are constructed, reconstructed or extended and are used as a factory.

The provisions of the Factories Act, 1948 further provides that before the occupier occupies or uses any premises as a factory, he has to inform Chief Inspector of Factories as to certain particulars of the factory, its occupier and its manager etc

ii) Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

The act is applicable to the factories employing more that 20 employees and as notified by the government from time to time. All the establishments under the Act are required to be registered with the Provident Fund Commissioners. Also, in accordance with the provisions of the Act the employers are required to contribute to the employees' provident fund the prescribed percentage of the basic wages, dearness allowances and remaining allowance (if any) payable to the employees. The employee shall also be required to make the equal contribution to the fund. As per the provision of the Act, employers are to contribute 12% of the basic wages, dearness allowances and remaining allowances (if any) payable for the time being to the employees. A monthly return on Form 12 A is required to be submitted to the commissioner.

iii) Payment of Gratuity Act, 1972.

The provisions of the Act are applicable on all the Factories. As Act provides that within 30 days of opening of the establishment, it has to notify the controlling authority in Form A thereafter whenever there is any change it the name, address or in the change in the nature of the business of the establishment a notice in Form B has to be filed with authority. The Employer is also required to display an abstract of the act and the rules made there-under in Form U to be affixed at the or near the main entrance. Further, every employer has to obtain insurance for his liability towards gratuity payment to be made under payment of Gratuity Act 1972, with Life Insurance Corporation or any other approved insurance fund.

iv) Payment of Bonus Act, 1965.

The Payment of Bonus Act, 1965 is applicable on every establishment employing 20 or more employees and is also applicable on us. The said act provides for payment of the minimum bonus to the employees specified under the Act. It further requires for the maintenance of certain books and registers like register showing

computation of the allocable surplus; register showing the set on & set off of the allocable surplus and register showing the details of the amount of Bonus due to the employees. Further it also require for the submission of Annual Return (FORM D) deposited by the employer within 30 days of payment of the bonus to the Inspector.

v) Contract Labour (Regulation and Abolition) Act, 1970

The Act applies to every establishment in which 20 or more workmen are employed or were employed on any day on the preceding 12 months as contract labour. The Act provides for the welfare of the contract labour, their wages, appointment of the inspecting staff and maintenance of registers, records, etc. As per the said Act, the establishments covered are required to be registered as the Principal Employer.

vi) Industrial Disputes Act, 1947 and Industrial Dispute (Central) Rules, 1957

The Industrial Disputes Act, 1947 is applicable to establishments and undertakings wherein any systematic activity is carried out by co-operation between an employer and his workmen for the production, supply or distribution of goods or services. The Act requires for the maintenance peace and harmony for better working conditions.

vii) Workmen's Compensation Act, 1922

Workmen's Compensation Act 1923 is a central legislation which provides for payment of compensation for injuries suffered by a workman in the course of and arising out of his employment according to the nature of injuries suffered and disability incurred, where death results from the injury, the amount of compensation is payable to the dependants of the workmen.

viii) Trade Union Act, 1926

Provisions of the Trade Union Act, 1926 provides that any dispute between employers and workmen or between workmen and workmen, or between employers and employers which is connected with the employment, or no employment, or the terms of employment or the conditions of labour, of any person shall be treated as trade dispute. For every trade dispute a trade union has to be form. For the purpose of Trade Union Act, 1926, Trade Union means combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, or between employers and employers, or for imposing restrictive condition on the conduct of any trade or business etc.

ix) Payment of Wages Act, 1936

The Payment of Wages Act, 1936 applies to the persons employed in the factories and to persons employed in industrial or other establishments where the monthly wages payable to such persons is less than Rs. 1600/-. Person responsible for payment of wages shall display in such factory/establishment, the abstracts of this Act and Rules made there under.

x) Employees' State Insurance Act, 1948

All the establishments to which the ESI Act applies are required to be registered under the Act with the Employees State Insurance Corporation. The Act requires all the employees of the factories and establishments to which the Act applies to be insured in the manner provided under the Act. Further, employer and employees both are required to make contribution to the fund. The return of the contribution made is required to be filed with the ESI department.

xi) Minimum Wages Act, 1948

The Minimum Wages Act, 1948 gives power to appropriate government (Central or State) to fix minimum wages to be paid to the persons employed in scheduled or non scheduled employment and the concerned

employer is required to pay the minimum wages, fixed by the appropriate government. Such employer is also required to maintain registers and exhibits giving the particulars of wages paid to employees. Employer is required to file an annual return in Form III as specified in Minimum Wages (Central) Rules, 1950.

7. Tax Related Legislations

i) Central Excise Act, 1944

In accordance with the Central Excise Act & Central Excise Rules, every person who produces or manufactures any excisable goods is required to get itself registered with the Jurisdictional Deputy or Assistant Commissioner of Central Excise. Hence this Act is applicable on the Company. Further the provisions of the Central Excise Rules provide that the manufacturer of final products (other than SSI's) shall submit the duty on goods removed from the factory or warehouse during the month by the fifth day of following month. Also a Monthly Return in Form ER1 is required to be submitted to the Superintendent of Central Excise within 10 days after the close of the month.

ii) Value Added Tax, 2005

The levy of Sales Tax within the state is governed by the VAT Act and Rules of the respective states. VAT has resolved the problem of Cascading effect (double taxation) that were being levied under the hitherto system of sales tax. Under the current regime of VAT the trader of goods has to pay the tax (VAT) only on the Value added on the goods sold. Hence VAT is a multi-point levy on each of the entities in the supply chain with the facility of set-off of input tax- that is the tax paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. Periodical returns and challans are required to be deposited with the VAT Department of the respective States.

iii) Income Tax Act, 1961

Income Tax Act, 1961 is applicable to every Domestic /Foreign Company whose income is taxable under the provisions of this Act or Rules made under it depending upon its "Residential Status" and "Type of Income" involved. U/s 139(1) Every Company is required to file its Income tax Return for every Previous Year by 31st October of the Assessment Year. Other compliances like those relating to Tax Deduction at Source, Fringe Benefit Tax, Advance Tax, Minimum Alternative Tax and like are also required to be complied by every Company.

iv) Customs Act, 1962

The provisions of the Customs Act, 1962 and rules made there under are applicable at the time of import of goods i.e. bringing into India from a place outside India or at the time of export of goods i.e. taken out of India to a place outside India. Any Company requiring to import or export any goods is first required to get it registered and obtain an IEC (Importer Exporter Code).

v) Central Sales Tax Act, 1956

In accordance with the Central Sales Tax Act, every dealer registered under the Act shall be required to furnish a return in Form I (Monthly/ Quarterly/ Annually) as required by the State sale Tax laws of the assessee authority together with treasury challan or bank receipt in token of the payment of taxes due.

vi) Service Tax

In accordance with Rule 6 of Service tax Rules the assessee is required to pay Service tax in TR 6 challan by fifth of the month immediately following the month to which it relates. Further under Rule 7 (1) of Service Tax

Rules, the company is required to file a half yearly return in Form ST 3 by twenty fifth of the month immediately following the half year to which the return relates.

8. Other Laws and Regulations

Industries (Development & Regulation) Act, 1951

Under the New Industrial Policy dated July 24, 1991, all industrial undertakings are exempt from licensing except for certain industries such as distillation and brewing of alcoholic drinks, cigars and cigarettes of tobacco and manufactured tobacco substitutes, all types of electronic aerospace and defence equipment, industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches and hazardous chemicals and those reserved for the small scale sector.

An industrial undertaking, which is exempt from licensing, is required to file an Industrial Entrepreneurs Memorandum ("IEM") with the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, and no further approvals are required.

Indian Boilers Act, 1923

This Act is applicable on every industry which is carrying the activity which involves the use of boilers. As per the said Act every person using a boiler either as an owner or as an agent or any person who has hired or obtained the boiler on loan is required to get the boiler registered.

The Petroleum Act, 1934

In accordance with the provisions of the Petroleum Act, 1934, anyone importing, transporting or storing any petroleum has to take License from Central Government and has to comply all such rules as specified under the Act. Rules laid down by Central Government prescribe the place of import, period within which license shall be taken and regulates the transport of petroleum etc.

iv) The Explosives Act, 1884

This is a comprehensive law which regulates the manufacture, possession, sale, transportation, exportation and importation of explosives. As per the definition of 'explosives' under the Act, any substance, whether a single chemical compound or a mixture of substances, whether solid or liquid or gaseous, used or manufactured with a view to produce a practical effect by explosion or pyrotechnic effect shall fall under the Act. The Act requires for the licensing for the manufacture, possession, use, sale, transport and importation of explosives

History and Certain Corporate Matters

Our Company was incorporated in the year 1996 for manufacture of Bulk Active Pharma Ingredients and Intermediates for drug molecules and was promoted by Mr. K. Hari Babu. Mr. N.S. Walimbe joined as co-promoter in the year 1997.

Our Company was not having its own manufacturing facilities initially and utilized premises and production facilities of Dr. Curie's Labs Limited for a period of two years till 1998 under leave and license agreement, which terminated in September, 1998. At this facility our Company manufactured 2,4 Dichloro 5 Fluoro Acetophenone (DCFA) a drug intermediate for manufacture of Quinolones, which we supplied to Dr. Reddy's Laboratories Limited and Aurobindo Pharma Limited.

In July 14, 1998 an agreement for sale was entered into by our Company with Andhra Pradesh Industrial Development Corporation (APIDC) and Andhra Pradesh State Financial Corporation (APSFC) to purchase land, buildings and plant & machinery of M/s Jay Organics Limited situated at Survey No. 17, Chilakamarri Village, Shadnagar, Mahboobnagar District, Andhra Pradesh under Section 29 of the SFC Act, 1952. M/s Jay Organics Limited had defaulted in payment of loans to its lenders / these Corporations and in exercise of power under Section 29 of the SFC Act, 1952, the lenders advertised the sale of this unit and our Company offered to purchase this land, building and plant & machineries for a total consideration of Rs. 40.40 lakhs. On acquisition of these facilities we started our own manufacturing facilities.

Further with a view to add more products in our product profile we entered into contracts in 2004 with Nitya Laboratories Limited for conversion jobs for manufacture of "Sodium Methoxide or Sodium Methylate Solution & Powder" and "CIS (+) Hydroxy Lactum. Sodium Methoxide and CIS Lactum contributed 9.73% and 24.27% respectively during nine months period ended December 31, 2007 in our total sales. For details of contracts, please refer to paragraph "Other Agreements" appearing on page number 95 of this Red Herring Prospectus.

We are engaged in manufacture of Basic & Advanced Intermediates and fine chemicals and are presently having manufacturing facilities for key intermediates like 2,4-Dichloro-5-Fluoro Acetophenone (DCFA) (an intermediate for synthesizing quinolone antibiotics like ciprofloxacin); Chlorohexanone (key intermediate in the manufacture of cardio vascular medicine) and Methyl-4 (4-Chloro 1 oxo butane) a, a Di-Methyl Acetate (an intermediate in the manufacture of Fexofenadine an anti allergic drug). DCFA have contributed 28.81% of our total sales during the nine months period ended December 31, 2007 whereas Methyl-4 (4-Chloro 1 oxo butane) a, a Di-Methyl Acetate contributed 24.54% and Chlorohexanone contributed 8.95% of the total sales.

Our Company has a team of 25 chemists who are engaged in research and development. Our in-house R&D team has manpower to handle complex molecular synthesis and operations. Our Company has presence in custom synthesis and contract research which encompasses process development and scaling up technologies in pilot plants. Our in-house R&D facilities are recognized by Government of India, Department of Scientific & Industrial Research (DSIR), which is at present valid till March 31, 2010. With continuous focus on research & development, our in-house R&D team has been able to develop process for some of APIs / intermediates viz. Diltiazem, Pentoxifyline, Ciprofloxacin, Fexofenadine, Iopamidol and Naproxen.

Our Company has also been granted ISO 9001:2000 Certificate of Assessment by AQA International LLC with a scope of design development, manufacture and supply of organic and inorganic intermediates which is valid till December 30, 2008.

Our Company had started export of their products in the year 2002 to Israel followed by exports to other countries like Italy, Japan, France, USA and Singapore. Currently, our exports comprise of 19.97% of our total turnover.

History and major events

Year	Event
1996 -97	<ul style="list-style-type: none"> • Incorporation of Anu's Laboratories Limited for manufacturing of Bulk Drug intermediates • Started manufacturing in facility taken on lease and License basis. • First Product manufactured -2,4 Dichloro 5 Fluoro Acetophenone (DCFA)
1998-99	<ul style="list-style-type: none"> • Purchased land, building, Plant & Machinery of a sick Unit through APSFC and APIDC in a public bidding process
2001-02	<ul style="list-style-type: none"> • Introduced another major drug intermediate viz. Chlorohexanone • Granted subsidy of Rs. 7.90 lakhs from Andhra Pradesh Pollution Control Board as incentive for implementing projects for recovery of by-products and for showing our commitment towards "Cleaner Production".
2002 -03	<ul style="list-style-type: none"> • Certified ISO 9001-2000 from AQA International to design development, manufacture and supply of organic and inorganic intermediates
2004-05	<ul style="list-style-type: none"> • Introduced another drug intermediate Methyl-4(4-Chloro 1-Oxo butyl) a, a Di Methyl Phenyl Acetate
2006-07	<ul style="list-style-type: none"> • Best Practices Award for Market penetration leadership from Frost and Sullivan for the year 2005.

Main objects of Our Company

The main Objects of the Company as per Memorandum of Association are as follows:

- To manufacture, refine, purchase, sell, prepare, import, export, all classes and kinds of drugs including pharmaceuticals preparations and formulations, fine chemicals raw materials, syrups, powders, ointments, aerosols, capsules and liquids for human consumption.
- To buy, sell, import, export, manufacture and treat, and deal in all kinds of chemicals biologicals, cosmetics, insecticide, agrochemicals, pesticides, hormones medicated soaps and foods.
- To render professional and Technical Consultancy and advice to any individual firm, company, Government and statutory Undertaking or Corporation or any other body carrying on any business what so ever in the field of Design and Engineering. Research and Development, Business, Industrial and General Management relating to Chemical and Pharmaceutical Industries.
- To undertake, promote, encourage, initiate, assist and engage in all kinds of research and development work and to set up laboratories and other facilities required for the same and to render such assistance monetary or otherwise as may be required for that purpose.

The Main Objects clause and the objects incidental or ancillary to Main Objects clause of the Memorandum of Association of our Company enables us to undertake activities for which funds are being raised in this Issue. The existing activities of our Company are in accordance with the Objects clause of our Memorandum of Association.

Changes in the Memorandum of Association

Date	Particulars of Change
September 26, 1997	Increase in the Authorised Capital of our Company from 1,00,000 Equity Shares of Rs.10/- each aggregating Rs. 10 lakhs to 10,00,000 Equity Shares of Rs.10/- each aggregating Rs. 100 lakhs.
August 30, 2004	Increase in the Authorised Capital of our Company from 10,00,000 Equity Shares of Rs.10/- each aggregating Rs. 100 lakhs to 50,00,000 Equity Shares of Rs.10/- each aggregating Rs. 500 lakhs.
September 30, 2005	Increase in the Authorised Capital of our Company from 50,00,000 Equity Shares of Rs.10/- each aggregating Rs. 500 lakhs to 1,00,00,000 Equity Shares of Rs.10/- each aggregating Rs. 1000 lakhs.
July 16, 2007	Increase in the Authorised Capital of our Company from 1,00,00,000 Equity Shares of Rs.10/- each aggregating Rs. 1000 lakhs to 1,50,00,000 Equity Shares of Rs.10/- each aggregating Rs. 1500 lakhs.

Shareholders Agreements

We have not signed any Shareholders Agreement.

Strategic Partners

Presently, our Company does not have any strategic partners.

Financial Partners

Presently, our Company does not have any financial partners.

Other Agreements

1. Memorandum of Understanding with Mr. R. Shantisagar and associates

1.	Date of Agreement	:	May 28, 2004
2.	Parties to the agreement	:	Mr. K.Hari Babu and associates being the shareholders of Anu's Laboratories Limited represented by Mr. K. Hari Babu and Mr. R. Shantisagar and associates being the shareholders of Nitya Laboratories Limited represented by Mr. R. Shantisagar.
3.	Base of the agreement	:	Nitya Laboratories Limited (Nitya) engaged in the business of manufacture of bulk drugs and intermediates with accumulated losses, cash flow problems, overdue creditors and institutional defaults has been on the lookout for a strategic partner for investment in and management of the company and therefore has approached Mr. K.Hari Babu and associates for joining Nitya as a promoter.
4.	Terms of the Agreement	:	<ul style="list-style-type: none"> • Mr. K. Hari Babu and associates have agreed to purchase 39,35,000 equity shares of face value Rs. 10/-each from Sri R. Shantisagar and associates at the rate of Rs. 3/- per Equity Share. • Mr. R. Shantisagar and associates agree to restructure and reorganize the affairs of Nitya including the reduction of share capital. • Mr. K. Hari Babu and associates and Mr. R. Shantisagar and

		<p>associates agree to bring an amount of Rs.150.00 lakhs and Rs.120.00 lakhs respectively for discharging the liabilities of the company and the balance existing liabilities as on the date of the MOU to be discharged from the generation of income from further operations of Nitya.</p> <ul style="list-style-type: none"> • Mr. K.Hari Babu and associates shall be entitled to nominate and induct two persons as their nominee Directors on the reconstituted Board of Directors of Nitya. Further they would be entitled to nominate a person to look after day to day affairs of Nitya and also to nominate their person to be joint signatory to the existing bank accounts of Nitya. • Our Company to provide raw materials on job work basis to enable Nitya to run its plant for which a separate job work agreement would be entered into between Anu's Laboratories Limited and Nitya Laboratories Limited. • Both the parties have agreed to take steps to merge Nitya into Anu's at a mutually convenient time and after completion of the necessary formalities. • Nitya would settle the existing creditors for Rs. 700 lakhs against Rs. 1000 lakhs outstanding thereby resulting in saving of Rs. 300 lakhs. • In the event of any claim arising at a later date Mr. R. Shantisagar and associates would be liable for the same and shall undertake to indemnify Mr. K. Hari Babu and associates against any loss or damage that may arise on account of such claim. <p>Mr. R. Shantisagar and associates shall be responsible for all Income Tax matters/assessments up to the date of agreement and thereafter Mr. K. Hari Babu and associates shall be liable for the same.</p>
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2. Contract for conversion jobs with Nitya Laboratories Limited

Our Company has entered into with two contracts dated April 6, 2004 with Nitya Laboratories Limited for carrying out conversion jobs, salient features of which are as under:

a) Contract for Conversion of Material (for Sodium Methoxide)

1.	Date of Contract	:	April 6, 2004
2.	Parties to the Contract	:	Anu's Laboratories Limited and Nitya Laboratories Limited (NLL)
3.	Scope of work	:	NLL undertake to carry out conversion jobs of "Sodium Methoxide or Sodium Methyl Solution & Powder".
4.	Terms of the Contract	:	The raw materials required for the conversion job shall be given by our Company in standard packing of the manufacturers. NLL shall return all unused materials, as well as any intermediates or by product remaining unused at the completion of the conversion and shall not dispose off or put it to any alternative use without the prior and express authorization of our Company. NLL undertake to manufacture the product at its manufacturing facility strictly in

			accordance with the know-how communicated by our Company and in accordance with pharmacopoeia standards and specifications or with any standards and / or specifications that may be prescribed by our Company from time to time.
5.	Validity	:	Valid for one year and can be terminable with a notice period of 3 months. (The contract is revalidated on April 6, 2007 for a further period of one year and is now valid till April 5, 2008.)

b) Contract for Conversion of Material (for CIS Lactam)

1.	Date of Contract	:	April 6, 2004
2.	Parties to the Contract	:	Anu's Laboratories Limited and Nitya Laboratories Limited (NLL)
3.	Scope of work	:	NLL undertake to carry out conversion jobs of "CIS (+) Hydroxy Lactam / (2S CIS)-(+)-2,3 Dihydro-3-Hydroxy-2 (-4-Methoxyphenyl)-1, 5-Benzothiazepin-4-(-5H-One).
4.	Terms of the Contract	:	The raw materials required for the conversion job shall be given by our Company in standard packing of the manufacturers. NLL shall return all unused materials, as well as any intermediates or by product remaining unused at the completion of the conversion and shall not dispose off or put it to any alternative use without the prior and express authorization of our Company. NLL undertake to manufacture the product at its manufacturing facility strictly in accordance with the know-how communicated by our Company and in accordance with pharmacopoeia standards and specifications or with any standards and / or specifications that may be prescribed by our Company from time to time.
5.	Validity	:	Valid for one year and can be terminable with a notice period of 3 months. (The contract is revalidated on April 6, 2007 for a further period of one year and is now valid till April 5, 2008.)

3. Agreement with Dr. Reddy's Laboratories Limited

1.	Date of Agreement	:	December 18, 2005
2.	Parties to the agreement	:	Dr. Reddy's Laboratories Limited (Dr. Reddy's) and our Company.
3.	Base of the agreement	:	Dr. Reddy's have acquired possession of secret techniques, methods, formulae, specifications, know how for manufacturing of Ciprofloxacin Hcl. Anu's has represented and warranted to Dr. Reddy's that it has the necessary facilities and infrastructure required for manufacture of the above product and also has obtained all licenses, authorizations and permissions required under law.
4.	Scope of Agreement	:	Subject to the terms and conditions stipulated Dr. Reddy's has agreed to get the Ciprofloxacin Hcl manufactured at the manufacturing facility of the party.
5.	Terms of the	:	Dr. Reddy's will supply, deliver raw materials in advance. We shall

	Agreement		at our sole expense manufacture and supply the products at such locations as have been specified by Dr. Reddy's and strictly as per the know-how communicated by Dr. Reddy's. Further, we shall make best effort to recover by-product, waste etc. during the process, the benefit of which will accrue to us. We shall manufacture the product exclusively for Dr. Reddy's. Further we shall not directly or indirectly market the product or similar products during the subsistence of the agreement and for an additional period of five years from the termination of the agreement. During the period of this agreement, we undertake not to interest ourselves either directly or through our subsidiaries or affiliates either directly or indirectly in any articles of commerce whose names, packing or formulae are similar or confusingly similar to the product without securing the consent in writing of Dr. Reddy's Laboratories Limited. We also represents and warrants not to manufacture or supply upstream intermediates of the product, except DCFA or converting the product to downstream intermediates or Active Pharmaceutical Ingredients for internal consumption or sale to third parties. Dr. Reddy's shall be the proprietor, registered user of the trade mark.
6.	Validity and Termination	:	The agreement can be terminated by either party on occurrence of certain events. Further this agreement can be terminated by either party by giving 90 days written notice. The agreement shall be in force for a period of 3 years from the date of its execution.

4. Agreement for treatment of liquid waste for effluent treatment

1	Date of Agreement	:	October 8, 2004
2	Parties to the agreement	:	Patancheru Enviro Tech Limited (PETL) and our Company
3	Scope of Agreement	:	PETL had constructed a Common Effluent Treatment Plant (CETP) for treatment of liquid waste generated by the Industrial units and PETL has agreed for treatment of industrial liquid waste in CETP generated from our Company.
4	Terms of the Agreement	:	<ul style="list-style-type: none"> • The treatment at CETP for industrial liquid waste of our Company not exceeding 10 cu.m/day and not exceeding 15000 mg litres of Chemical Oxygen Demand (COD) day which will be treated as pollution load reserved for our Company at CETP. • Treatment Charges will be calculated on the basis of pollution load reserved for our Company. • Transport of Liquid wastes is through road tankers at our Company cost. • It will be the responsibility of our Company to ensure that the liquid wastes to be brought to CETP site are not toxic; do not contain heavy metals, sulphates and toxicant beyond the limit mentioned in the prescribed composition.

5. Development-cum-Service Agreement

1.	Date of Agreement	:	June 21, 2006
2	Parties to the agreement	:	Ramky Pharma City(India)Limited, Andhra Pradesh Industrial Infrastructure Corporation(APIIC) and Anu's Laboratories Limited
3	Base of the agreement	:	Ramky's has made a master plan for dividing the entire schedule land into smaller plots with basic infrastructure to each individual plot, storm water drainage, sewage effluent connections and common facilities like water storage facility, water treatment common effluent treatment Plant and Hazardous Waste Management Services.
4	Scope of Agreement	:	Ramky's has agreed to sell subject to the sanction of the concerned authorities a plot of land to Anu's.
5	Terms of the Agreement	:	<ul style="list-style-type: none"> • Anu's shall pay an amount an amount of Rs. 105.14 lakhs being the cost of Infrastructure Development once Ramky's gets permission from the specified authorities. • Ramky's shall undertake the following: <ul style="list-style-type: none"> ❑ Ramky's shall grant permission to the third party to enter upon the said plot for carrying out and completing construction within the period specified. ❑ To provide with all weather motorable roads to the said plot and to ensure that the same is maintained in proper condition. ❑ To provide a sewerage treatment facility as per the standards prescribed by APPCB. ❑ Anu's shall not sink any borewell ,well or tube well within the said plot ❑ To provide such other facilities like drainage, common effluent treatment, street lightning and security for the Pharma city. ❑ Ramky's shall comply with the standards prescribed by APPCB & CPCB and also regarding odour and air emissions.

Subsidiaries of the company

Our Company does not have any subsidiary as on the date of filing this Red Herring Prospectus.

Our Management

Board of Directors

As per Article 105 of the Articles of Association, our Company should have not less than three and not more than twelve directors. Our Company is currently managed under the direction, supervision and control of Board of Directors comprising of 6 Directors including independent directors who have been drawn from various fields. Mr. K. Hari Babu is currently our Company's Managing Director. He is incharge of the overall management of our Company subject to the supervision and control of the Board.

The Board of Directors of the company comprises of the following members:

Name, Designation, Father's Name, Address, DIN and Occupation	Age (in years)	Date of appointment and term	Other Directorships
Mr. M. Ajaya Kumar Chairman (Non-Executive Independent Director) S/o. Mr. M. Raghavendra Rao Flat No. 711, Emerald, Amrutha Hills, Punjagutta, Hyderabad - 500082 DIN 00164448 Business	61	December 30, 2006 Retire by rotation	<ul style="list-style-type: none"> • Zen Securities Limited • Mikkilineni Infin Private Limited
Mr. K. Hari Babu Managing Director S/o. Mr. K. Subba Rao A-49, Madhura Nagar, Vengalarao Nagar, Hyderabad - 500 038 DIN-00232927 Business	50	February 20, 1996 Re-appointed as Managing Director for a period of 5 years with effect from April 01, 2007	Nitya Laboratories Limited
Mr. N.S. Walimbe Whole-time Director S/o Mr. Sayaji Rao Shankar Rao Plot No. 35, Sri Swami Ayyappa Co-operative Housing Society, Madhapur, Hyderabad-500033 DIN-00236578 Business	52	May 26, 1997 Re-appointed as Whole time Director for a period of 5 years with effect from January 02, 2007	<ul style="list-style-type: none"> • Zen Chemiconsultech Private Limited • Zen Absorptions Private Limited • Galaxy Laboratories Private Limited
Mr. M.S.S.V. Satyanaryana Non-Executive Non-Independent Director S/o. Babu Raja Venkata Krishna Rao 6-88, Punadipadu, Kankipadu, Andhra Pradesh - 521 151 DIN- 02036185 Agriculturalist	47	May 11, 1998 Retire by rotation	<ul style="list-style-type: none"> • NIL

Dr. Rajeswararao Kosaraju Non-Executive Independent Director S/o Mr. Kosaraju Venkata Krishna Rao Flat No. 1A House No.82-413/2 Asiana Apartments, Road No.4 Banjara Hills, Hyderabad-500033 DIN-01228030 Doctor	60	December 30, 2006 Retire by rotation	• Nitya Laboratories Limited
Mr. O.M. Kejriwal Non-Executive Independent Director S/o. Mr. Ghanshyam Das Kejriwal O.M.Kejriwal & Co. 88/8 Bapuji Nagar, Bhubnashwar, Orissa- 751 009 DIN-02045662 Practising Chartered Accountant	52	July 16, 2007 Retire by rotation	Nil

Brief profile of our Directors

Mr. M. Ajaya Kumar, aged 61 years, has completed his Master of Science (Agriculture) from Andhra Pradesh Agriculture University in the year 1968. He has an experience of over 39 years out of which 23 years is in pharmaceutical industry. He started his career with Andhra Pradesh Agriculture University in 1968 as Farm Manager - Research associate and Assistant Professor. He worked with Allahabad Bank from 1972 to 1984 where he gained experience in the field of corporate and large scale finance, foreign exchange management and, merchant banking. Since 1984 he has been associated with various pharmaceutical companies in various positions. He joined SOL Pharmaceutical Limited in 1984 as General Manager and in the year 1994 he resigned as Managing Director & CEO and worked through various functions of general management, production, finance, marketing and business development. From 1994 to 1996 he was Managing Director of Natco Pharma Limited and was looking after day to day affairs of the company. During 1996 to 1998 he was involved with Corporate Management Consultancy Organisation to render Corporate Advisory services in Drugs and Pharmaceutical Industry and from 1998 to 2004 he got associated with Aurobindo Pharma Limited and during his tenure in Aurobindo Pharma Limited, he was responsible for Research & Development, business planning, production, marketing, accounts and finance. Since 2004 he has been providing corporate management consultancy to various corporates in pharmaceutical Industry with the knowledge and experience he gained in pharmaceutical industry. He was Recipient of "Manager of the Year, 1994", by the Hyderabad Management Association, Andhra Pradesh.

Mr. K. Hari Babu, aged 50 years, is a Chartered Accountant and ranked 20th on an All India merit basis in the year 1980. He has 27 years of experience in various fields of management out of which 21 years was in pharmaceutical unit. He has experience in the field of strategic planning, Corporate and Project financing, human resource development, Information systems management, and marketing strategy. He started his career in 1981 with Standard Organics Limited as Accounts Officer responsible for finance and accounts function and resigned from the Company in 1988 as a General Manager (Finance). He had also worked with Powmex Steels Limited and Suven Pharmaceuticals. He promoted our Company in 1996 and since then he has been actively involved in the affairs of our Company since incorporation and has played a key role in the

growth of the Company with his inputs in strategic planning and business development. He has been awarded with "State Level Best SSI Entrepreneur Award" for the year 2001-02 by the Government of Andhra Pradesh, Industry & Commerce Department.

Mr. N.S.Walimbe, aged 52 years, is a Chemical Engineer from Indian Institute of Technology, Mumbai. He has over 30 years of experience in chemical/pharmaceutical industry in the field of research and development, operations management and project management. He started his career in the year 1978 with Gharda Chemicals Private Limited as Chemical Engineer and then had also worked with Hoechst India Limited as Assistant Manager (Projects); Lupin Laboratories Limited as Senior Manager (Projects) and SOL Pharmaceuticals Limited as General Manager - Projects. He promoted a technical and engineering consultancy services firm in 1995 in the name of Zen Chemiconsultech Private Limited to serve bulk drugs and chemical Industry. During 1997 he joined our Company as Co-promoter and has been responsible for strategic planning, building up & heading the technical team to provide solutions to technical problems, improvisation of manufacturing processes, planning and implementing Research and Development activities, and monitoring manufacturing operations. His areas of specialization include design of batch & continuous manufacturing processes particularly for bulk drugs & organic intermediates.

Dr. Rajeswararao Kosaraju, aged 60 years is a Doctor by profession and had completed his MBBS from Andhra University in 1970. He completed his post graduation in Paediatrics in UCLA Medical Centre, USA. He is certified by American Board in the field of paediatrics. In 1991, he completed his Fellowship in Allergy and Immunology from UCLA Medical Centre, USA and also got certification by American Board in allergy and immunology in 1993, which was recertified in 2001. He was also a part-time faculty member at UCLA School of Medicine during 1990-91. During 1991 to 2005 he was practicing in USA. Since 2006, he is based in Bangalore and is advising pharmaceutical companies in implementation of various strategies for launch of new products. He is citizen of America and is Overseas Citizen of India.

Mr. M.S.S.V. Satyanarayana, aged 47 years is a graduate from Nagarjuna University, Andhra Pradesh. He is an agriculturist.

Mr. O.M. Kejriwal, aged 52 years has completed Chemistry Honors from Sambalpur University, Orissa and is also a qualified Chartered Accountant, which he has completed in 1982. He had completed his L.L.B from M.S.Law College, Cuttack. He is practicing Chartered Accountant and is a senior partner in Chartered Accountancy firm viz. O.M.Kejriwal & Company since 1983 and since then has gained experience in the field of audit, taxation and management advisory.

Details of Borrowing Powers

The borrowing powers of our Directors are regulated by Articles 74 to 78 of the Articles of Association of our Company. For further details, kindly refer section titled "Main Provisions of Articles of Association" beginning on page no. 204 of this Red Herring Prospectus

The Board of Directors have been authorized by a resolution passed at the Annual General Meeting of the Company held on November 29, 2006 to borrow any sums of money from time to time notwithstanding that the money or moneys to be borrowed, together with the moneys already borrowed by the Company's bankers in the ordinary course of business may 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 purposes, provided however, the total amount so borrowed shall not exceed Rs. 50,000 lakhs.

Compensation of Directors:

Mr. Hari Babu, Managing Director

He was reappointed as Managing Director for a period of 5 years starting from April 1, 2007 at the extra - ordinary general meeting of the Company held on July 16, 2007

Salary & allowances

- Salary of Rs. 2.50 lakhs per month inclusive of all allowances.
- In addition, such percentage of commission which together with salary shall not exceed the ceiling laid down under section 309 of The Companies Act, 1956 as fixed by the Board of Directors.
- Perquisites : Rent free furnished accommodation, car, water, electricity, gas, telephone, medical reimbursement, club fees, personal accident insurance (limited to Rs. 20,000 per annum), leave travel for self and his family, and contribution to provident fund, superannuation fund and annuity fund.
- He is not entitled to sitting fees for attending meetings of the board or a committee thereof

Mr. N.S.Walimbe, Whole Time Director

He was reappointed as Whole Time Director for a period of 5 years starting from January 02, 2007 at the Extra-Ordinary General Meeting of the Company held on January 27, 2007.

Salary & allowances

He is entitled to a remuneration of Rs. 0.40 lakhs per month with effect from January 2, 2007 for a term of 5 years.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance shall be applicable to us immediately upon listing of our Company's Equity Shares on the Stock Exchange. We have already complied with SEBI guidelines in respect of corporate governance with respect to broad basing of Board including appointment of Independent Directors, constituting various committees such as Audit Committee and Shareholders' / Investors' Grievance Committee. We undertake to adopt the corporate governance code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to listing. In terms of the Clause 49 of the Listing Agreement, our Company has already appointed Independent Directors and constituted the following committees:

Audit Committee:

The Audit Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and Annual Accounts will be reviewed by the Audit Committee, prior to their presentation to the Board along with the recommendations of the Audit Committee. Besides, Audit Committee will be authorized to exercise all such powers as are required under the amended Clause 49 of the Listing Agreement.

The Audit Committee was re-constituted at our Board meeting held on July 16, 2007. The Audit Committee comprises of the following members

Name of Director	Status in Committee	Nature of Directorship
Mr. O.M.Kejriwal	Chairman	Non Executive Independent Director
Mr.M.Ajaya Kumar	Member	Non Executive Independent Director

Mr.K. Hari Babu	Member	Managing director
Dr. Rajeswararao Kosaraju	Member	Non Executive Independent Director

Shareholders and Investors Grievance Committee

The Shareholders and Investors Grievances Committee is responsible for remedying of all investor and shareholder grievances including Issue of duplicate/split/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures and reference to statutory and Regulatory authorities. This Committee will also oversee the performance of the Registrars, transfer agents and the depository related services. This Committee will also undertake all such acts, deeds and things relating to share transfer, transmission, splitting of share certificates, issuance of duplicate shares certificates and other related matters as may be considered necessary in this behalf. The Committee also oversees the implementation and compliance of the Code of Conduct adopted by our Company for Prevention of Insider Trading for Listed Companies as specified in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 as amended on February 20, 2002.

The Shareholders and Investors Grievance Committee was constituted at our Board meeting held on July 16, 2007. The Shareholders and Investors Grievance Committee comprises of following members:

Name of Director	Status in Committee	Nature of Directorship
Mr. M. Ajaya Kumar	Chairman	Non Executive Independent Director
Mr. N.S. Walimbe	Member	Whole time Director
Mr. K. Hari Babu	Member	Managing Director

Shareholding of Directors

As per our Articles, our Directors are not required to hold any Equity Shares in our Company. As on the date of filing of this Red Herring Prospectus the shareholding of our directors are as follows:

Name of Director	No. of Shares held	% of Shareholding
Mr. K. Hari Babu	24,00,414	29.07
Mr. N.S Walimbe	5,78,400	7.01
Mr. M.S.S.V. Satyanarayana	4,14,200	5.02
Mr. M. Ajaya Kumar	560	0.01
Dr. Rajeswararao Kosaraju	Nil	Nil
Mr. O.M.Kejriwal	Nil	Nil

Interest of Directors

Except as stated in "Related Party Transactions" beginning on page no. 134 of this Red Herring Prospectus, to the extent of shareholding in our Company either by themselves or shareholding of companies in which they are interested, the Directors do not have any other interest in our Company. Our Directors do not have any interest in any property acquired by our Company in a period of two years before filing this Red Herring Prospectus with SEBI or proposed to be acquired by us as on date of filing this Red Herring Prospectus with SEBI.

Changes in the Board of Directors during the last 3 years

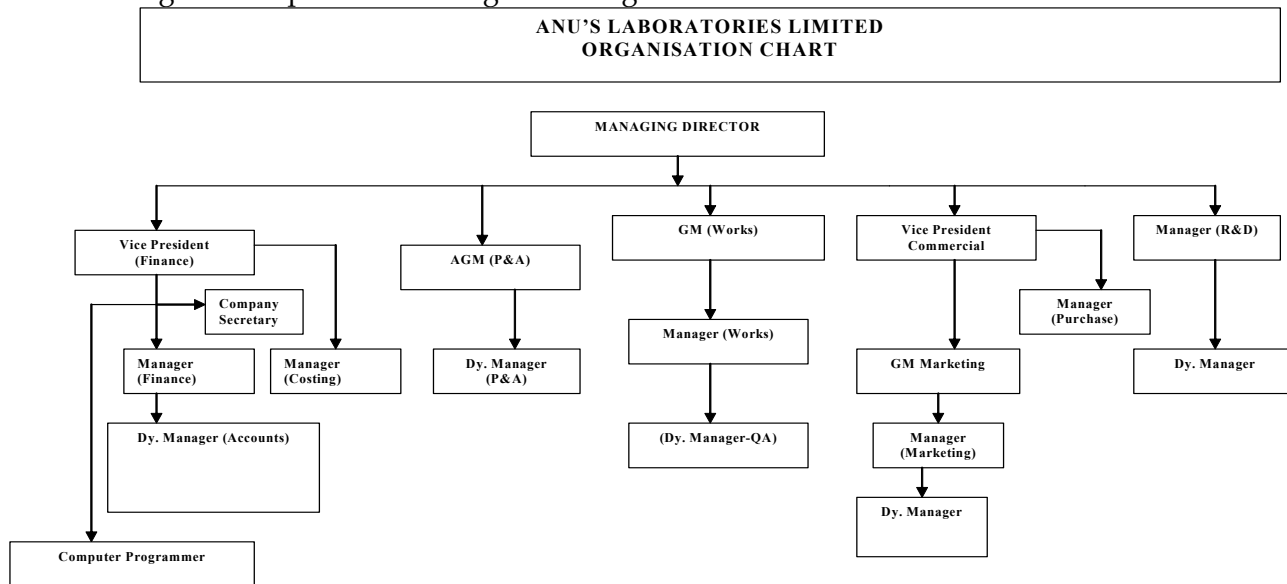
There has been no change in the Board of Directors of our Company during the last 3 years except the following:

S. No	Name	Date of Appointment	Date of Resignation	Brief Particulars of change
1.	Dr. N.Srinivasan		April 15, 2006	Resigned
2.	Mr. M. Ajaya Kumar	December 30, 2006		Broad basing of Board of Directors
3.	Dr. Rajeswararao Kosaraju	December 30, 2006		Broad basing of Board of Directors
4.	Mr. O.M. Kejriwal	July 16, 2007		Broad basing of Board of Directors

Our Management Organization Structure

Our overall management is vested with the Board of Directors. Our Directors are assisted by a group of senior managers, who are professionals having experience in manufacturing of intermediates for pharmaceutical formulations and diverse management functions. They are all permanent employees of our Company.

The following chart depicts our Management Organization Structure:



Key Managerial Personnel

The key managerial personnel of our Company other than the Directors are as under:

Name	Age	Designation	Qualification	Experience (years)	Date of Joining	Details of Previous employment
Mr. G. Ramakrishnan	47	Chief Financial Officer	B.Com, FCA, FICWA and FCS	21	March 12, 2008	Sivashakti Bioplantec Limited
Mr. Manmohan Kishore	51	Vice President (Commercial)	B.Sc., MBA	24	October 28, 2007	Inogen Laboratories

						Private Limited
Mr. N.S. Naidu	52	General Manager (Human Resources)	M.A. (Economics), LLB , PG Diploma in Personnel Management, Industrial Relationship and Labour Welfare	26	July 22, 2004	Priyadarshini Cement Limited
Mr. S. Naresh Kumar	32	Company Secretary cum Legal Manager	B.Com, ACS, LLB	8	June 06, 2007	Suryajyoti Spinning Mills Limited
Mr. K. Ravi Babu	43	General Manager (Works)	M.Sc.	21	June 21, 2007	B S N Pharma Limited
Mr. B. Krishna	31	Sr. Manager (R&D)	M.Sc. (Medicinal Organic Chemistry)	8	September 24, 2007	Sai Life Sciences Limited

- All the persons named as our Key Managerial Personnel are the permanent employees' of our Company.
- There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.
- None of the above mentioned key managerial personnel are related to each other.

Brief Profile of Key Managerial Personnel

Mr. Manmohan Kishore, aged 51 years is the Vice President (Commercial) of our Company. He completed his graduation from Osmania University in the year 1975 and M.B.A. from Osmania University in the year 1980. He has an overall experience of 24 years in the field of Marketing and Purchases. He had worked with M/s. Nicholas Piramal India Limited, M/s. Chandra Pharmaceuticals Limited, M/s. J K Batteries and M/s. Toshiba Anand Batteries Limited at various managerial level positions. Before joining our Company he was Director (Commercial) with M/s Inogent Laboratories Private Limited. He joined our Company in October 2007 and is presently looking after marketing, planning, operations and purchase department. He was paid a remuneration of Rs. 5.65 lakhs during 2007-08.

Mr. N. S Naidu, aged 52 years is the General Manager (Human Resources) of our Company. He completed his Master of Arts in Economics & LLB from Bhopal University in 1979 & 1980 respectively. He also completed his Post Graduation Diploma in Personnel Management, Industrial Relations and Labour Welfare form Andhra Pradesh Productivity Council in the year 1988. He has an overall experience of 26 years in the field of personnel and administration. He had experience of working with GKW Limited and Priyadarshini Cements Limited. He joined our company in July 2004 and is looking after all personnel and administrative functions. He was paid a remuneration of Rs. 5.07 lakhs in the financial year 2007-08.

Mr. G .Ramakrishnan aged 47 years is the Chief Financial Officer of our Company. He completed his Bachelor of Commerce from Madras Christian College. He is a Fellow Member of the Institute of Chartered

Accountants of India, Institute of Cost and Works Accountants of India and Institute of Company Secretaries of India. He has over 21 years of experience in the field of Corporate Finance, Internal Audit, Project Finance and Taxation and has been a Head of Finance for about 15 years. He had worked with Mfar Constructions Ltd as General Manager (F&A) cum Company Secretary; Primetex Apparels India Ltd as Group Financial Controller and East India Commercial Co Ltd as General Manager (Finance) cum Company Secretary. Before joining our Company he was Vice President (Finance & Accounts) cum Company Secretary with Sivashakti Bioplantec Ltd. He joined our Company in March, 2008 and looking after the finance, accounts and taxation matters. He was paid a remuneration of Rs. 0.86 lakhs during 2007-08.

Mr. S. Naresh Kumar, aged 32 years is the Company Secretary-cum-Legal Manager of our Company. He completed his graduation and LLB form Osmania University in 1996 & 2002 respectively. He is also a qualified Company Secretary. He has an overall experience of 8 years in the field of secretarial, compliance and legal matters. He had worked with Zen Securities Limited and Suryajyoti Spinning Mills Limited. He joined our Company in June 2007 and is responsible for secretarial, compliances and legal work. He was paid a remuneration of Rs. 4.29 lakhs during 2007-08.

Mr. K. Ravi Babu, aged 43 years is the General Manager (Works) of our Company. He completed his M.Sc. with specialisation in Organic Chemistry form Andhra University in the year 1986. He has an overall experience of 21 years in the field of operations and production and gained experience by working in Chandra Pharmaceuticals Limited, SOL Pharmaceuticals Limited, Neuland Laboratories, Saraca Laboratories Limited and Fleming Laboratories Limited. Before joining our Company he was working as General Manager with B S N Pharma Limited. He joined our Company in June 2007 and is responsible for production and operation of the Company. He was paid a remuneration of Rs. 5.41 lakhs during 2007-08.

Mr. B. Krishna, aged 31 years is Sr. Manager (R&D) of our Company. He completed his M.Sc from Maratwada University in the year 2000. He has an overall experience of 8 years in the field of Research and Development and had previously worked with M/s. GVK Bio Sciences Limited and M/s. Sai Dru Syn Laboratories Limited. Before joining our Company he was working as Associate Scientific Officer with Sai Life Sciences Limited. He joined our Company in September 24, 2007 and is responsible for research and development functions of our Company. He was paid a remuneration of Rs. 2.74 lakhs during 2007-08.

Shareholding of Key Managerial Personnel

The Key Managerial persons do not hold any shares in our Company as on the date of filing of the Red Herring Prospectus.

Bonus or Profit sharing plan for Key Managerial Personnel

Our company does not have any bonus or profit sharing plan for Key Managerial Persons.

Changes in Key Managerial Personnel

Name of Employee	Designation	Date of Appointment	Date of Resignation	Reason for Change
Ashok Sinha	Vice President (Finance)	October 28, 2006	October 17, 2007	Appointment & Resigned
G. V. Saradhi	General Manager (Commercial)	February 12, 2007	October 20, 2007	Appointment & Resigned
S. Naresh Kumar	Company Secretary Cum	June 06, 2007		Appointment

	Legal Manager			
K. Ravi Babu	General Manager (Works)	June 21, 2007		Appointment
P.M. Rao	Vice President (Operations)		August 20, 2007	Resignation
Manmohan Kishore	Vice President (Commercial)	October, 2008		Appointment
B. Krishna	Senior Manager (R&D)	September 24, 2007		Appointment
G. Ramakrishnan	Chief Financial Officer	March 12, 2008		Appointment
Shanmugam	Manager (Research & Development)		October 22, 2007	Resignation

Interest of Key Managerial Personnel

Save and except as stated otherwise, in this Red Herring Prospectus, no amount or benefit has been paid or given within two preceding years or are intended to be given to any of our Directors or Key Managerial Personnel except the normal remuneration for services rendered as Officers or Employees.

ESOP/ESPS Scheme to Employees

Presently, we do not have ESOP/ESPS scheme for our employees.

Payment or Benefit to our Officers

Except for payment of monetary and non-monetary benefits in accordance with the terms of employment or engagement, we have not paid any amount or given any benefit to any officer of our Company, nor is such amount or benefit intended to be paid or given to any officer as on the date of filing of this Red Herring Prospectus with SEBI.

Our Promoters

The brief profile of our promoters is as follows:

1. Mr. K. Hari Babu



Voter ID No.	Not Available
Driving License No.	DLDAP009293972002
Permanent Account Number	AEOPK0265R
Passport No.	F9410525
Bank Account No.	S/B-008010100914529, UTI Bank Limited, Begumpet, Hyderabad

For details of profile of Mr. K. Hari Babu, please refer to section titled “Our Management” beginning on page no. 99 of this Red Herring Prospectus

2. Mr. N.S. Walimbe



Voter ID No.	Ap/31/210/126302
Driving License No.	DLRAP009391972006
Permanent Account Number	AALPW2104N
Passport No.	Z1250977
Bank Account No.	S/B-30812010006235 Syndicate Bank. Madhapur Branch, Hyderabad.

For details of profile of Mr. N.S. Walimbe, please refer to section titled “Our Management” beginning on page no. 99 of this Red Herring Prospectus

3. Mr. M.S.S.V. Satyanarayana



Voter ID No.	AP/13/79/651545
Driving License No.	Not Available
Permanent Account Number	ALUPM0360Q
Passport No.	Not Available
Bank Account No.	SB831, Andhra Bank, Punadipadu Branch, Saifabad, Hyderabad

For details of profile of Mr. M.S.S.V. Satyanarayana, please refer to section titled “Our Management” beginning on page no. 99 of this Red Herring Prospectus.

4. Ms. Padmaja Rani Kosaraju



Voter ID No.	AP/31/210/423515
Driving License No.	DLFAP009405702003
Permanent Account Number	AOXPK6654H
Passport No.	E2692233
Bank Account No.	SB-44615500002723 The Karur Vysya Bank Limited S.R. Nagar, Hyderabad.

Ms. Padmaja Rani Kosaraju, aged 45 years is the wife of Mr. K. Hari Babu. She is a graduate in Science from Nagarjuna University, Andhra Pradesh. She is a housewife. She is not involved in the activities of our Company and has no experience in the business of our Company. She is not on the board of our Company.

We confirm that Ms. Padmaja Rani Kosaraju is not related in any manner to Dr. Rajeswararao Kosaraju, one of the Independent Director in our Company.

We confirm that the Permanent Account Number, Passport Number and Bank Account Number of all the above individual promoters have been submitted to BSE at the time of filing the Draft Red Herring Prospectus with them. Further, our Promoters have not been identified as a wilful defaulter by the Reserve Bank of India or any other Government authority and there are no violations of securities laws committed by our Promoters in the past or any such proceedings are pending against our Promoters.

Interest of Promoters

Except as stated in "Related Party Transactions" beginning on page no. 134 of this Red Herring Prospectus, to the extent of shareholding in our Company either by themselves or shareholding of companies in which they are interested, the Promoters do not have any other interest in the business. Our Promoters do not have any interest in any property acquired by our Company in a period of two years before filing this Red Herring Prospectus with SEBI or proposed to be acquired by us as on date of filing this Red Herring Prospectus with SEBI.

Details of companies / firms from which Promoters have disassociated

None of our Promoters have dissociated themselves from any of the companies / firms / entities during last three years except for the following:

- Anu Pharma Private Limited was promoted by Mr. K. Hari Babu alongwith Mr. N.S. Walimbe and was incorporated on March 13, 2001 in the name of Anu's Pharma Private Limited with the object of carrying on the business of manufacture or deal in all kinds of pharmaceuticals. The name of Anu's Pharma Private Limited was subsequently changed to Anu Pharma Private Limited on June 12, 2004. The company has not started any operations since its incorporation. Mr. K. Hari Babu and Mr. N.S. Walimbe disassociated themselves and resigned as Director on October 1, 2004. They are presently not holding any shares in the said company.
- Nihar Laboratories Private Limited was promoted by Mr. M.S.S.V. Satyanarayana and was incorporated on November 10, 2005 with the object of carrying on the business of manufacture or deal in all kinds of pharmaceuticals. He disassociated himself and resigned as Director on November 26, 2005. He is presently not holding any shares in the said company.

OUR PROMOTER GROUP COMPANIES

(i) Nitya Laboratories Limited

- (a) Nature of Activity : Manufacture, sell, purchase, export, import pharmaceuticals, drugs, drug intermediaries, chemicals etc. used in manufacture of pharmaceuticals and drugs by products, deliveries, formulations and compounds of end uses for the above products. To design, develop, import, export and deal in machineries and equipments including raw materials, components etc. for pharmaceutical industries. To carry on research and development activities and to carry on business as advisors and to provide technical know how for any of the above objects.
- (b) Date of Incorporation : November 9, 1994
- (c) Name of Directors : 1. Mr. R.Shantisagar
2. Mr. K.Hari Babu
3. Mr. R.Raghava Rao
4. Dr. Rajeswararao Kosaraju
- (d) Shareholding Pattern :

Name of the Shareholders	Number of Shares held
Mr. K. Hari Babu	3,52,976
Ms. K Padhmaja Rani	16,49,925
Dr. Rajeswararao Kosaraju	55,500
Anu's Laboratories Ltd	9,82,099
Dr. Shobha Bhogani & Dr. Ashish Bhogani	75,000
IFCI Venture Capital Fund	2,25,000
Shanti Sagar Investment Private Limited	1,47,240
Prasadini Hire Finance Private Limited	3,67,353
Mr. R Raghava Rao	1,10,877
Ms. R Suhasini	1,06,524
Mr. R Shantisagar	6,00,612
Ms. R Prabhuprasadhini	30,732
Dr. Ashish Boghani	19,047
Dr. Shobha Boghani	21,090
Ms. R Nyati	8,700
Mr. P Purnachand	24,753
Mr. P Suneetha	1,500
Mr. P Vani Prasad	3,000
Ms. P. Bhikshavati	1,23,900
Mr. G Radhakrishna Murthy	1,500
Ms. A Sarada	1,500
Mr. A T Rayadu	21,000
Ms. K Khanti	3,000
Mr. K Lakshmam	1,350

Mr. K Satya Prakash	1,500
Mr. K Venketaratnam	3,303
Mr. K Vijaya Kumar	73,500
Mr. L Prem Sagar	3
Mr. M S Ramkrishna	48,300
Mr. Vishnu Susheela Chowdery (NRI)	11,940
Mr. V Kanti Renu	2,850
A P R Investments & Leasing Private Limited	22,500
Total	50,98,074

(e) Financial Information (Audited)

(Rs. In lakhs)

Audited Financial Information	2005- 2006 (12 months period October 1, 2005 to September 30, 2006)	2004- 2005 (12 months period October 1, 2004 to September 30, 2005)	2003- 2004 (18 months period April 1, 2003 to September 30, 2004)
Sales	2.61	131.30	1725.53
Processing Income	683.06	634.01	108.01
Other Income	43.89	10.77	113.52
Profit after Tax	(170.61)	(353.91)	(634.22)
Equity Share Capital	509.81*	699.36	699.36
Share Application Money	81.87	290.37	115.55
Preference Share Capital	170.00	-	-
Reserve & Surplus	(650.60)	(969.53)	(615.62)
Earning per Shares (EPS) Rs.	(3.35)	(5.06)	(9.07)
Net Asset Value (NAV) Rs.**	(2.86)	(3.94)	(1.15)
Net Worth (including Share Application Money and Preference Share Capital)	105.86	14.91	34.96

* The equity share capital has been reduced pursuant to High Court Order dated December 15, 2005.

**NAV has been calculated excluding Share Application Money and Preference Share Capital.

Nitya Laboratories Limited has received permission from Registrar of Companies, Andhra Pradesh for extension of financial year by six months from September 30, 2007 vide their letter dated November 12, 2007. Now the company will be preparing its financial accounts for eighteen months period ended March 31, 2008.

Nitya Laboratories Limited is not listed at any Stock Exchange neither it has any subsidiary. Nitya Laboratories Limited has not come out with any public or right issue in the preceding three years. It has not become a sick Company within the meaning of SICA and is not under winding up.

Brief background of Nitya Laboratories Limited

Nitya Laboratories Limited was incorporated on November 09, 1994 in the State of Andhra Pradesh and was promoted by Dr. R.Raghava Rao, Mr. R. Shantisagar and Ms. L. Prema Sagar. Further we confirm that Dr.

R.Raghava Rao, Mr. R. Shantisagar and Ms. L. Prema Sagar promoters of Nitya are not related to promoters/directors of our Company. The company is having manufacturing facilities at Pashamylaram, Medak District, Andhra Pradesh for manufacture of bulk drugs and intermediates.

The company was incurring losses since 2001-02. As per the audited Balance Sheet of the Company ended September 30, 2004, the accumulated losses of the company were more than 50% of its net worth. The company reported the same to the Board for Industrial and Financial Reconstruction under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985.

Nitya Laboratories Limited was having outstanding liabilities (including over due interest, term loans and optionally convertible debentures) of Rs. 1019.14 lakhs as on September 30, 2004 towards its lenders and due to continuous losses there were continuous delays and defaults by the company. Consequently, IDBI, the main term lender, unconditionally and irrevocably sold, assigned, transferred the term loans together with all security and all rights, title and interest to Stressed Assets Stabilisation Fund (SASF) (a Trust set up by the Central Government as a special purpose vehicle to recover the non performing assets of IDBI) on September 30, 2004.

In the meantime on May 28, 2004 Mr. R. Shantisagar, one of the promoters of Nitya Laboratories Limited, on behalf of his associates / shareholders entered into a Memorandum of Understanding with Mr. K. Hari Babu for making a strategic investment in Nitya Laboratories Limited. As per the Memorandum of Understanding, Mr. K. Hari Babu alongwith his associates should purchase 39,35,000 equity shares of face value of Rs. 10 each at the rate of Rs. 3/- per equity share of Nitya Laboratories Limited. For details, please refer to paragraph "Other Agreements" appearing on page number 94 of this Red Herring Prospectus. We have also entered into a "Contract for conversion of Material" with Nitya Laboratories Limited for conversion jobs. For details, please refer to paragraph "Other Agreements" appearing on page number 95 of this Red Herring Prospectus.

Nitya Laboratories Limited approached IDBI/SASF for approval in respect of restructuring of outstanding term loan. IDBI/SASF vide its letter No. 1106/SASF(Nitya) dated May 10, 2005 had sanctioned for restructuring of company's outstanding liabilities. The company had also restructured its optionally convertible debentures issued to IFCI Venture Capital Funds Limited and rescheduled its term loan with SBI also.

In continuation of its restructuring exercise, Nitya Laboratories Limited had also reduced its paid up capital from Rs. 699.358 lakhs representing 69,93,580 Equity Shares of face value of Rs. 10/- each to Rs. 209.81 lakhs divided into 69,93,580 Equity Shares of face value of Rs. 3/- each. The resultant paid up share capital of Rs. 209.81 lakhs after reduction consolidated to 20,98,074 equity shares of face value of Rs. 10/- each. The reduction in share capital was pursuant to High Court Order dated December 15, 2005. There was further allotment of 30,00,00 equity shares of face value of Rs. 10/- each thereby increasing the paid up share capital of Nitya Laboratories Limited to Rs. 509.81 lakhs divided into 50,98,074 equity shares of face value of Rs. 10/- each.

Mr. K. Hari Babu together with his associates invested a sum of Rs. 200.28 lakhs as on August 31, 2007. Subsequent to initial investment of Mr. K. Hari Babu, our Company had also invested in Nitya Laboratories Limited. Mr. K. Hari Babu alongwith his wife are presently holding 20,02,901 equity shares of Nitya Laboratories Limited representing 39.29% of the present paid up capital of the company. Our Company is also presently holding 9,82,099 equity shares of Nitya Laboratories Limited representing 19.26% of the present paid up capital. In addition, our Company has also invested an amount of Rs. 170 lakhs in the preference share

capital of Nitya Laboratories Limited. Mr. K Hari Babu, Our Promoter became a Director in Nitya Laboratories Limited on December 29, 2004. The income out of these investments would be in the form of dividends only.

As per audited financial accounts for the period ended September 30, 2006 Nitya Laboratories Limited incurred loss of Rs. 170.61 lakhs. Nitya Laboratories Limited has not been able to meet its entire debt obligations at present and has over dues to its lenders to the extent of Rs. 419.05 lakhs. The details of present over dues as at March 31, 2008 are as under:

Sr. No	Name of the Lender	Amount Outstanding (Rs. In lakhs)	Amount Overdue (Rs. in lakhs)
1.	IFCI Venture Capital Funds Limited (Optionally Convertible Debentures)	118.76	118.76
2.	IFCI Venture Capital Funds Limited (Shares)	15.00	15.00
3.	SASF / IDBI Bank Limited	700.00*	Nil
4.	State Bank of India	285.29	285.29**
TOTAL			419.05

*On January 25, 2008, Nitya Laboratories Limited wrote to SASF for availing of One Time Settlement (OTS) route for settling the outstanding dues of IDBI. SASF vide its letter dated March 11, 2008 agreed 'in-principle' for crystallising of OTS for an amount of Rs. 1000.00 lakhs on the following payment terms:

- Rs. 300 lakhs already paid between January, 2008 to March, 2008
- Balance amount of Rs. 700 lakhs payable in 3 instalments viz. April 30, 2008 (Rs. 250 lakhs), June 30, 2008 (Rs. 250 lakhs) and Rs. 200 lakhs by September 30, 2008.

** State Bank of India, another lender to which total outstanding amount was Rs. 285.29 lakhs had sent a legal notice on March 4, 2008 and called up the amount outstanding along with interest @ 18.25% at monthly rests from November 1, 2004. It also states that if the outstanding balance is not paid within ten days of the notice, the bank will be constrained to file a case in the court of law. Nitya Laboratories Limited vide their letter dated April 3, 2008 have submitted their repayment schedule and promised that all dues upto March, 2008 shall be paid by May 28, 2008 and dues falling during April - June, 2008 will be paid by the end of June, 2008. Nitya Laboratories Limited paid an amount of Rs. 20 lakhs on March 15, 2008 and Rs. 10 lakhs each on April 2, April 9 and April 16, 2008. State Bank of India has yet not taken any action against Nitya Laboratories Limited. Further, the present status of manufacturing facilities of Nitya Laboratories Limited is as under:

- SMO operations have been regularized and the company is regularly supplying SMO to our Company.
- CIS Lactam operations have also been stabilized. The volumes of production have increased from 6.8 MT to 162.13 MT during 2004-05 and 2005-06 respectively.
- Quality management systems was certified under ISO 9001-2000 and Q9001-2000 by AQA International, LLC in June, 2005. The certification is valid till June 7, 2008.

(ii) Zen Chemi Consultech Private Limited

- (a) Nature of Activity : To carry on business as Chemical Engineers, Consultants, Analytical Chemists.
- (b) Date of Incorporation : June 28, 1996
- (c) Name of Directors : 1. Mr. N.S Walimbe (Since Inception)
2. Ms. Leena Nagesh Walimbe
3. Mr. R. Shantisagar
- (d) Shareholding Pattern

Name of Shareholders	No. of Shares held
Mr. N. S. Walimbe	8
Ms. Leena Nagesh Walimbe	6,001
Mr. R. Shantisagar	1
Ms. Vijaya Walimbe	3,990
Total	10,000

(e) Audited Financial Information

(Rs. In Lakhs)

	2006-2007	2005-2006	2004- 2005
Consultancy Charges	1.80	0.24	1.13
Profit after Tax	0.07	(0.03)	0.02
Equity Capital	1.00	1.00	1.00
Share Application Money	--	--	--
Reserve & Surplus	2.61	2.55	2.77
Earning per Shares (EPS) Rs.	0.67	(0.33)	0.24
Net Asset Value (NAV) Rs.	36.14	35.46	37.60

Zen Chemi Consultech Private Limited is not listed on any stock Exchange neither it has any subsidiary. It has not come out with any Public or Rights Issue in the preceding three years. It has not become a sick company within the meaning of SICA and is not under winding up.

(iii) Zen Adsorptions Private Limited

- (a) Nature of Activity : To carry on business as manufacturers, traders, dealers, distributors, importers, Exporters of all kinds of machinery, apparatus, plant and any other equipment required for purification of liquids.
- (b) Date of Incorporation : June 21, 1996
- (c) Name of Directors : 1. Mr. N.S. Walimbe (Since inception)
2. Ms. Leena Nagesh Walimbe
- (d) Shareholding Pattern

Name of Shareholders	No. of Shares held
Mr. N. S. Walimbe	8
Ms. Leena Nagesh Walimbe	2
Mr. Anand Desai	1,800
Mr. Arun Deshpade	1,700
Mr. Shanthanu Kulkarni	1,500
Mr. Dileep Kulkarni	1,800
Mr. D.B. Kulkarni	1,900
Mr. Buchi Nayudamma	1,290
Total	10,000

(e) Audited Financial Information

(Rs. In Lakhs)

Audited Financial Information*	2006-2007	2005-2006	2004- 2005
Income	98.77	-	-

Profit after Tax	1.75	(0.03)	-
Equity Capital	1.00	1.00	1.00
Share Application Money	-	-	-
Reserve & Surplus	1.72	(0.03)	-
Earning per Shares (EPS) Rs.	16.66	(0.29)	-
Net Asset Value (NAV) Rs.	26.38	9.19	9.43

Zen Adbsorptions Private Limited is not listed on any stock Exchange neither it has any subsidiary. It has not come out with any Public or Rights Issue in the preceding three years. It has not become a sick company within the meaning of SICA and is not under winding up.

Details of Promoter group companies whose names have been struck off from Registrar of Companies

None of our Promoter Group companies of our Promoter Group Companies has been struck off as a defunct company by any Registrar of Companies in India. There are no sick companies promoted by our Promoters. There are no BIFR proceedings against any company promoted by our Promoters.

Undertaking/ confirmations

Our Promoters and promoter group companies / firms / entities have confirmed that they have not been detained as wilful defaulters by the RBI or any other Government authority. Additionally, there are no violations of securities laws committed by them in the past or are pending against them and none of our promoters or persons in control of body corporate forming part of our Promoter Group have been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities.

Common Pursuits/Conflict of Interest

Our Promoter Group Company viz. Nitya Laboratories Limited is in the same business as our Company, i.e. in the manufacture of intermediate drugs. Hence to this extent there exists a potential conflict between us.

Related Party Transactions

For details of the related party transactions, please refer to page number 134 of this Red Herring Prospectus appearing as Annexure - 15 of Auditors Report under section titled "Financial Information".

Dividend Policy

The declaration and payment of dividend will be recommended by the Board of Directors and approved by the shareholders of the Company at their discretion and will depend on a number of factors, including the results of operations, earnings, capital requirements and surplus, general financial conditions, applicable Indian legal restrictions and other factors considered relevant by the Board. The Board may also from time to time pay interim dividend. All dividend payments are made in cash to the shareholders of the Company.

The dividends declared by us in respect of the five accounting year ended March 31, 2003, 2004, 2005, 2006 and 2007 are as under:

	(Rs.in lakhs)				
Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
Rate of Dividend (%)	5.00	15.00	15.00	15.00	10.00
Amount of Dividend	4.87	14.61	14.74	47.12	61.11

SECTION V - FINANCIAL INFORMATION
FINANCIAL STATEMENTS OF OUR COMPANY
AUDITOR'S REPORT

The Board of Directors
Anu's Laboratories Limited
A-49, Madhura Nagar
Vengal Rao Nagar
Hyderabad-500 038

Dear Sir,

1. We have examined the financial information of Anu's Laboratories Limited (hereinafter referred as the company as attached to this report stamped and initialled by us for identification and as approved by the board of directors of the company, which has been prepared in accordance with paragraph B (1) of Part II to schedule II of the companies Act,1956 ("The Act") and the securities and exchange Board Of India (Disclosures and Investor Protection) Guidelines,2000 as amended vide circular No. 14 on 25th January,2005("The SEBI Guidelines") issued by the Securities and Exchange Board Of India ("SEBI")on January 19th,2000 in pursuance of Section 11of the Securities and Exchange Board of India Act 1992 and related clarification, and in accordance with the instructions received by us from the company requesting us to examine Financial Information referred to above and proposed to be included in the Offer document being issued by the company in connection with its proposed IPO of equity shares.
2. We have examined the books of accounts of Anu's Laboratories Limited, for the five financial years ended March 31, 2003, 2004, 2005, 2006, 2007 and December 31, 2007 being the last date to which the accounts of the company have been made up and audited by us for the presentation to the members.
3. In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Act and the SEBI Guidelines for the purpose of the Offer Document as aforesaid, We report that,
 - (i) The restated Profits of the company for the financial years ended March 31, 2003, 2004, 2005, 2006, 2007 and 31st December 2007 are set out in Annexure 1 to this report. These Profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinions are appropriate and read with significant accounting Policies and notes on accounts appearing in Annexure 13 of this report.
 - (ii) The restated Profits of the company for the financial years ended March 31, 2003, 2004, 2005, 2006, 2007 and 31st December 2007 are set out in annexure 2 to this report after making such adjustments and regroupings as in our opinions are appropriate and read with significant accounting Policies and notes on accounts appearing in Annexure 13 of this report.
 - (iii) The restated Profits of the company for the financial years ended March 31, 2003, 2004, 2005, 2006, 2007 and 31st December 2007 are shown in Annexure 2.
4. We have also examined the following financial information relating to the company and has approved by the Board of Directors for the Purpose of inclusion in the Offer document.
 - (i) Accounting ratios as appearing in Annexure 3.

- (ii) Statement of Tax Shelter for the years ended March 31, 2003, 2004, 2005, 2006, 2007 and 31st December 2007 are set out in Annexure 4.
- (iii) Capitalisation Statement as at December 31, 2007 as appearing in Annexure 5.
- (iv) Details of Secured Loans as appearing in Annexure 6.
- (v) Details of Unsecured Loans as appearing in Annexure 7.
- (vi) Details of Investment as appearing in Annexure 8.
- (vii) Details of Sundry Debtors as appearing in Annexure 9.
- (viii) Details of Loans and Advances as appearing in Annexure 10.
- (ix) Details of Other Incomes as appearing in Annexure 11.
- (x) Statement of Cash flows of the company for the year ended March 31, 2003, 2004, 2005, 2006, 2007 and 31st December 2007 are set out in Annexure 14.
- (xi) Details of Transaction with related Parties as appearing in Annexure 15
- (xii) Details of Contingent Liabilities as appearing in Annexure 16.

In our opinion the above financial information of the company read with significant accounting policies and notes on accounts attached in Annexure 13 to this Report, after making adjustments and regroupings as considered appropriate has been prepared in accordance with Part II of Schedule II to the companies Act 1956 and the SEBI Guidelines.

This report is intended Solely for the information and for inclusion in the offer document in connection with the specific IPO of equity shares of the company and is not to be used, referred to or distributed for any other purpose without our written consent.

For KARUMANCHI & ASSOCIATES
Chartered Accountants

Place: Hyderabad.
Date: 07.04.2008
Membership Number: 25036

(K.PEDDABBAI)
PARTNER

Annexure 1

SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED						
(Rs. in Lakhs)						
	As at					
	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
A Fixed Assets						
Gross Block	702.78	882.68	1,160.04	1,587.14	2784.80	2976.42
Less: Depreciation	72.48	112.83	161.81	225.19	319.74	422.17
Net Block	630.30	769.85	998.23	1,361.95	2,465.06	2554.25
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after adjustment for Revaluation Reserve (A)	630.30	769.85	998.23	1,361.95	2,465.06	2554.25
B Investments (B)	1.14	0.00	29.21	189.21	269.21	269.21
C Current assets, loans and advances						
Inventories	675.32	816.13	1,796.26	2,328.40	3,450.59	4,079.67
Sundry debtors	319.20	350.17	955.94	509.93	728.47	2,165.13
Cash and bank balances	6.04	5.29	41.55	15.03	177.82	17.56
Loans and advances	75.73	92.47	293.85	337.68	955.28	1,431.51
Total (C)	1,076.29	1,264.06	3087.60	3,191.04	5,312.16	7693.87
D Liabilities and provisions						
Secured loans	714.78	661.27	1045.09	1,660.24	2,537.24	3,408.11
Unsecured loans	18.44	30.00	0.00	113.50	113.50	113.50
Deferred tax liability	76.74	106.79	131.58	193.87	299.47	311.65
Current liabilities & Provisions	509.54	795.03	2194.10	1486.49	1944.83	2188.39
Total (D)	1,319.51	1,593.09	3,370.77	3,454.11	4,895.04	6,021.64
E Net Worth (A+B+C-D)	388.21	440.82	744.27	1,288.10	3,151.39	4,495.69
F Represented by:						
1 Share Capital						
Equity share capital	97.38	97.38	129.70	518.80	797.60	807.60
2 Share application money	30.00	40.24	30.30	55.63	2.50	-
3 Reserves and Surplus	265.93	307.23	587.12	721.77	2,358.33	3,760.70
4 Miscellaneous expenditure	5.09	4.03	2.85	8.10	7.04	72.61
Net Worth (1+2+3-4)	388.21	440.82	744.27	1,288.10	3,151.39	4,495.69

Note:

The above statement should be read with the significant accounting policies appearing in Annexure 13 and notes to the summary statements of Assets and Liabilities, Profit and Losses and Cash Flows as restated, appearing in Annexure 14

ANNEXURE 2

SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED						
(Rs. in Lakhs)						
	For the period ended					
	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
Income						
Sales						
Of Products Manufactured by the Company	2,272.54	3,011.32	7,062.63	10,076.28	12,066.98	11,703.29
Of Products traded in by the Company	-	-	-	-	-	-
Total	2,272.54	3,011.32	7,062.63	10,076.28	12,066.98	11,703.29
Less: Sales Tax	-	7.56	-	-	-	-
Less: Excise Duty	259.09	377.28	792.99	1,044.40	1,285.10	1,324.07
Net Sales	2,013.45	2,626.48	6,269.64	9,031.88	10,781.88	10,379.22
Other Income	160.19	86.06	16.55	67.24	135.39	320.71
Increase (Decrease) Inventories	131.60	97.54	436.22	434.81	1,212.25	682.33
Total	2,305.24	2,810.08	6,722.41	9,533.93	12,129.52	11,382.26
Expenditure						
Raw Material Consumed	1,677.92	2,063.99	4,491.88	5,598.40	7,159.57	6,543.66
Staff Cost	55.71	71.14	131.87	166.28	242.67	214.43
Other Manufacturing Expenses	261.43	316.54	1,267.47	1,622.12	1,603.20	1,321.74
Administration and other expenses	83.93	61.94	181.17	896.48	601.67	543.22
Selling and Distribution Expenses	12.19	12.28	49.42	91.71	122.08	95.81
Interest	135.46	152.05	272.32	322.68	477.98	549.02
Preliminary Expenses written off	0.05	0.05	0.05	0.05	1.06	-
Total	2,226.69	2,677.99	6,394.18	8,697.72	10,208.23	9,267.88
Profit/(loss) before depreciation and tax	78.55	132.09	328.23	836.21	1,921.29	2,114.38
Depreciation	34.40	40.55	48.98	63.37	94.55	102.43
Net Profit before tax and extra-ordinary items	44.15	91.54	279.25	772.84	1,826.74	2,011.95
Provision for taxes on income	-	-	-	-	-	-
Current tax	2.78	6.98	47.47	137.30	356.68	683.86
Deferred tax Liabilities/ (Assets)	30.80	30.56	22.71	62.29	105.59	12.19
Fringe Benefit Tax	-	-	-	2.16	5.32	3.54
Net Profit before Extraordinary items	10.57	54.00	209.07	571.09	1,359.15	1,312.36
Extra-ordinary Items (net of tax)	-	-	-	-	-	-
IT paid in next years	8.44	7.64	14.67	13.84	-	-
Profit/(loss) for the year as restated	2.13	46.36	194.40	557.25	1,359.15	1,312.36

Note:

The above statement should be read with the significant accounting policies appearing in Annexure 13 and Notes to the summary statements of Assets and Liabilities, Profit and Losses and Cash Flows as restated, appearing in Annexure 14

ACCOUNTING RATIOS

(Rs. in Lakhs)

Particulars	As at					
	31-03-2003	31-03-2004	31-03-2005	31-03-2006	31-03-2007	31-12-2007
Net Profit/(Loss) before extraordinary items but after tax, as restated (A)	2.13	46.36	194.40	557.25	1,359.15	1,312.36
Net Worth (B)	388.21	440.82	744.27	1,288.10	3,151.39	4,495.69
Less Share Application money	30.00	40.24	30.30	55.63	2.50	-
Net Worth excluding share application and revaluation reserve at the end of the year (C)	358.21	400.58	713.97	1232.47	3,148.89	4,495.69
Weighted average number of equity shares outstanding during the year (In Nos.) (D)	973,831	973,831	981,800	5,188,000	7,319,445	8,013,091
Add: Effect of share application money on equity shares (In Nos.)	300,000	402,380	75,750	139,075	2,500	-
Weighted average number of equity shares outstanding during the year (In Nos.)-Diluted * (E)	1,273,831	1,376,211	1,057,550	5,327,075	7,321,945	8,013,091
Weighted average number of equity shares outstanding during the period for Adjusted EPS ** (F)	6,940,031	6,942,699	7,271,169	7,263,200	7,319,445	8,013,091
Earnings Per Share						
Basic (In Rupees) (A/D)	0.22	4.76	19.80	10.74	18.57	16.38
Diluted * (A/E)	0.17	3.37	18.38	10.46	18.56	16.38
Adjusted** (A/F)	0.03	0.67	2.67	7.67	18.57	16.38
Return on Net Worth (%) (A/C)	0.59%	11.57%	27.23%	45.21%	43.16%	29.19%
Net Asset Value/ Book Value per share (In Rupees) (B/D)	39.86	45.27	75.81	24.83	43.06	56.10

* Refer note no 3 below

** Refer note no 4 below

Notes:

1. Net Profit/(Loss), as restated as appearing in the summary statement of Profits and Losses as restated of the Company has been considered for the purpose of computing the above ratios
2. Net Worth , as restated as appearing in the summary statement of Assets and Liabilities as restated of the Company has been considered for the purpose of computing the above ratios

3. Numbers of shares under share application are considered for 'diluted earnings per share' in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India

4. Bonus shares issued during the year ended March 31, 2007 and March 31, 2006 are without consideration, it has been considered for computation of 'Adjusted Earnings per Share' for previous years in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India

Annexure - 4

STATEMENT OF TAX SHELTERS

(Rs. in Lakhs)

		Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Nine months ended December 31, 2007
A	Net Profit/ (Loss) before current and deferred taxes, as restated	44.15	91.54	279.25	772.84	1,826.74	2,011.95
	Income Tax rates applicable	36.75%	35.88%	36.58%	33.66%	33.66%	33.99%
	Tax at applicable rate (A)	16.23	32.84	102.15	260.14	614.88	683.86
	Adjustments	-	-	-	-	-	-
B	Permanent Differences	-	-	-	-	-	-
	Deduction under Section 80IB	-	-	54.10	169.37	453.37	-
	Deduction for export incentives	-	-	-	-	-	-
	Total (B)	-	-	54.10	-	-	-
C	Timing Differences						
	Difference between Tax Depreciation and Book Depreciation (including loss on sale of depreciable asset)	83.81	85.17	62.09	193.92	313.71	35.85
	Short term loss on sale of Investment	-	-	-	-	-	-
	Provision for Gratuity	-	-	-	-	-	-
	Carry Forward of Losses	-	-	-	-	-	-
	Setoff of unabsorbed Depreciation	-	6.37	33.30	-	-	-
	Total (C)	83.81	91.54	95.39	193.92	313.71	35.85
D	Net Adjustments (B+C)	83.81	91.54	149.49	363.29	767.08	35.85
E	Tax Savings thereon (E)	30.80	32.84	54.68	122.84	258.20	12.19
F	Total Taxation Charge/(Saving) - Current (A-E)	(14.57)	0	47.47	137.30	356.68	671.68
G	Incremental taxes due to MAT / (Set off of MAT credit)	2.77	6.98	-	-	-	-

H	Total current taxes	2.77	6.98	47.47	137.30	356.68	671.68
I	Tax Savings on Differential Depreciation	30.80	30.56	22.71	65.27	105.59	12.19
	Less: Adjustment Difference in tax rates	-	-	-	2.98	-	-
J	Deferred tax expenses/(credit)	30.80	30.56	22.71	62.29	105.59	12.19
K	Total taxation (E+F)	16.23	32.84	102.15	260.14	614.88	683.86

Notes:

1. The above amounts are as per the summary statement of profit and losses of the Company, as restated
2. Minimum Alternate tax (MAT) is payable for F.Y.2004-05 u/s.115JB of the Income tax Act, credit in respect of which is allowed to be carried forward & set off against the normal income taxes in subsequent 5 years u/s.115JAA. This MAT credit has been set
3. The above amounts are as per the summary statement of profit and losses of the Company, as restated
4. The Management is reasonable certain that sufficient Capital Gains arises in future against which the short Term Capital Loss on sale of Investment arising during the nine months period ended December 31, 2005, will be set off.

Annexure - 5

CAPITALIZATION STATEMENT AS AT DECEMBER 31, 2007

(Rs. in Lakhs)

Particulars	Pre issue as at 31.12.2007	Post issue *
Borrowings:		
Short term debt	1,537.15	1,537.15
Long Term debt	1,870.96	1,870.96
Total Debts	3,408.11	3,408.11
Shareholders Funds		
Equity Share Capital	807.60	*
Reserves and Surplus	3,760.70	*
Less: Miscellaneous Expenditure	72.60	
Total Shareholders Funds	4,495.69	*
Total Capitalisation	7,903.80	*
Total Debt/ Shareholders' Funds	0.43	*

* Post issue figures can be calculated only on the conclusion of the book building process

Notes:

1. Borrowings and Shareholders' funds, as restated as appearing in the summary statement of Assets and Liabilities as restated has been considered for the purpose of computing the above statement.

2. Long term debt include current portion of the long term debt payable over the next twelve months from December 31, 2007
3. The above amounts are as per the summary statement of assets and liabilities of the Company, as restated

Annexure - 6
(Rs. in Lakhs)

Secured Loans

PARTICULARS	As at Year ended March 31					
	2003	2004	2005	2006	2007	31.12.2007
From Banks						
Bank Overdraft	348.21	233.58	608.01	887.10	702.89	1,533.37
Vehicle Loan	25.03	24.50	21.28	22.38	3.76	3.78
Term Loan	341.54	403.19	415.80	750.76	1830.59	1,870.96
Project Loan	-	-	-	-	-	-
Total	714.78	661.27	1,045.09	1,660.24	2,537.24	3,408.11

Name of the Bank	Type of the Loan Facility	Amount (In Rs. Lakhs)	Interest	Repayment	Security
Karur Vysya Bank Limited	OCC/ Book Debts	350.00	BPLR minus 1.50% with minimum of 11% p.a.	-	1. pari passu first charge over entire current assets of the company (present and future). - hypothecation of fully paid up stocks of raw material, stock in process, finished goods and book debts not older than 60 days.
	Packing Credit Limit / Foreign Bills Purchase / Foreign Bills Negotiated	125.00	7.5%		2. Pari-passu second charge over entire fixed assets of the Company both present and future.
	Packing Credit Limit / Foreign Bills Purchase (Adhoc)	450.00	BPLR minus 4.5% with minimum of 9.5%		3. Collateral Security over the following: <ul style="list-style-type: none"> • Residential Building belonging to Mr. K. Hari Babu located at Plot no. 1168 and 1169 Pragati Nagar, Bachupalli Village, Kukatpally, Hyderabad. • Residential Building belonging to Mr. M.S.S.V. Satyanarayana located at Plot no. 21 Survey No. 50, Sahib Nagar, Vanasthalipuram, Hyderabad. • Agricultural property belonging to Ms. Vanaja rani located at Kolavenu Village, Kankipadu Mandal, Krishna District, Hyderabad. • Residential Building belonging to Ms. Sujatha located at Plot no. 8-3-222/c/13/11 at A-49, Madhura Nagar, Hyderabad. • Residential Building belonging to Ms. Sujatha located at Plot no. 7/157/89&10 Karmanghat, Hayathnagar, Hyderabad.

					4. Personal guarantees of Mr. K. Hari Babu, Mr. N.S.Walimbe and Mr. M.S.S.V. Satyanarayana, Smt. Sujatha and Smt. Vanaja Rani.
Bank of Baroda	Cash Credit	425.00	2% Over BPLR i.e. 14.50% p.a.		<p>1. Pari-passu first charge over entire current assets of the company covering raw material, stock in progress, finished goods, spares and book debts upto 90 days.</p> <p>2. Pari-passu second charge over entire fixed assets of the company both present and future.</p> <p>3. Pari-passu first charge on the collateral security along with Karur Vysya Bank Limited.</p> <p>4. Personal guarantees of Mr. K. Hari Babu, Mr. N.S.Walimbe and Mr. M.S.S.V. Satyanarayana, Dr. N. Srinivasan, Smt. Sujatha and Smt. Vanaja Rani.</p>
Bank Of India	Cash Credit	600.00	1% Over BOIPLR with a minimum of 13% p.a.		<p>1. Hypothecation of stocks and books debts on first pari passu basis with other working capital lenders.</p> <p>2. Second pari passu charge on fixed assets of the company with other working capital lenders located at Sy. 17, Chilakamarri Village, Shadnagar, Mahaboobnagar District, Andhra Pradesh.</p> <p>3. Second pari passu charge with other working capital lenders over industrial land of 9.54 acres on Tadi Village, Parawada (Mandal), Vishakhapatnam District, Andhra Pradesh.</p> <p>4. Equitable mortgage over the collateral security on the same properties as mortgaged with Karur Vysya Bank Limited.</p> <p>1. Personal guarantees of Mr. K. Hari Babu, Mr. N.S. Walimbe and Mr. M.S.S.V. Satyanarayana, Smt. Sujatha and Smt. Vanaja Rani.</p> <p>2. Pledge of shares of promoters to the extent of 10% of issued and fully paid up capital.</p>
The Hongkong	Combined overdraft,	600.00	At the rate of		1. Pari passu charge over entire current assets of the company.

and Shanghai Banking Corporation Limited	export facility for purchase/ negotiation of documents against payment (D/P), Export facility for purchase/ negotiation of Documents against Acceptance (D/A), Pre-Shipment Loan against export (LAE), Domestic Factoring, Vendor Financing, Buyers Credit.		BPLR, at present 15.50% p.a.		<p>2. Pari passu second charge over entire fixed assets of the company both present and future.</p> <p>3. Equitable mortgage over the collateral security on the same properties as mortgaged with Karur Vysya Bank Limited.</p> <p>4. Personal guarantees of Mr. K. Hari Babu, Mr. N.S. Walimbe and Mr. M.S.S.V. Satyanarayana, Smt. Sujatha and Smt. Vanaja Rani.</p>
Andhra Pradesh Financial Corporation	Term Loan	1440.00	15% p.a.	Moratorium of one year starting from the date of first disbursement and the term loan will be repayable in 17 quarterly instalments. First instalment at Rs. 80 lakhs and subsequent 16 instalments of Rs. 85 lakhs each.	<p>1. First pari-passu charge with J&K Bank Limited on existing manufacturing facilities located at Shadnagar, Mahaboobnagar District, Andhra Pradesh.</p> <p>2. (a) Collateral security on land at our proposed manufacturing facilities located at Jawaharlal Nehru Pharma City, District Vishakhapatnam, Andhra Pradesh. (b) Joint equitable mortgage with the Jammu & Kashmir Bank Limited of collateral securities offered to them.</p> <p>3. Personal guarantees of Mr. K. Hari Babu, Mr. N.S. Walimbe And Mr. M.S.S.V. Satyanarayana.</p>
The Jammu & Kashmir Bank Limited	Term loan	817.42	PLR i.e. 13% at present	<p>1. 8 quarterly instalments of Rs. 2.2 lakhs commencing from 01.06.2005.</p> <p>2. 24 quarterly instalments of Rs. 4.40 lakhs commencing from 01.06.2005.</p> <p>3. 15 quarterly instalments of Rs. 9.60 lakhs commencing from 01.06.2005</p>	<p>1. First exclusive charge over entire fixed assets of the company both existing as well as to be acquired in future.</p> <p>2. 2nd charge over current assets on pari passu basis with working capital lenders.</p> <p>3. Personal guarantee of Mr. K. Hari Babu, Mr. N.S. Walimbe And Mr. M.S.S.V. Satyanarayana.</p>

				4. 18 quarterly instalments of Rs. 6.00 commencing from 01.06.2005 5. 20 quarterly instalments of Rs. 22.13 lakhs after initial moratorium period of one year from the date of first disbursement.	
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Annexure - 7

UNSECURED LOANS

(Rs. in Lakhs)

	As at					
	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
From Banks	-	-	-	-	-	-
From Directors	18.44	30.00	-	-	-	-
Sales Tax deferment	-	-	-	113.50	113.50	113.50
Total	18.44	30.00	-	113.50	113.50	113.50

Note:

- The above Unsecured loans are Interest Free
- The above amounts are as per the summary statement of assets and liabilities of the Company, as restated
- The Sales tax deferment outstanding as on 31-12-2007 is repayable as under: -

<u>Year</u>	<u>Amount (Rs. lakhs)</u>
2013-14	113.50

Annexure - 8

INVESTMENTS, AS RESTATED

(Rs. in Lakhs)

	As at					
	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
Non-trade, Long Term (at cost), Quoted	-	-	-	-		
In associates (partnership firms) (trade)	-	-	-	-	-	-
Traded (Quoted)						
Andhra Bank	1.14	-	-	-	-	-
Others (Unquoted)						
M/s. Nitya Laboratories Limited	-	-	29.21	189.21	269.21	269.21
Total	1.14	-	29.21	189.21	269.21	269.21

Note:

- The above amounts are as per the summary statement of assets and liabilities of the Company, as restated

Annexure - 9

SUNDRY DEBTORS, AS RESTATED

(Rs. in Lakhs)

	As at					
	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
(Unsecured Considered good)						
Exceeding six months	-	6.05	23.29	25.56	32.36	27.56
Others	319.20	344.12	932.65	484.37	696.11	2,137.57
Due from related parties	-	-	-	-	-	-
Total	319.20	350.17	955.94	509.93	728.47	2,165.13

Note:

1. The above amounts are as per the summary statement of assets and liabilities of the Company, as restated
2. There is no amount due from the related parties in the above.

Annexure - 10

LOANS AND ADVANCES, AS RESTATED

(Rs. in Lakhs)

	As at					
	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
Advance recoverable in cash or in kind or for value to received						
Advances to vendors	4.61	-	247.56	263.95	731.25	968.96
Security Deposits	13.93	17.48	46.29	-	-	-
Export Incentives receivables and interest	57.19	74.99	-	73.73	224.03	462.55
Total	75.73	92.47	293.85	337.68	955.28	1,431.51
The above includes following Loans and Advances due from Related Party						
Nitya Laboratories Limited	-	-	150.89	225.87	450.68	708.61

Note:

1. The above amounts are as per the summary statement of assets and liabilities of the Company, as restated

Annexure - 11

OTHER INCOME, AS RESTATED

(Rs. in Lakhs)

	As at					
	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
Other Income, as Restated	160.19	86.06	16.55	67.24	135.39	320.71
Net Profit/(Loss) before tax, as restated	44.15	91.54	279.25	772.84	1,826.74	2,011.95
Percentage	363	94	6	9	7	16

Source of Other Income	As at					
	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
Bank Interest on Fixed Deposit	-	0.05	0.25	0.05	0.82	0.70
Export incentive	160.19	86.01	16.30	67.19	134.57	173.56
Misc. Receipt	-	-	-	-	-	1.08
Excise Rebate	-	-	-	-	-	17.48
Profit Sharing from Dr. Reddy's	-	-	-	-	-	42.85
Conversion Charges	-	-	-	-	-	85.04
Total	160.19	86.06	16.55	67.24	135.39	320.71

Note:

1. The above amounts are as per the summary statement of profit and losses of the Company, as restated
2. The classification of other income as recurring/non-recurring and related/non-related to business activity is based on the current operations and business activity of the Company, as determined by the management

Annexure - 12

STATEMENT OF DETAILS OF DIVIDEND

(Rs. in Lakhs)

	During the year ended March 31					
	2003	2004	2005	2006	2007	31.12.2007
On Equity Share Capital						
Paid up share capital	97.38	97.38	129.70	518.80	797.60	807.60-
Net Share Capital	97.38	97.38	129.70	518.80	797.60	807.60
Face Value (In Rupees)	10.00	10.00	10.00	10.00	10.00	10.00
Rate of dividend %	5.00	15.00	15.00	15.00	10.00	-
Amount of dividend	4.87	14.61	14.74	47.12	61.11	-
Tax on dividend	-	1.87	1.93	6.61	10.39	-

Annexure-13

Significant Account Policies

A. Significant Account Policies

1) General:

The Company follows accrual system of accounting and recognizes Income and Expenditure on accrual basis unless otherwise stated. The accounts are prepared on historical cost convention, unless otherwise stated.

2) Fixed Assets:

Fixed Assets are stated at cost. Cost comprises the purchase price and other attributable expenses.

3) Depreciation on Fixed Assets:

Depreciation on Fixed Assets is charged on 'Straight Line' Method as per Rates Prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions to fixed assets has been calculated on pro-rata basis from the month of addition.

4) Inventories:

The method of valuation of various categories of inventories is as follows:

- a) Finished Goods: Valued at cost

- b) Work-in-Process: Valued at cost + Manufacturing expenses
c) Stock of materials & stores Valued at cost

- 5) **Revenue Recognition:**
All Income and Expenditure items having a material bearing on the financial statements are recognized on accrual basis.
- 6) **Foreign Currency transactions:**
Exchange fluctuations are recognized at the time of actual payment. The differences in translation and released gains and losses on foreign exchange transactions are recognized in the Profit and Loss Account.
- 7) **Research & Development :**
Research and Development Cost are charged as an expense in the year in which they are incurred.
- 8) **Taxation:**
a) Provision for current Income Tax is made in accordance with the provisions of the Income Tax Act, 1961.
b) Deferred tax is recognized, subject to the consideration of prudence, on timing difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- 9) **Retirement Benefits:**
Gratuity liability of the company has been covered under Group Gratuity Scheme with LIC. The contributions made to Gratuity are charged to Profit and Account. With regard to earned leaves, provision has been made, as per leave standing to the credit of each employee, as on 31st March, 2007 as per the records maintained by the company.
- 10) There have been no changes in significant accounting policies during the last five years

B. NOTES TO RE-STATED ACCOUNTS

(Rs. in Lakhs)

1)		March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
	<i>Contingent Liabilities</i>						
	a)Unexpired Bank Guarantees & Letters of Credit	-	-	187.54	180.57	1072.00	1560.70
	b)Demands of Statutory Authorities disputed by the company in appeals with higher authorities in respect of						
	i) Disputed Income Tax FY 2001-02 (Disputed tax amount paid to the Dept)	-	-	21.72	5.22	5.22	5.22
	ii) Disputed Sales Tax Demands FY	-	-				
	2001-02			8.65	8.65	8.65	-
	2002-03			38.61	38.61	38.61	38.61
	2003-04			48.71	48.71	48.71	10.51
	2004-05 Upto July '05			27.94	27.94	27.94	27.94
	c) Export Obligation Liability					-	28.25

- 2) **Secured Loans:**
- a) The Term Loan from J& K Bank and APSFC are secured by Mortgage of Land and Buildings, Plant & Machinery and other Fixed Assets and also guarantee of all the Directors of the Company.

- b) Working capital from Karur Vysya Bank Ltd, HSBC Limited, Bank of India and Bank of Baroda are secured by Hypothecation of Stock in Trade and Book Debts and second charge on Land and Buildings, Plant & Machinery and other Fixed Assets and also guarantee of all the Directors of the Company.

3) **The break-up of Deferred Tax Liability as on 31.12.2007 is as under:**

<u>Particulars</u>	<u>Deferred Liability Rs. in Lacs</u>
Opening balance as on 01.04.2007	299.46
Add: Current year provision (Difference between the Tax and Book Depreciation)	12.19
Closing Balance:	311.65

- 4) Figures of the Previous Year have been re-grouped wherever necessary to confirm to the current year's Presentation/Classification.
- 5) Figures have been rounded off to the nearest rupee.

REASONS FOR RE-STATEMENT:

The prior period expenses incurred on payment of income tax due for the previous years have been adjusted in the relevant years to which the income tax relates to, in the restated accounts.

During the nine months ended December 31, 2007 the Company has provided for an amount of Rs. 8.65 lakhs towards Sales Tax payment for the year 2001-02, the same has been adjusted in the year 2001-02 and accordingly the figures of reserves & surplus has been reduced to that extent and current liabilities have increased for the subsequent years for the purpose of restated accounts.

Details of material developments after the date of last Balance Sheet

No circumstances have arisen since the date of the last financial statement until the date of filing of this Red Herring Prospectus with SEBI, which materially and adversely affect or is likely to affect the operations or profitability of our Company, or value of its assets, or its ability to pay its liability within next twelve months. The Company has allotted 1,80,000 Equity Shares after the balance sheet date ending nine months December 31, 2007.

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	31.12.2007
Cash Flows Provided (Required) by Operating Activities						
Net Income (Loss)	2.13	46.36	94.40	557.25	1,359.15	1,312.36
Adjustment for:						
Depreciation	34.40	40.55	48.98	63.38	94.55	102.43
Loss on sale of Vehicle	0.16	0.25	-	-	-	-
Amortization expenditure	0.05	0.05	0.05	0.05	1.06	-
Interest & Financial Charge	135.46	152.05	272.32	322.68	477.98	549.02
Operating Profit before Working Capital changes	172.20	239.26	515.75	943.36	1,932.74	1,963.81
Adjustment for:						
Increase/(Decrease) in deferred tax liability	30.80	30.56	22.71	62.29	105.59	12.18
(Increase)/Decrease in Trade Receivables	(91.86)	(30.97)	(605.78)	446.02	(218.54)	(1,436.67)
(Increase)/Decrease in Inventories	(126.06)	(140.80)	(980.14)	(532.14)	(1,122.18)	(629.08)
(Increase)/Decrease in Loans & Advances	(14.54)	(16.74)	(201.38)	(43.83)	(617.60)	(476.23)
Increase/(Decrease) in Current Liabilities except provision for Dividend & Dividend Tax	58.85	284.19	1,406.58	(725.32)	425.43	243.57
Income Tax paid of earlier year	(2.30)	-	(2.27)	(1.04)	(41.28)	-
Subsidy Received	18.43	0.60				
Net Cash Provided (Required) by Operations	45.52	366.10	155.47	149.34	464.16	(322.42)
Cash Flows Provided (Required) by Investing Activities						
Additions to Fixed Assets	(135.62)	(180.46)	(277.36)	(427.11)	(1,197.65)	(191.63)
(Increase)/Decrease in Investments	-	1.14	(29.21)	(160.00)	(80.00)	-
Miscellaneous Expenses	(1.80)	1.01	1.13	(5.31)	-	(65.56)
Proceeds from Sale of Assets	0.22	0.11	-	-	-	-
Net Cash required by Investing Activities	(137.20)	(178.20)	(305.44)	(592.42)	(1,277.65)	(257.19)
Cash Flows Provided (Required) by Financing Activities						
Proceeds from Share Capital (Net of Bonus Shares Issued)	19.93	-	32.32	-	71.28	10.00
Proceeds from Share Premium	59.80	-	96.95	-	583.86	90.00
Increase/(Decrease) in Share application money	(49.72)	10.24	(9.94)	25.33	(53.13)	(2.50)
Increase/(Decrease) in Secured Loans	275.07	(53.52)	383.82	615.16	899.38	870.87
Increase/(Decrease) in Unsecured Loans	(1.61)	11.56	(30.00)	113.50	-	-
Dividend Paid	(77.45)	(4.87)	(14.61)	(14.74)	(47.12)	-
Interest Paid	(135.46)	(152.05)	(272.32)	(322.68)	(477.98)	(549.02)
Net Cash required by Financing Activities	90.56	(188.64)	186.22	416.57	976.29	419.35
Net Increase (Decrease) in Cash and Cash Equivalents	(1.12)	(0.75)	36.25	(26.51)	162.79	(160.26)
Cash and Cash Equivalents at Beginning of Period	7.16	6.04	5.29	41.54	15.03	177.82
Cash and Cash Equivalents at End of Period	6.04	5.29	41.54	15.03	177.82	17.56

Related Party Transaction

Description		Name						
Subsidiaries		Company has no subsidiaries						
Group /Associate Companies		Nitya Laboratories Limited						
		Zen Chemiconsultech Private Limited						
Directors		K Hari Babu						
		N S Walimbe						
		N Srinivasan *						
		M.S.S.V Satyanarayana						
		M. Ajaya Kumar						
Relatives of Directors		K Padmaja Rani						
		K. Anusha						
Particulars		Year Ended March 31						31.12.2007
		2003	2004	2005	2006	2007		
INVESTMENTS		(Rs. in Lakhs)						
Nitya Laboratories Limited	During the year	-	-	29.21	160.00	80.00	0	
	Closing Balance	-	-	29.21	189.21	269.21	269.21	
JOB WORK CHARGES #								
Nitya Laboratories Limited	Opening	-	-	-	150.89	225.87	450.68	
	Paid During the year	-	-	549.02	898.59	1185.99	942.59	
	Job Work Done	-	-	398.13	823.61	961.18	684.66	
	Advances with Vendor	-	-	150.89	225.87	450.68	708.61	
EXPENSES: CONSULTANT FEES								
Zen Chemiconsultech Private Limited	Payable During the year	-	-	0.52	1.56	9.40	-	
	Closing balance Payable	-	-	-	-	0.75	0.75	
SALARY								
K Hari Babu		3.96	3.96	4.68	5.04	18.00	22.50	
N S Walimbe		2.16	2.16	2.64	2.88	3.12	3.60	
N Srinivasan *		-	1.39	7.80	7.20	3.12	-	
K Anusha		-	-	-	-	0.60	1.80	
DIVIDEND								
K Hari Babu		1.56	4.69	4.75	16.46	21.44	-	
K Padmaja Rani		1.75	5.26	5.33	18.78	24.20	-	
N S Walimbe		0.58	1.73	1.73	4.41	5.68	-	
M.S.S.V. Satyanarayana		0.41	1.24	1.24	3.16	4.07	-	
N Srinivasan *		0.01	0.04	0.04	0.10	0.13	-	
Ajaya Kumar		0.00	0.00	0.00	0.00	0.00	-	
UNSECURED LOANS TAKEN BY COMPANY								
K Hari Babu	Taken During the year	18.44	11.56	-	-	-	-	
	Repaid During the Year	-	-	30.00	-	-	-	
	Closing Balance	18.44	30.00	-	-	-	-	

* N Srinivasan ceased to be a Director with effect from April 15, 2006

CONTINGENT LIABILITIES

(Rs. in Lakhs)

1)	Contingent Liabilities	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2007
	a)Unexpired Bank Guarantees & Letters of Credit	-	-	187.54	180.57	1072.00	1560.70
	b)Demands of Statutory Authorities disputed by the company in appeals with higher authorities in respect of						
	i) Disputed Income Tax FY 2001-02 (Disputed tax amount paid to the Dept)	-	-	21.72	5.22	5.22	5.22
	ii) Disputed Sales Tax Demands FY	-	-				
	2001-02			8.65	8.65	8.65	-
	2002-03			38.61	38.61	38.61	38.61
	2003-04			48.71	48.71	48.71	10.51
	2004-05 Upto July '05			27.94	27.94	27.94	27.94
	c) Export Obligation Liability					-	28.25

Management's Discussion and Analysis of Financial Conditions and Results of our operations

You should read the following discussions of our financial conditions and audited results of operations for the FY 2003, 2004, 2005, 2006, 2007 and for nine months period ended December 31, 2007 including the Schedules, Annexures and Notes thereto and the Reports thereon, which appear in this Red Herring Prospectus. These financial statements are prepared in accordance with Indian GAAP, the Companies Act and the SEBI guidelines as described in the Auditor's Report of M/s Karumanchi & Associates dated April 07, 2008 in the section with the title "Financial Information".

Overview

We started our own manufacturing facilities in the year 1998 from Chilakamarri Village, Shadnagar, Mahboobnagar District, Andhra Pradesh with manufacturing of 2,4 Dichloro 5 Fluoro Acetophenone (DCFA). We are presently engaged in manufacture of Basic & Advanced Intermediates and fine chemicals and are presently having manufacturing facilities for key intermediates like 2,4-Dichloro-5-Fluoro Acetophenone (DCFA) (an intermediate for synthesizing quinolone antibiotics like ciprofloxacin); Chlorohexanone (key intermediate in the manufacture of cardio vascular medicine) and Methyl-4 (4-Chloro 1 oxo butane) a, a Di-Methyl Acetate (an intermediate in the manufacture of Fexofenadine an anti allergic drug). DCFA have contributed 28.81% of our total sales during the nine months period ended December 31, 2007 whereas Methyl-4 (4-Chloro 1 oxo butane) a, a Di-Methyl Acetate contributed 24.54% and Chlorohexanone contributed 8.95% of the total sales.

Further with a view to add more products in our product profile we entered into contracts in 2004 with Nitya Laboratories Limited for conversion jobs for manufacture of "Sodium Methoxide Solution & Powder" and "CIS (+) Hydroxy Lactam. Sodium Methoxide and CIS (+) Lactam contributed 9.73% and 24.27% respectively during nine months period ended December 31, 2007 in our total sales.

Our Company had started export of their products in the year 2002 to Israel followed by exports to other countries like Italy, Japan, France, USA and Singapore. Currently, our exports comprise of 19.97% of our total turnover.

Our Company has a team of 25 chemists who are engaged in research and development. Our in-house R&D team has manpower to handle complex molecular synthesis and operations. Our Company has presence in custom synthesis and contract research which encompasses process development and scaling up technologies in pilot plants. Our in-house R&D facilities are recognized by Government of India, Department of Scientific & Industrial Research (DSIR). With continuous focus on research & development, our in-house R&D team has been able to develop process for some of APIs / intermediates viz. Diltiazem, Pentoxifyline, Ciprofloxacin, Fexofenadine, Iopamidol and Naproxen.

Our Company has also been granted ISO 9001:2000 Certificate of Assessment by AQA International LLC with a scope of design development, manufacture and supply of organic and inorganic intermediates.

Factors affecting results of our operations

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

- Competition from non- Indian API/intermediate producers

- Growing demand for production and research outsourcing in the global pharmaceutical industry
- Capital expenditure, including capacity expansion
- Working capital arrangements
- Changes in prices of APIs and Intermediates and
- Changes in prices of critical raw materials

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

Income

We have been mainly engaged in the manufacture of 2, 4 Dichloro 5 Fluoro Acetophenone, Chloro Hexane 2, 1 till 2004. We have thereafter in 2004 added intermediates like CIS + Hydroxy Lactam and Sodium Methoxide by entering into contracts for conversion jobs with Nitya Laboratories Limited and have also started manufacturing Methyl-4 (4-Chloro 1-Oxo butyl) a, a Di Methyl Phenyl Acetate and Ciprofloxacin from our own manufacturing facilities. The sales trend for the last 5 years is given below:

(Rs. in Lakhs)

Particulars	Period ended December 31, 2007		Year ended March 31, 2007		Year ended March 31, 2006		Year ended March 31, 2005		Year ended March 31, 2004		Year ended March 31, 2003	
	As %age to total sales	Value	As %age to total sales	Value	As %age to total sales	Value	As %age to total sales	Value	As %age to total sales	Value	As %age to total sales	Value
Names of Major Products												
2,4 Dicholoro 5 Fluoro Acetophenone	28.81	3371.46	39.88	4812.28	35.86	3,613.35	49.27	3,479.55	72.55	2,184.77	72.82	1654.80
Chloro Hexane 2,1	8.95	1047.49	5.39	650.52	3.60	362.69	3.53	249.08	12.18	366.89	20.59	467.89
CIS + Hydroxy Lactam	24.27	2840.73	21.01	2534.94	24.58	2,476.62	25.31	1,787.88	0.00	0.00	0.00	0.00
Sodium Methoxide	9.73	1138.78	11.21	1352.81	10.91	1,099.61	6.08	429.42	0.00	0.00	0.00	0.00
Methyl-4(4-Chloro 1-Oxo butyl) a,a Di Methyl Phenyl Acetate	24.54	2871.70	18.30	2207.9	11.93	1,202.40	1.13	79.90	0.74	22.14	0.00	0.00
P Al. Chloride	1.23	143.86	1.38	165.94	1.30	131.48	1.52	107.40	2.47	74.28	1.59	36.15

During the year 2005-06, 2006-07 and during nine months period ended December 31, 2007, our Management has undertaken initiatives in consolidating and expanding the manufacturing facilities with the objective of increasing our product profile and presence. We have undertaken expansion of capacities of 2,4 Dicholoro 5 Fluoro Acetophenone, Chloro Hexane 2-One. We have thereafter added intermediates like CIS + Hydroxy Lactam, P Al. Chloride and Methyl-4(4-Chloro 1-Oxo butyl) a,a Di Methyl Phenyl Acetate. We also intend to introduce M -Chloro Propiophenone.

Excise Duty

Excise duty is levied on the products manufactured and sold by us. The excise duty during the above period was 16%, however, the rate of excise duty was reduced from 16% to 8% vide Finance Bill, 2008 w.e.f. March 1,

2008. The excise duty is payable at the time of removal of the products for sale in the domestic tariff area. The adjustments are made for credits of Central Value Added Tax (CENVAT) available on inputs procured by our Company, as per the Central excise Rules and regulations. The Company claims CENVAT credit on capital goods acquired as per the Central excise rules and regulations.

Price Trends

We do not foresee any decline in the sale prices of the products of our Company in the prices of 2,4 Dichloro 5 Fluoro Acetophenone, Chloro Hexane 2,1 , CIS + Hydroxy Lactam, Sodium Methoxide and Methyl-4(4-Chloro 1-Oxo butyl) a,a Di Methyl Phenyl Acetate which constitute major part of our revenues.

Expenditure:

Raw Materials

The raw materials consumed as a percentage to net sales has witnessed a declining trend during the last 5 years. Raw material costs as a percentage of net sales has come down from 83.34% in FY 2003 to 61.98% in FY 2006 and has again risen to 66.40% for FY 2007. The reduction in raw material cost is due to better sourcing capabilities, improved logistical and process planning and improved yields achieved through the research and development efforts undertaken by us.

Rs in lakhs

	Year ended					
	31-December-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Net Sales	10,379.22	10,781.88	9,031.88	6,269.64	2,626.48	2,013.45
Raw Material Consumed	6543.66	7,159.57	5598.40	4,491.88	2,063.99	1,677.92
Percentage to net sales	63.05	66.40	61.98	71.64	78.58	83.34

Other expenses

Other Manufacturing expense as percentage of net sales in FY 2003 stood at 12.98%, these expenses showed an upward trend till March 2005 and has come down to 14.87% for the year ended March 2007. The increase in other manufacturing expenses is due to job work executed at other units and increase in maintenance expenses.

Staff cost (including salaries and other employee benefits) as a percentage of net sales has come down from 2.77% in March 2003 to 1.84% in March 2006 and has stabilized at 2.25% for the year ended March 2007. The variation in staff cost is attributed to addition of employees and revision of pay scales and other benefits from time to time to bring the same at par with the industry norms.

Administrative expenses as a percentage of net sales stood at 4.17% in March 2003 and stands at 5.58% for the year ended March 2007.

Selling and distribution expenses as a percentage of net sales have risen from 0.61% in March 2003 to 0.79% in March 2005 to 1.13% in March 2007. The increase in expenses is attributed to growing business need to create awareness about our Company and their products and geographically spread out client base.

Interest and financial expenses accounted for 6.73% of the net sales in March 2003. The same have stabilized around 5% there after and stood at 4.43% of the net sales for year ended March 2007. Interest and financial expenses is on account of term loan facilities and working capital facilities availed by the Company to meet the growing business needs.

Gross Block

Our Company's gross block has been increasing over the year. Gross block has increased from Rs.702.78 lakhs as on March 31, 2003 to Rs.882.68 lakhs as on March 31, 2004, Rs.1160.04 lakhs as on March 31, 2005, Rs.1587.14 lakhs as on March 31, 2006 and to Rs. 2784.80 lakhs as on March 31, 2007. The increase in gross block over the years is on account of our Company's endeavour to expand product offering, client base and research and development initiatives

Sundry Debtors

Sundry Debtors have decreased from 15.85% as on March 31, 2003 to 5.65% as on March 31, 2006 and were 6.76% as on March 31, 2007. This was on account of improved mechanism for recovery of sales proceeds.

Our results of Operations

The table below sets forth various line items from our audited financial statements for the FY 2003, 2004, 2005, 2006, 2007 and for nine months period ended December 31, 2007 as a percentage of total income.

(Rs. in lakhs)

Particulars	Year ended					
	31-Dec-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
INCOME						
Gross Sales	11703.29	12,066.98	10,076.28	7,062.63	3,011.32	2,272.54
Less: Sales Tax	-	-	-	-	7.56	-
Less: Excise Duty	1324.07	1,285.10	1,044.40	792.99	377.28	259.09
Net Sales	10,379.22	10,781.88	9,031.88	6,269.64	2,626.48	2,013.45
Other Income	320.71	135.39	67.24	16.55	86.06	160.19
Increase/(Decrease) in stocks	682.33	1,212.25	434.81	436.22	97.54	131.60
Raw Material Consumed	6543.66	7,159.57	5598.40	4,491.88	2,063.99	1,677.92
Percentage to net sales	63.05	66.40	61.98	71.64	78.58	83.34
Other Manufacturing Expenses	1321.74	1,603.20	1,622.12	1,267.47	316.54	261.43
Percentage to net sales	12.73	14.87	17.96	20.22	12.05	12.98
Staff Cost	214.43	242.66	166.28	131.87	71.14	55.71
Percentage to net sales	2.07	2.25	1.84	2.10	2.71	2.77
Administrative & other expenses	543.22	601.67	896.48	181.17	61.94	83.93
Percentage to net sales	5.23	5.58	9.93	2.89	2.36	4.17
Selling and distribution expenses	95.81	122.08	91.71	49.42	12.28	12.19
Percentage to net sales	0.92	1.13	1.02	0.79	0.47	0.61
EBIDTA	2663.40	2,399.27	1,158.89	600.55	284.14	214.01
Percentage to net sales	25.66	22.25	12.83	9.58	10.82	10.63
Interest	549.02	477.98	322.68	272.32	152.05	135.46

Percentage to net sales	5.29	4.43	3.57	4.34	5.79	6.73
Depreciation	102.43	94.55	63.37	48.98	40.55	34.40
Percentage to net sales	0.99	0.88	0.70	0.78	1.54	1.71
Net Profit Before Tax	2011.95	1,826.74	772.84	279.25	91.54	44.15
Percentage to net sales	19.38	16.94	8.56	4.45	3.48	2.19
Net Profit After Tax	1312.36	1,359.15	571.09	209.07	54.00	10.57
Percentage to net sales	12.64	12.61	6.32	3.33	2.06	0.52

Comparison of FY 2007 with nine months period ended December 31, 2007

Sales

During the nine months ended December 31, 2007 we registered gross sales of Rs.11703.29 lakhs as compared to Rs. 12066.98 lakhs during for full year FY 2007.

EXPENDITURE

Raw materials Consumption

The expenditure on raw materials consumption was decreased from 66.40% (Rs. 7159.57 lakhs) in FY 2007 to 63.05% (Rs. 6543.66 lakhs) for nine months period ended December 31, 2007.

Manufacturing Expenses

The manufacturing expenses as percentage of net sales was Rs.1,603.20 lakhs in FY 2007 as compared to Rs.1321.74 lakhs for the nine months period ended December 31, 2007.

Salaries, Wages and other Employee benefits

The expenditure on Salaries, wages and other Employee benefits was Rs. 214.43 lakhs during nine months period ended December 31, 2007 as compared to Rs. 242.66 lakhs during FY 2007.

Administrative and other Expenses

Administrative and other Expenses as a percentage of net sales during nine months period ended December 31, 2007 were Rs. 543.22 lakhs as compared to Rs. 601.67 lakhs during FY 2006-07.

Selling and Distribution Expenses

Selling and distribution expenses were Rs. 95.81 lakhs during nine months period ended December 31, 2007 as compared to Rs.122.08 lakhs during FY 2007.

Finance Expenses

Finance Expenses during nine months period ended December 31, 2007 were Rs. 549.02 lakhs in comparison to Rs. 477.98 lakhs during FY 2007.

Earning before Interest, Depreciation, Tax and Amortisation (EBIDTA)

Our EBIDTA as a percentage to net sales during nine months period ended December 31, 2007 was Rs. 2663.40 lakhs in comparison to Rs. 2399.27 lakhs during FY 2007.

Profit after tax

Profit after tax during nine months period ended December 31, 2007 was Rs. 1312.36 lakhs as compared to Rs. 1359.15 lakhs during FY 2007.

Comparison of FY 2007 with 2006**Major events during the above period**

- During the FY 2007, production of the products viz. Acetophenone, Chlorohexanone, Methyl-4(4-Chloro 1-Oxo butyl) a,a Di Methyl Phenyl Acetate, Poly Aluminium Chloride was increased to meet the changing market demands.
- In our constant endeavour to achieve better margins, we have focused on high margin products like Chlorohexanone, Methyl-4(4-Chloro 1-Oxo butyl) a, a Di Methyl Phenyl Acetate, CIS + Hydroxy Lactam and Sodium Methoxide.
- We issued bonus shares in the proportion of 4:10 (i.e. 4 equity shares were allotted for every 10 equity shares held) aggregating to 20,75,200 equity shares as fully paid up to the existing shareholders in October 2006.
- We have allotted 7,12,800 fully paid up equity shares on preferential basis to APSFC, Promoters and to other financial investors during February, 2007 and March, 2007.
- APSFC has sanctioned a term loan of Rs.1,440 lakhs to part finance the expansion of the production facilities at the plant at Chilakamarri Village, Mahboobnagar District, Andhra Pradesh.

REVENUE**Sales**

During the FY 2007 we registered gross sales of Rs.12,066.98 lakhs as compared to Rs. 10,076.28 lakhs during FY 2006 registering a growth of 19.76%. Sales were increased on account of increased sales of Chlorohexanone, Methyl-4(4-Chloro 1-Oxo butyl) a, a Di Methyl Phenyl Acetate, CIS + Hydroxy Lactam, Sodium Methoxide.

EXPENDITURE**Raw materials Consumption**

The expenditure of raw materials consumption was increased from 5,598.40lakhs in FY 2006 (61.98% of net sales) to 7159.57 lakhs in FY 2007 (66.40% of net sales). The percentage growth in cost of raw materials to sales is due to introduction of new products. During the financial year 2007 inventory level increased to Rs 1,212.25 lakhs due to increase in work-in-progress on account of higher production levels.

Manufacturing Expenses

The Manufacturing Expenses as percentage of net sales has decreased from 17.96% (Rs.1,622.12 lakhs) in the FY 2006 to 14.87% (Rs.1,603.20 lakhs) in the FY 2007. This is due to improvisation of manufacturing process resulting in improved efficiency in operation and yields.

Salaries, Wages and other Employee benefits

The expenditure on Salaries, wages and other Employee benefits was increased from Rs.166.28 lakhs in FY 2006 to Rs. 242.57 lakhs (2.25% of net sales) in FY 2007. The increase in staff cost is on account of expanding business activities, recruitment of highly qualified and skilled manpower.

Administrative and other Expenses

Administrative and other Expenses as a percentage of net sales decreased to 5.58% (Rs.601.67 lakhs) from 9.93% (Rs.896.48 lakhs) on account of effective control over the expenses.

Selling and Distribution Expenses

Selling and distribution expenses increased from Rs.91.71 lakhs in FY 2006 to Rs.122.09 lakhs in FY 2007 accounting for 1.13% of the net sales, which was marginal.

Finance Expenses

Finance Expenses rose to Rs. 477.98 lakhs (4.43% of net sales) from Rs. 322.68 lakhs in the FY 2006. This is mainly due to increase in term loans and working capital facilities availed by our Company during the year.

Earning before Interest, depreciation, tax and Amortisation (EBIDTA)

Our EBIDTA as a percentage to net sales has increased from 12.83% (Rs. 1158.89lakhs) in FY 2006 to 22.25% (Rs.2399.27 lakhs) for the FY 2007 due to change in product mix and operating efficiencies.

Profit after tax

Profit after tax increased to Rs. 1359.15 lakhs (12.61% of net sales) during FY 2007 from Rs. 571.09 lakhs during FY 2006 (6.32% of net sales) on account of increased sales, high margin products and improved operating efficiencies.

Comparison of FY 2006 with 2005

Major Events

- During the FY 2006 production of CIS + Hydroxy Lactam, Sodium Methoxide and Methyl-4(4-Chloro 1-Oxo butyl) a, a Di Methyl Phenyl Acetate increased substantially over FY 2005.
- Gross Sales increased by 42.67% in FY 2006 over FY 2005 to touch the Rs.10076.28 lakhs mark.
- Profit after tax increased by 173.18% in FY 2006 over FY2005 from Rs.209.08 lakhs to Rs.571.16 in FY 2006.
- Our Company received the Best practices award for market penetration leadership from Frost and Sullivan during FY 2005.
- The Company allotted bonus of 38,91,000 equity shares in the ratio of 3:1 of Rs.10/- each to the existing shareholders of the Company in October 2005

REVENUE

Sales

During the FY 2006 we registered net sales of Rs. 9031.88 lakhs as compared to 6269.64 lakhs during FY 2005. The product mix of the Company underwent a change and high margin products were sold by our Company.

EXPENDITURE

Raw materials Consumption

Expenditure on raw materials consumption was increased by Rs.1106.51 lakhs to Rs. 5598.40 lakhs. Raw material expenses accounted for 61.98% of the net sales as compared to 71.64% in FY 2005. This is due to introduction of new products, improved processes resulting in efficiency in operation and yields. During the year Inventory levels remained unchanged at Rs.434.81 lakhs for FY 06 to Rs.436.22 lakhs in FY 2005.

Manufacturing Expenses

The Manufacturing Expenses were increased from 1267.47 lakhs in FY 2005 to Rs.1622.12 lakhs in FY 2006. However the Manufacturing Expenses as a percentage to sales has decreased from 20.22% in the FY 2005 to 17.96% in the FY 2006. This is due to introduction of new products, improved processes resulting in efficiency in operation and yields achieved through our research and development efforts

Salaries, Wages and other Employee benefits

The Expenditure on Salaries, wages and other Employee benefits was increased from Rs.131.87 lakhs in FY 2005 (2.10% of net sales) to Rs. 166.27 lakhs (1.84% of net sales) in FY 2006. The absolute increase in staff cost is on account of new recruitments and increments to existing employees in line with industry standards

Administrative and other Expenses

The Administrative and other Expenses was increased from Rs. 181.17 lakhs (2.89% of net sales) in FY 2005 to Rs. 896.48 lakhs (9.93% of net sales) in FY 2006. The increase in expenses is on account of increase in travelling and conveyance expenses, increase in vehicle maintenance, increase in professional fees to consultants, rates and taxes expenses and expenses to human resource initiatives undertaken by our Company.

Selling and distribution expenses

Selling and distribution expenses accounted for 1.02% (Rs.91.71 lakhs) as against 0.79% (Rs.49.42 lakhs), which is marginal and routine in nature to meet the demands of the growing business.

Finance Expenses

The Finance Expenses has increased from Rs. 272.32 lakhs in the FY 2005 to 322.68 Lakhs in the FY 2006, an increase of 18.49% on account of increased working capital limits.

Earning before Interest, depreciation, tax and Amortisation (EBIDTA)

Our EBIDTA as a percentage to sales has increased from 9.58% in FY 2005 to 12.83% in FY 2006 on account of increase in sales by 42.67% and change in product mix, which resulted in better margins.

Profit after tax

Profit after tax amounted to Rs. 571.09 lakhs at 6.32% of net sales for the year ended March 31, 2006 as compared to Rs. 209.07 lakhs (3.33% of net sales) for the year ended March 31, 2005, which is mainly on account of increase in sales, better sales realization, improved process technology, improved yields due to research and development initiatives.

Comparison of FY 2005 with 2004

Major events

- During the FY 2005 we introduced CIS + Hydroxy Lactam and Sodium Methoxide. The market response to these products was good. During the year, we increased capacities of our product by incurring an expenditure of Rs. 277.35 lakhs.
- We have allotted 3,23,169 equity shares of Rs.10/- each as rights shares to the existing shareholder of the company in March, 2005.

REVENUE

Sales

During the FY 2004 we registered sales of Rs.7062.63 lakhs as compared to Rs.3011.32 lakhs during FY 2004 i.e. an increase of 134.54% on account of introduction of new product line which increased our sales.

EXPENDITURE

Raw materials Consumption

The expenditure of raw materials consumption was increased from Rs.2063.99 lakhs in FY 2004 to Rs. 4491.88 lakhs in FY 2005 registering an increase of 117.63%. As a percentage to net sales, raw material consumption reduced from 78.58% of net sales to 71.64% of net sales in FY 2005. The increase in cost of raw material was on account of increase in sales/production. During the year inventory increased by Rs 338.68 lakhs to Rs. 436.22 lakhs on account of increased higher production levels.

Manufacturing Expenses

The Manufacturing Expenses were increased from Rs.316.53 lakhs in FY 2004 to Rs.1267.47 lakhs in FY 2005 and Manufacturing Expenses as a percentage to net sales has increased from 2.05% in the FY 2004 to 20.22% in the FY 2005. The increase in manufacturing expenses is commensurate to increase in sales during the year and new products introduced by the Company during the year

Salaries, Wages and other Employee benefits

The expenditure on Salaries, wages and other Employee benefits increased from Rs.71.14 lakhs in FY 2004 to Rs.131.87 lakhs in FY 2005 an increase of 85%. Increase in expenses is on account of increments to the existing employees, recruitment of new employees, provisions for gratuity to the employees. However, as a percentage of sales, the staff cost decreased from 2.71% during FY 2004 to 2.10 during FY 2005.

Administrative and other expenses

Administrative and other expenses increased from Rs. 61.94 lakhs in FY 2004 to Rs. 18.17 lakhs in FY 2005 on account of increase in travelling and conveyance expenses, vehicle maintenance, and professional fees.

Selling and Distribution expenses

Selling and distribution expenses increased from 0.47% (Rs.12.28 lakhs) of net sales in FY 2004 to 0.79% (Rs.49.42 lakhs) in FY 2005, which was marginal.

Finance Expenses

The Finance Expenses has increased from Rs. 152.05 lakhs in the FY 2004 to Rs. 272.32 Lakhs in the FY 2005 on account of increase in sales which had resulted in larger working capital funding.

Earning before Interest, depreciation, tax and Amortisation (EBIDTA)

EBIDTA as a percentage to net sales has decreased from 10.82% (Rs.284.14 lakhs) in FY 2004 to 9.58% (Rs.600.16 lakhs) in FY 2005, which is on account of increase in manufacturing expenses, administration and selling expenses.

Profit after tax

Profit after tax amounted to Rs. 209.07 lakhs for the year ended March 31, 2005 as compared to Rs. 54.00 lakhs for the year ended March 31, 2004. Net profit after tax as a percentage of net sales increased from 2.05% to 3.33%.

Other Matters

Unusual or infrequent events or transactions

There are no unusual or infrequent events or transactions that have significantly affected our business.

Significant economic changes that materially affected or are likely to affect income from continuing operations

There are no significant economic changes that materially affected Company's operations or are likely to affect income from continuing operations except for changes in API prices and volatility in foreign exchange rates may have an inflationary effect on the cost of imports. However, since we export a portion of our Sales, any inflationary effect on imports will be offset by higher realizations of exports.

Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

Some of the raw materials, which are imported, have shown a volatile trend in the last 3 to 5 years. The cyclical movements in the prices of these materials seem to be on account of the changes in demand and supply position. As a sequel to the volatility in the price of raw materials, the end product prices tend to move up or come down in the same direction if not in the same proportion.

Apart from the above there are no known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations except as described in the section titled "Risk Factors" on page no. iii and in "Management Discussion and Analysis of Financial Condition and Results of Operations" in this Red Herring Prospectus, to Company's knowledge.

Future relationships between costs and revenues

Our R & D centre has developed efficient and innovative processes resulting in cost reduction, process improvement and improved yields. The R & D centre will also be working on various custom syntheses and get involved in contract research, which is expected to gain momentum among the leading Pharma Companies across the Globe and benefit our Company.

Other than as described in the section titled "Risk Factors" and "Managements Discussion and Analysis of Financial Conditions and Results of Operation" in this Red Herring Prospectus, to our knowledge there are no future relationship between cost and income that have or had or expected to have a material adverse impact on our operations and finances.

Increases in net sales or revenue and Introduction of new products or services or increased sales prices

Increases in revenues are by and large linked to increases in volume of manufacturing activity carried out by our Company.

Total turnover of each major industry segment in which the Company operated

Our Company operates in only one Industry Segment i.e. Pharmaceutical Industry.

Status of any publicly announced New Products or Business Segment

The Company has not announced any new products or business segment. However there are few intermediaries, API and formulation which are in various stages of R&D.

Seasonality of Business

There are no products by our Company sold which are seasonal in nature.

Dependence on a single or few suppliers or customers

We source our raw materials from a number of suppliers and do not have excessive dependence on any single supplier. We do depend on few customers for selling our products since our top ten customers account for approximately 85.62% of our revenues and our largest customer is Dr. Reddy's Laboratories Limited which constitutes 47.75% of our revenues during 2006-07.

Competitive conditions

We will face competition from existing players in pharmaceutical bulk-drug industry in India.

Details of material developments after the date of last Balance Sheet:

No circumstances have arisen since the date of the last financial statement until the date of filing of this Red Herring Prospectus with SEBI, which materially and adversely affect or is likely to affect the operations or profitability of our Company, or value of its assets, or its ability to pay its liability within next twelve months except for allotment of 1,80,000 Equity Shares on January 24, 2008.

SECTION VI - LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS & MATERIAL DEVELOPMENTS

There are no outstanding litigations, suits or criminal or civil prosecutions against our Company, our Directors, our Promoters and our Promoter Group or any disputes, tax liabilities, non payment of statutory dues, over dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by our Company and/ or Promoter Group, defaults in creation of full security as per the terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act) against our Company, our Directors, our Promoters and our Promoter Group, except the following:

CASES FILED AGAINST OUR COMPANY

Civil Cases:

1. O.S. No. 171 of 2006 filed by Virender Reddy & others against our Company before the Senior Civil Judge, Mahboobnagar.

Virendra Reddy, the Plaintiff had filed a suit for recovery of the property bearing Survey No. 17, situated at Ramakrishnapur Village, Farooqnagar Mandal. The case was that Late Challa Naryana Reddy got various agricultural lands including land bearing Survey No. 17 extent 5 acres 39 guntas, situated at Ramakrishnapur Village, Farooqnagar Mandal. On his death, his son got partitioned all the lands except the land bearing Survey no. 17. The said land was given on lease as tenant at will to Babu Rao, who was the patwari of the village. Late C. Pulla, father of defendant no. 4 to 8 by colluding with Defendant no. 20 & 21 inducted the Company on the disputed land. The plaintiffs requested the defendant no. 1 to 19 to effect the partition and division of the land and requested defendant no. 20, 21 & 22 to deliver the vacant possession to the extent of 1/6th share of the plaintiff. Further the plaintiff had filed an interim application no. 448 of 2006 in 171 of 2006 seeking direction of the court to implede APSFC and APIDC in the case.

However, the Company in its written statements had submitted that Late Challa Narayana Reddy was the pattedar of suit land. He during his lifetime donated the said land to the Bhoodan Samithi in the year 1964. The suit land was allotted to Babu Rao as a beneficiary. After the death of Babu Rao, his wife and son, defendant no. 21 & 20 sold the suit land through registered sale deed. The suit land was ultimately purchased by M/s. Jai Organics Ltd, through three different sale deeds. After purchasing the suit land, Jai Organics Ltd approached A.P. Industrial Development Corporation (APIDC) and A.P. State Financial Corporation (APSFC) for grant of loan for establishment of a chemical factory by offering the suit land as security and as site for establishment of said factory. On scrutiny of land documents submitted, APSFC noticed that the suit land was originally donated to the Bhoodan Samithi for distribution of the same to the landless poor persons and the same was allotted to Babu Rao as beneficiary. Further, as per the conditions of allotment of land by Bhoodan Samithi the lands were prohibited from sale, hence the corporation refused to grant loan. On that, Jai Organics Ltd. offered another land in lieu of suit land and requested to release the suit land. Thus, an exchange deed was executed between Jai Organics Ltd. & Bhoodan Yagna Board. In view of deed of exchange, the APIDC & APSFC sanctioned loan of Rs. 48.56 lakhs to Jai Organics Ltd, on hypothecation of the suit land. On availment of loan, a chemical factory was established on suit land. But, Jai Organics Ltd., had committed default in payment of loan, hence the APSFC seized the said unit along with land and advertised for the sale of unit. The

Company participated in the bidding and emerged as highest bidder for a consideration of Rs. 40.40 lakhs. The corporations had executed a registered sale deed in favour of the Company. Inadvertently, the name of the village was shown as Solipur instead of Ramakrishnapuram Village and on noticing the same, a rectification deed was executed. The amount involved in the suit is Rs 1.33 lakhs which is his one sixth share of the market value of suit schedule land determined for the purpose of court fee while filing the case.

The Hon'ble Court allowed the petition for impleading APSFC and APIDC in the case and the date of next hearing is fixed on June 30, 2008.

2. O.S. No. 447 of 2007 filed by Sega Enterprises Ltd against our Company before the Hon'ble Chief Judge, City Civil Court at Hyderabad

M/s. Sega Enterprises, appellant agreed to procure 500 kg of CNF 6 molecule at the rate of 175\$ per kg from our Company. In order to protect the appellant's intellectual property rights, a non-disclosure agreement on March 7, 2005 was entered between the parties. The appellant remitted an amount of \$22,500, being 25% of the total consideration amount through proforma invoice dated June 15, 2006. Our Company in their e-mail dated September 18, 2006 requested the appellants that the balance 75% of the order value should be secured by letter of credit from any international bank and in the event of failure of appellant to secure the balance payment in the above manner, our Company would be constrained to dispose off the material exclusively bought for the appellants. Our Company didn't supply the material because on non receipt of balance amount and thus a suit was filed for the relief of Specific Performance of invoice dated June 15, 2006. Pending the suit, an interim injunction restraining our Company from transferring the 500 kg of CNF-6 molecule to the third parties, was sought for in I.A. No. 3368 of 2006 and the same has been dismissed. Further, an appeal filed in the Hon'ble High Court vide C.M.A. No. 446/07 has also been dismissed. The O.S. No.447 of 2007 is pending before Hon'ble Chief Judge, City Civil Court at Hyderabad. The next date of hearing is fixed for April 28, 2008.

APPEALS FILED BY OUR COMPANY:

Sales Tax Cases:

The Assessing Authority by his proceedings dated April 28, 2004 had finalised the assessment under APGST Act for the Assessment Year 2002-03. Aggrieved by the Order, the Company had preferred an Appeal before the Appellate Deputy Commissioner (CT) Hyderabad Rural Division, Hyderabad, who by his proceedings dated June 28, 2004 passed A No. N/107/2004-05, remanding the Appeal back to the Assessing Authority with certain directions for fresh assessment. The Company thereafter preferred an Appeal before the Sales Tax Appellate Tribunal along with a Stay Petition which were not admitted. The Assessing Authority thereafter passed the Order which was received by the Company on November 24, 2007. Aggrieved by the said Order, the Company preferred an Appeal before the Appellate Deputy Commissioner (CT), Hyderabad Rural Division, Hyderabad, on December 22, 2007 against the Orders of the Commercial Tax Officer, Jadcherla Circle, both for APGST as well as for CST, for grant of relief of Sales Tax Holiday amounting to Rs. 59.26 lacs and Rs 13.57 lacs respectively. The said Appeals were made with reference to the Final Eligibility Certificate for Sale Tax Holiday for the Original Unit as well as for the Expanded Unit, obtained by the Company and stating that the Assessing Authority failed to determine the base turnover as defined in G.O.Ms No. 108, Ind. & Com. Department dated May 20, 1996 which is a complete code by itself covering all the areas where the State intended to grant or extend the benefit of incentives.

The ADC (CT) in response to the aforesaid Appeals, passed Orders A No. 45 & 46 /2007-08, on March 25, 2008 remanding the matter back to the Assessing Authority with the directions to examine the claims of the Appellant afresh and pass appropriate orders in accordance with the law both for APGST as well as for CST.

In similar circumstances, the ADC passed an Order against Appeal No. N/8/2007-08 for Assessment year 2003-04 (APGST), remanding the matter back to the Assessing Authority for verification of Form 'G' for Rs 58.01 lacs and allow concessional rate of tax. The ADC in the said Order dismissed the Appeal for remaining turnover for Rs. 383.74 lacs due to inability of the Company to secure and file Form 'G' and also dismissed the Appeal with respect to the turnover of Rs. 168.75 lacs pertaining to Conversion Charges. The ADC also passed an Order against Appeal No. N/9/2007-08 for Assessment Year 2003-04 (CST), remanding the matter back to the Assessing Authority for verification of Form 'C' in respect of the turnover of Rs. 399.64 lacs and allow concessional rate of tax and dismissed the Appeal for remaining turnover for Rs. 53.98 lacs due to inability of the Company to secure and file Form 'C' and also dismissed the Appeal with respect to the Export turnover of Rs. 2.84 lacs.

As regards Assessment Year 2004 - 05 (APGST), the Assessing Authority vide its Provisional Order dated November 11, 2004 had assessed a tax of Rs. 57.64 lacs for the period April to July 2004 (4 months period). Against this the Company has already paid Rs. 29.70 lacs during the period May to August, 2004. The final date of hearing was February 26, 2008 however, the final orders are yet to be received.

Income Tax Cases:

The Company has filed an Appeal (No. CT/07/20006) with Commissioner of Income Tax (Appeals) - II on January 24, 2008, against the Assessment Order dated December 24, 2007 of the Assistant Commissioner of Income Tax, Circle 1(1) Hyderabad, as the Assessing officer has disallowed the deduction U/S 80IB of the Income Tax Act, 1961 amounting to Rs. 168.34 lacs which consists of Export incentives of Rs. 165.44 lacs, Dividend of Rs 0.10 lacs and Interest of Rs. 2.80 lacs. The Assessing Officer held that none of these incomes are eligible for computing deduction U/S 80IB on the ground that the same were not derived from the eligible business. Date of hearing has not been fixed so far.

Litigations by our Directors

There are no cases filed by our Directors

Litigations against our Directors

There are no cases filed against our Directors.

Litigations by our Promoters

There are no cases filed by our Promoters.

Litigations against our Promoters

There are no cases filed against our Promoters.

LITIGATIONS BY OR AGAINST OUR PROMOTER GROUP COMPANIES

CASES FILED AGAINST NITYA LABORATORIES LIMITED (NLL)

1. Cases filed by Sri Chavadi Pharma Private Ltd:

- **Criminal Case under Negotiable Instruments Act-** CC No. 1560/2004, 171/2004, 170/2004 before the XIV Additional Chief Metropolitan Magistrate, Hyderabad (Cases disposed of as explained below).
- **Civil Case - O.S. No. 92 of 2006** before the Court of Chief Judge at Hyderabad

- **Criminal case u/s 420 of IPC - CC No. 810 of 2007 before Court of III Additional Chief Metropolitan Magistrate, Nampally, Hyderabad**

From April 2002 to December 2003 Nitya Laboratories Limited, Defendants, lifted material on credit basis and on letter of credit from M/s. Chavadi Pharma Private Ltd, plaintiff. The amount in credit was to be paid within a period of 30 to 45 days from the date of receipt of material. Penal interest of 21% p.a. was also prescribed within a period of 30 to 45 days from the date of receipt of material and a further penal interest of 21% p.a. was also prescribed. The defendants paid a sum of Rs. 7 lakhs against the claim of Rs. 12.79 lakhs. The defendants further made purchases of Rs. 18.56 lakhs. With a view to pay the amount, the defendants issued cheque bearing nos. 319901, 319910, 319958 for Rs. 5.79 lakhs, Rs. 9.04 lakhs and Rs. 9.50 lakhs respectively. But the same were dishonoured when presented in bank for encashment. Subsequently the defendants paid Rs. 5 lakhs on January 08, 2003, but failed to pay the balance Rs.19.35 lakhs out of total outstanding of Rs. 24.34 lakhs. Sri Chavadi Pharma Private Limited filed criminal case under section 138 of the Negotiable Instruments Act. The case numbers CC 170/2004 & 171/2004 was filed on January 30, 2004 and case number 1560/2004 was filed on March, 31, 2004. The Hon'ble Court has passed the orders in CC No. 1560/2004 by acquitting the Company and in respect of CC No. 171/2004 & 170/2004, imposed a fine of Rs. 0.10 lacs each on the Company & its MD which was paid.

In respect of the above matter M/s Chavadi Pharma Private Ltd had also filed a civil suit before court of Chief Judge of Hyderabad on September 18, 2006 for claim of Rs.30.31 lakhs towards aforesaid amount and interest @ 21%. The written statement is to be filed by the respondent. The next date of hearing is fixed for April 28, 2008.

Further Sri Chavadi Pharma Private Ltd plaintiff, on July 23, 2007 filed a case under Section 420 of IPC. In the first hearing of the case on September 17, 2007, the Advocate of Nitya Laboratories Limited, the defendants filed memo of appearance and no documents filed by the complainant were received. The next date of hearing has been fixed for May 26, 2008.

2. Case filed by Siddharth Global Ltd and Application preferred by NLL against the party.

- **Criminal Case under Negotiable Instruments Act-** 263/ss/2004 and 825/ss/2004 filed by M/s Siddharth Global Ltd before the Court of Metropolitan Magistrate, 18th Court Girgaon, Mumbai
- **Application u/s 191/193 of IPC -** Case No. 4794/ss/2005 and 4795/ss/2005 in CC No. 263/S/2004 and 825/S/2004 filed by Nitya Laboratories Limited against M/s. Siddharth Global Ltd before Metropolitan Magistrate's 18th Court, Girgaon at Mumbai

M/s. Siddharth Global Ltd, Plaintiff had filed two criminal complaints for recovery of its payment for the materials supplied to Nitya Laboratories Limited, Defendants. The plaintiff and defendants had agreed for settlement of the matter and withdrawal of the aforesaid two criminal cases complaint on receiving the demand draft for an amount of Rs. 7.57 lakhs towards full and final settlement of the dues. Accordingly, on December 13, 2004 parties through their respective representatives and Advocates met in Girgaon Court premises and representative of defendants handed over the demand draft for Rs. 7.57 lakhs drawn in favour of plaintiff to its representative. But on their receiving the demand draft, the representative of plaintiff not only failed to withdraw the case, but also disappeared with the draft from the court room on December 20, 2004. In spite of the repeated reminders of the defendants, the cases have not been withdrawn as promised and thus the defendant had filed an application to try the plaintiff and its constituted attorney for offence punishable under Section 191 read with Section 193 of Indian Penal Code on February 18, 2005 in the court of

Metropolitan Magistrate, 18th Court, Girgaon, Mumbai. The case is still pending and the next date of hearing is fixed for April 28, 2008:-

3. Other Civil Cases pending against Nitya Laboratories Limited (NLL)

(a) O.S. No. 874 of 2007 filed by M/s. Corey Organics Limited before the Court of II Senior Civil Judge, Civil Court at Hyderabad

M/s. Corey Organics Limited, plaintiff and Nitya Laboratories Limited, defendant executed conversion agreement on September 1, 2003. As per the agreement, the defendant had to supply raw material and the plaintiff had to convert the same to product as per the instructions of the defendant, which the plaintiff did and dispatched on various dates. The defendant had a running account with the plaintiff. The defendants were supposed to pay the charges to the plaintiff within 60 days from the date of receipt of the conversion invoices, otherwise interest @ 21% p.a. was payable. As on March 31, 2004 a sum of Rs.5.02 lakhs was due to the plaintiff, which the defendant failed to pay. The plaintiff issued notice dated August 8, 2005 through its counsel demanding the above said payment. The defendants paid a sum of Rs. 10,000/- but could not clear the entire dues. The plaintiff there after filed recovery suit for Rs.8 lakhs (inclusive of interest till March 5, 2007) together with interest @21% p.a. on the principal amount of Rs.5.02 lakhs, from the date of suit till the date of realisation. The Company has raised the objection stating that there is an Arbitration clause in the conversion agreement and aggrieved parties should go for the Arbitrator to settle the disputes, instead of doing that the Plaintiff has approached the Court and hence this case is not maintainable. The Case is pending for hearing and the next date of hearing is fixed for April 30, 2008.

(b) O.S. No. 3114 of 2007 filed by M/s Rolan Seals before Court of VII Junior Civil Judge, Civil Court at Hyderabad

M/s. Rolan Seals, the plaintiff is a partnership firm, engaged in the manufacture of mechanical seals and supplying the same to various companies and wholesalers on cash and credit basis. During the course of business defendant purchased the said product through Invoice No.0163 dated October 18, 2004 for Rs.0.68 lakhs but failed to make the payment. The Court has decreed the case expartite on December 3, 2007 and the Company has filed a petition for revocation of Expartite Order on December 31, 2007.

APPEALS FILED BY NITYA LABORATORIES LIMITED:

Sales Tax Cases:

Nitya Laboratories Limited has made an Appeal on January 5, 2008 to the Appellate Deputy Commissioner of Commercial Taxes, Punjagutta Division, Hyderabad, against the orders passed by Assessing Officer for CST for the Assessment Year 2003-04, which is pending. The company in its appeal has disputed the turnover determined by the Assessing authority and has appealed for grant of relief of Rs. 18.39 lacs. The appeal state that the assessing authority has failed to note that the base turnover has been defined in G.O.Ms No. 108, I & C Department dated May 20, 1996.

Nitya Laboratories Limited has also made a similar Appeal on February 2, 2008 to the Appellate Deputy Commissioner of Commercial Taxes, Punjagutta Division, Hyderabad, against the orders passed by Assessing Officer, disputing a tax liability of Rs 42.25 lacs for the Assessment year 2004-05 (APGST), which is pending.

Legal Notice received by Nitya Laboratories Limited

Nitya Laboratories Limited has received a notice dated March 4, 2008 from State Bank of India, Stressed Asset Management branch, Patny Centre, Secunderabad, through its Advocate, due to default in payment as per

sanctioned restructuring package. The notice states that since the company has failed to fulfil the terms of restructuring, the sanctioned restructuring stood withdrawn and the company is liable to pay the amount outstanding along with interest @ 18.25% at monthly rests from November 1, 2004. It also states that if the outstanding balance is not paid within ten days of the notice, the bank will be constrained to file a case in the court of law. Nitya Laboratories Limited vide their letter dated April 3, 2008 have submitted their repayment schedule and promised that all dues upto March, 2008 shall be paid by May 28, 2008 and dues falling during April - June, 2008 will be paid by the end of June, 2008. Nitya Laboratories Limited paid an amount of Rs. 20 lakhs on March 15, 2008 and Rs. 10 lakhs each on April 2, April 9 and April 16, 2008. State Bank of India has yet not taken any action against Nitya Laboratories Limited.

Penalties imposed on our Company in the last five years

No penalty is imposed on our Company during the last five years.

Penalties imposed on our Promoter Group companies in the last five years

No penalty is imposed on our Promoter Group companies during the last five years except that our promoter group company viz. M/s. Nitya Laboratories Limited and its Managing Director has paid a penalty of Rs. 0.20 lakhs each during the current financial year in respect of disposal of case (CC no. 171/2004 & 170/2004) under Section 138 of Negotiable Instrument Act filed by Chavadi Pharma Private Ltd.

Amounts owed to small scale undertakings

Our Company does not owe a sum exceeding Rs. 1 Lakhs to any small scale undertakings, which is outstanding for more than 30 days from the date such amount was due.

Material Developments since the last Balance Sheet date i.e. December 31, 2007

No material development since the last Balance Sheet date i.e. December 31, 2007. In compliance with AS 4 to our knowledge no circumstances other than disclosed in this Red Herring Prospectus have arisen since the date of the last financial statements contained in this Red Herring Prospectus which could materially and adversely affect or is likely to affect, the trading and profitability of our Company, or the value of our assets or their ability to pay our material liabilities within the next 12 months.

Government Approvals

Our Company has all the necessary licenses, permissions and approvals, as may be applicable, from the Central and State Governments and other Government agencies/certification bodies required for carrying on the existing business and no further approvals are required by our company, except those which may be required from any government or any other authority in the normal course of business from time to time to continue its existing activities.

With regard to the proposed project at Jawaharlal Nehru Pharma City, Vishakhapatnam, we have obtained/applied for certain approvals / registrations and other required approvals / registrations would be obtained at appropriate time, details of which are given below.

Licenses / Approvals / Registrations obtained by our Company

a) Registrations under the Companies Act, 1956

S. No.	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
1.	Registrar of Companies, Hyderabad	01-23283	Companies Act, 1956	Certificate of Incorporation	Valid till cancelled
2.	Registrar of Companies, Hyderabad	01-23283	Companies Act, 1956	Certificate of Commencement of business	Valid till cancelled

b) Registrations under various Acts/Rules relating to Income Tax, Sales Tax, Value Added Tax and Central Excise

S. No.	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
1.	Chief Commissioner of Income Tax, Andhra Pradesh	AACCA0071G	Income Tax Act, 1961	Permanent Account No.	Valid till cancelled
2.	Superintendent (Service Tax), Customs & Central Excise, Hyderabad	HYD-II/STC/ISD/14/2005	Finance Act, 1994	Service Tax Registration	Valid till cancelled
3.	Assistant Commercial Tax Officer, Jadcherla	NLG/06/1/2437/98-99	Andhra Pradesh General Sales Tax Act, 1957	Registration	Valid till cancelled
4.	Assistant Commercial Tax Officer, Jadcherla	NLG/06/1/1712/98-99	Central Sales Tax Act, 1956	Registration	Valid till cancelled
5.	Assistant Commissioner of Central Excise,	AACCA0071GXM001	Central Excise Rules, 2002	Registration	Valid till cancelled

	Hyderabad				
6.	Superintendent of Central Excise	AACCA0071GST001 GTA/227/2005-S.Tax	Finance Act, 1994	Registration for services of Goods Transport Agency	Valid till cancelled
7.	Commercial Tax Officer, Jadcherla	28620120389	Andhra Pradesh Value Added Tax Act, 2005	Value Added Tax Registration Certificate	Valid till cancelled
8.	Asst. Commissioner of Central Excise, Ankleshwar, Gujarat	AACCA0071GXD001	Central Excise Rules, 2002	Registration as Dealer	Valid till cancelled
9.	Asst. Commercial Tax Commissioner, Ankleshwar, Gujarat	24711002320	Central Sales Tax Act, 1956	Registration as Dealer	Valid till cancelled
10.	Asst. Commercial Tax Commissioner, Ankleshwar, Gujarat	24211002320	Gujarat Value Added Tax Act, 2003	Registration as Dealer	Valid till cancelled

c) Registrations under various Industrial and Labour Laws

S. No.	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
1.	Assistant Commissioner of Provident Fund	AP/34824	Employees (Provident Fund & Miscellaneous Provisions) Act, 1952	Provident Fund Registration	Valid till cancelled
2.	Regional Director Employees' State Corporation	52-23424-34	Employees State Insurance Act, 1948	Registration	Valid till cancelled
3.	Regional Director Employees' State Corporation	52-23424-34 (A)	Employees State Insurance Act, 1948	Allotment of Sub-code no. for premises out of Shadnagar	Valid till cancelled
4.	Regional Director Employees' State Insurance Corporation	52-23424-34 (B)	Employees State Insurance Act, 1948	Allotment of Sub-code no. for R & D Centre at Balanagar, Hyderabad	Valid till cancelled
5.	Licencing Officer, Under the Contract Labour Act	A- 4/ 98(CR)	Control Labour & (Abolition & Regulation) Act	Registration as Principal Employer	Valid till cancelled
6.	Regional Provident Fund Commissioner	AP/HY/50559	Employees Provident Fund & Miscellaneous	Registration in the name of M/s P. Sri Sailam	Valid till cancelled

			Provisions Act, 1952	Gaud, labour contractor	
7.	Regional Provident Fund Commissioner	AP/HY/50560	Employees Provident Fund & Miscellaneous Provisions Act, 1952	Registration in the name of M/s N. Narasimha Raju, labour contractor	Valid till cancelled
8.	Employees' State Insurance Corporation	52-23902-101	Employees' State Insurance Act	Registration in the name of M/s P. Sri Sailam Gaud, labour contractor	Valid till cancelled
9.	Employees' State Insurance Corporation	52-23903-101	Employees' State Insurance Act	Registration in the name of M/s N. Narasimha Raju, labour contractor	Valid till cancelled

d) Registrations and approvals from various Governmental and Regulatory Authorities

S. No.	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
1.	Secretariat For Industrial Assistance	166/SIA/IMO/2001	Industrial Development Regulation Act, 1951	Acknowledgement for Industrial Entrepreneur Memorandum	Valid till cancelled
2.	General Manager, District Industrial Centre, Mahboobnagar	011304039	Industrial Development Regulation Act, 1951	Registration as SSI/SSSBE	Valid till cancelled
3.	Foreign Trade Development Officer	0997004975		Importer Exporter Code	Valid till cancelled
4.	Director of Factories, Andhra Pradesh	43705	Factories Act, 1948	License to work a factory	Valid till cancelled
5.	Director Drugs Control Administration	41/MN/AP/2004/B/G	Drugs & Cosmetics Act, 1940	Drug License	07.09.2009
6.	Divisional Engineer Electricals Operation, Jadcherla	Memo No. SE/OP/MBNR/ADE-C1/SOS/D.No. 192 dt. 21.04.05	Electricity (Supply) Act, 1948	Extension of Supply of HT Load	30.06.2010
7.	Deputy Inspector Of Boilers, Hyderabad	AP-3570	Indian Boilers Act, 1923	Certificate for use of a Boiler	Applied for renewal on

					01.11.2007.
8.	Deputy Inspector Of Boilers, Hyderabad	AP-1963	Indian Boilers Act, 1923	Certificate for use of a Boiler	01.11.2008
9.	Department of Scientific and Industrial Research	TU/IV-RD/2265/2007		Renewal of recognition of in-house R&D unit(s)	31.03.2010

e) Approvals /Clearances relating to Pollution Control

S. No.	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
1.	Deputy Chief Controller of Explosives	P/HQ/AP/15/3 247 (P18859)	Petroleum Act, 1934	License to import and store petroleum in installation	31.12.2009
2.	Joint Chief Environmental Engineer	63-MAB/PCB/ZOH /CFO/ 2007	Water (Prevention & Control of Pollution) Act, 1974, Air (Prevention & Control of Pollution) Act, 1981 and Hazardous Wastes (Management & Handling) Rules	Consent to operate the industrial plant	31.12.2008

f) Quality Certifications and Registration/Membership of Trade Association/Export Council

S. No.	Authority granting approval	Approval/ registration number	Nature of approval	Validity
1.	President, AQA, International	3226	ISO Certification	30.12.2008
2.	General Manager, Pharmaceutical Export Promotion Council	PXL/SSM/II/1813/2004-05	Registration Cum Membership Certificate	31.03.2009

g) Licenses, Approvals and Registrations obtained for the new project at Vishakhapatnam

S. No.	Authority granting approval	Approval/ registration number	Applicable law	Nature of approval	Validity
1.	Asst. Commissioner of Central Excise, Vishakhapatnam	AACCA0071GXM003	Central Excise Rules, 2002	Registration	Valid till cancelled

Licenses, Approvals and Registrations applied for, for the new project at Vishakapatnam

S. No.	Authority granting approval	Applicable law	Nature of approval
1.	Chief Controller of Explosives, Petroleum and Explosives Safety Organisation (PESO), Ministry of Commerce and Industry	Petroleum Act, 1934	License to import and store petroleum in installation
2.	Commissioner Commercial Taxes, Nalagonda	Andhra Pradesh Value Added Tax Act, 2005	Value Added Tax Registration Certificate

We would apply for following licenses, approvals, registrations at various stages of implementation for the proposed project at Vishakapatnam:

1. Factory Registration
2. Secretariat for Industrial Assistance Registration
3. Drugs Control Administration
4. Inspector of Boilers Registration
5. Approvals/Clearance relating to Pollution Control
6. Power Sanction

Other Regulatory and Statutory Disclosures

Authority for the issue

The Issue of Equity Shares in the Issue by the Company has been authorised by the resolution of the Board of Directors passed at their meeting held on January 02, 2007 subject to the approval of shareholders through a special resolution is to be passed pursuant to Section 81(1A) of the Companies Act, 1956. The shareholders approved the issue at the Extra Ordinary General Meeting of the Company held on January 27, 2007.

Prohibition by SEBI

Neither our Company, nor our Promoters, our Directors, any of our Promoter Group Companies, and the companies or entities with which Directors of our Company are associated, as directors or promoters, have been prohibited from accessing or operating in the capital market or restrained from buying, selling or dealing in securities under any order or directions passed by SEBI.

None of the Promoters, their relatives, our Company, our Directors or the Promoter Group Companies are detained as wilful defaulters by RBI/Government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past.

Eligibility for the issue

The Company is eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines, as confirmed by the Auditors of the Company:

- The Company has net tangible assets of at least Rs. 300.00 Lakhs in each of the 3 preceding full years (of 12 months each) of which not more than 50% is held in monetary assets.
- The Company has had a pre-issue net worth of not less than Rs. 100.00 Lakhs in each of the three preceding full years (of 12 months each).
- The Company has had a track record of distributable profits as per Section 205 of the Companies Act, 1956, for at least three out of the immediately preceding five years.
- The proposed issue size would not exceed five (5) times the pre-issue net worth of the Company as per the last audited accounts.
- The Company has not changed its name within the last one year.

The net tangible assets, monetary assets, distributable profits and net worth as derived from the restated financial statements prepared in accordance with SEBI Guidelines, for the last five financial years ended March 31 is set forth below:

	(Rs in Lakhs)				
Particulars	31.03.07	31.3.06	31.3.05	31.3.04	31.3.03
Net Tangible Assets	5988.10	3142.21	1920.94	1208.88	1179.73
Monetary Assets	177.82	15.03	41.55	5.29	6.04
Monetary Assets as a per centage of Net Tangible Assets	2.97	0.48	2.16	0.43	0.51
Distributable Profits	1359.15	557.25	194.40	46.36	2.13
Net Worth	3151.39	1288.10	744.27	440.82	388.21

- (1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities).
- (2) Monetary assets include cash on hand and bank.
- (3) The distributable profits of the Company as per section 205 of the Companies Act has been calculated from the restated Financial Statements.
- (4) Net Worth includes Equity Share capital and reserves (net off miscellaneous expenditure not written off, if any)

In addition, we shall ensure that number of allottees getting Equity Shares is not less than one thousand in number.

SEBI Disclaimer clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE BOOK RUNNING LEAD MANAGER, ALMONDZ GLOBAL SECURITIES LIMITED (FORMERLY ALLIANZ SECURITIES LIMITED) HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 2000, IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, ALMONDZ GLOBAL SECURITIES LIMITED (FORMERLY ALLIANZ SECURITIES LIMITED) HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 25, 2007 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 MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALIZATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**
- (2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**

- (a) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - (b) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE BOARD, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
 - (c) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.
- (3) WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
 - (4) WE SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.
 - (5) WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

THE FILING OF THE OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER, RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, ANDHRA PRADESH IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956.

Disclaimer from the Issuer Company and the Book Running Lead Manager

The Company, its Directors and the Book Running Lead Manager 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 its instance and that anyone placing reliance on any other source of information, including website of the Company, www.anulabs.com would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Book Running Lead Manager, Almondz Global Securities Limited and our Company dated September 21, 2007 and the Underwriting agreement to be entered into between the Underwriters and our Company.

All information shall be made available by the BRLM and the Company to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including road show presentations, research or sales reports or at collection centres or elsewhere.

Neither the Company nor BRLM or Syndicate Member shall be liable to the Bidders for any failure in downloading the bids due to faults in any software/ hardware system or otherwise.

Disclaimer in respect of jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India), who are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds, 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 to NRIs on non-repatriable basis and FIIs registered with SEBI. This Red Herring Prospectus does not, however, constitute an Issue to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes into is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Hyderabad only.

No action has been or will be taken to permit a public offering in any jurisdiction where permission would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Red Herring Prospectus has been filed with RoC as per the provisions of the Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act ("the Securities Act") or any state securities laws in the United States and may not be issued or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Accordingly, the Equity Shares are only being issued and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those issues and sales occur.

Disclaimer clause of Bombay Stock Exchange limited (BSE, the Designated Stock Exchange)

Bombay Stock Exchange Limited (the Exchange) has given vide its letter dated November 28, 2007 permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its

limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer of ICRA for IPO Grading

An ICRA IPO grade is a statement of current opinion of ICRA and is not a statement of appropriateness of the graded security for any of the investors. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the issuer concerned and also other sources considered reliable by ICRA. However, ICRA makes no representation or warranty, express or implied as to the accuracy, authenticity, timeliness, or completeness of such information. An ICRA IPO grade is not (a) a comment on the present or future price of the security concerned (b) a certificate of statutory compliance and/or (c) a credit rating. Further, the ICRA IPO grade is not a recommendation of any kind including but not limited to recommendation to buy, sell, or deal in the securities of such issuer nor can it be considered as an authentication of any of the financial statements of the company, and ICRA shall not be liable for any losses incurred by users from any use of the grade in any manner. It is advisable that professional assistance be taken by any prospective investor in the securities of the company including in the fields of investment banking, tax or law while making such investment. All services and information provided by ICRA are provided on an "as is" basis, without representations and warranties of any nature.

Filing

A copy of this Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, SEBI Bhavan, Plot No. C-4A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai- 400 051, Maharashtra.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the ROC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC situated at the Registrar of Companies, Andhra Pradesh at Hyderabad.

CAUTION

Investors that bid in this Issue will be required to confirm and will be deemed to have represented to the Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares. The Company and 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.

Listing

The initial listing applications have been made to Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company on September 28, 2007. The Bombay Stock Exchange Limited (BSE) will be the Designated Stock Exchange. Subsequently our Board of Directors in their meeting held on January 24, 2008 decided to complete the IPO process at the earliest considering volatility in the Capital Markets and therefore, decided to withdraw 'in-principle' application made to National Stock Exchange of India Limited.

In case the permission for listing of the Equity Shares and for official quotation of the Equity Shares is not granted by Bombay Stock Exchange Limited, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Red Herring Prospectus and if such money is not repaid within eight days after the day from which the Issuer becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from the expiry of 8 days, be jointly and severally liable to repay the money with interest prescribed under Section 73 of the Companies Act 1956.

The Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE will be taken within seven working days of finalization and adoption of the basis of allotment for the Issue.

Consents

Consents in writing of Directors, the Compliance Officer, Company Secretary, the Statutory Auditors, Bankers to the Company, Book Running Lead Manager, Registrars, Escrow Bankers / Bankers to the Issue, Legal advisors, Syndicate Member, Underwriters to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, as required under Sections 60 of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of a copy of this Red Herring Prospectus, for registration with the Registrar of Companies, Andhra Pradesh at Hyderabad.

M/s. Karumanchi & Associates, Statutory Auditors, have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Red Herring Prospectus and also tax benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the Registrar of Companies, Andhra Pradesh at Hyderabad.

Expert opinion

No opinion of any expert has been obtained by the Company, except that of Karumanchi & Associates, Statutory Auditors of the Company and JurisPrudent Consulting Partners, Advocates & Solicitors, Legal Advisors to the Issue and ICRA Limited, Grading Agency for the Issue.

Public issue expenses*

The expenses for this Issue includes issue management fees, selling commission, underwriting commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchange, among others. The total expenses for this Issue are estimated at approximately [●], details of which are as under:

(Rs. In lakhs)

Activity	Amount (Rs. In lakhs)	% Total Issue Size	% Total Issue Expenses
Issue Management Fees, Brokerage & Selling Commission	[•]	[•]	[•]
Fees payable to Registrars to the Issue	[•]	[•]	[•]
Fee for Legal Advisors to the Issue	[•]	[•]	[•]
Fee payable to Grading Agency for grading the Issue	[•]	[•]	[•]
Printing and Distribution of Issue Stationery	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Other expenses (stamp duty, initial listing fees, depository fees, charges for using the book building software of the exchanges and other related expenses)	[•]	[•]	[•]
Total	[•]	[•]	[•]

* Will be incorporated after finalization of Issue Price

Fees payable to the BRLM, underwriting, brokerage and selling commission

The total fees payable to the BRLM including brokerage and selling commission for the Issue will be as per the engagement letter(s) dated June 9, 2007 is available for inspection at the Registered Office of the Company.

Fees payable to the Registrar to the Issue

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding executed between the Company and the Registrar dated June 9, 2007 copy of which is available for inspection at the Registered Office of the Company.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) or allotment advice by registered post or speed post or under certificate of posting.

Previous public and rights issues

The Company has not made any public or rights issue since its inception.

Previous issues of shares otherwise than for cash

The Company has not issued shares for consideration other than for Cash, except as stated in the title "Capital Structure" on page no. 17 of this Red Herring Prospectus.

Commission and brokerage paid on previous issues

Since this is the initial public issue of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of Equity Shares of the Company since its inception.

DETAILS OF CAPITAL ISSUE MADE DURING LAST THREE YEARS IN REGARD TO THE ISSUER COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956.

There have been no capital issues during last 3 years by our Company and other listed companies under the same management within the meaning of Section 370(1)(B) of the Act at present or during the last three years.

Option to subscribe

Equity Shares being issued through this Red Herring Prospectus can be applied for in Dematerialized form only.

Promise vis-à-vis performance

Our Company has not made any Issue.

Listed ventures of promoter

Our promoter does not have any listed ventures.

Outstanding debentures, bonds, redeemable preference shares or other instruments

The Company since its incorporation has not issued any Redeemable Preference shares and debentures, bonds or other instruments.

Stock market data for equity shares of the company

This being the Initial Public Issue of Anu's Laboratories Limited, the Equity Shares of the Company are not listed on any stock exchange.

Mechanism for redressal of investor grievances

The Company has appointed Karvy Computershare Private Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with Compliance Officer of the Company. All grievances relating to the present issue may be addressed to the registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and Bidder/Bank branch where the application was submitted. The Company will monitor the work of the Registrar to ensure that the grievances are settled expeditiously and satisfactorily.

Disposal of investor grievances

Karvy Computershare Private Limited, the Registrars to the Issue, will handle investor grievances pertaining to the Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be coordinating with Registrar to the Issue in attending to the grievances of the investors. The Company assures that the Board of Directors, in respect of the complaints, if any, to be received, shall adhere to the following schedules:

Sr. No.	Nature of Complaint	Time Taken
1.	Non-receipt of refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address notification	Within 7 days of receipt of Information
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details

The Company has appointed Mr. S. Naresh Kumar, as Compliance Officer who would directly deal with SEBI with respect to implementation /compliance of various laws, regulations and other directives issued by SEBI and matters related to investor Complaints. The investor may contact the Compliance Officer in case of any pre issue/post issue related problems. The Compliance Officer can be contacted at the following address:

Compliance Officer

Mr. S. Naresh Kumar
A-49, Madhura Nagar,
Vengalrao Nagar,
Hyderabad - 500 038
Phone: +91 40 23741677
Fax: +91 40 23741678
E mail: ipo@anulabs.com
Website: www.anulabs.com

Changes in auditors

There has been no change in the Auditors of the Company during the last three years

Capitalization of reserves or profits (during the last five years)

The Company has not capitalized its profits or reserves at any time except as stated in the section titled "Financial Information" and "Capital Structure" on page no. 118 and 17 of this Red Herring Prospectus.

Revaluation of assets (during the last five years)

The Company has not revalued its assets during the last five years.

SECTION VII: ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, the Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchange, the RBI, the 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 the Memorandum and Articles of Association and shall rank *pari passu* with the existing Equity Shares of the Company including rights in respect of dividends. The allottees of the Equity Shares under this Issue shall be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment. For further details see the section entitled “Main Provisions of the Articles of Association” at page no. 204 of this Red Herring Prospectus.

Mode of payment of Dividend

Our Company shall pay dividend to its shareholders as per the provisions of the Companies Act, 1956, if recommend by their board and declared at its general meeting.

Face value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being issued in terms of this Red Herring Prospectus at an Issue Price of Rs. [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to receive the notices and 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;
- Right of free transferability of shares; and
- Such other rights, as may be available to a shareholder of a listed public Company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of Articles of Association of the Company dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to

the section on “Main Provisions of Articles of Association of the Company” on page no. 204 of this Red Herring Prospectus.

Market lot and trading lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. As per existing SEBI Guidelines, the trading of Equity Shares of the Company shall only be in dematerialised form. Since trading of Equity Shares of the Company is compulsorily in dematerialized mode, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Shares subject to a minimum Allotment of 30 Equity Shares.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, 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 of the Company or at the Registrar and Transfer Agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the 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 ninety 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 dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If an investor needs to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Net Issue to the public including devolvement of the members of the syndicate, within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

Withdrawal of the issue

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime before the Bid/Issue Opening Date, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchange, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. If the Company does not receive minimum subscription of 90% of the Issue size, including devolvement of the members of the syndicate, the Company shall forthwith refund the entire subscription amount received. In case, the Company receives minimum subscription but wishes to withdraw the Issue after Issue Opening but before allotment, the Company will give public notice giving reasons for withdrawal of Issue. The public notice will appear in an English National Newspaper, a Hindi National Newspaper and one Regional language (Telugu) newspaper with wide circulation.

Restriction on transfer of shares

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 our Articles of Association" on page no. 204 of this Red Herring Prospectus.

Arrangements for disposal of odd lots

Since the market lot for Equity Shares of our Company will be one, no arrangements for disposal of odd lots are required.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Hyderabad, Andhra Pradesh, India.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue shall be available for allocation on a proportionate basis to QIB Bidders, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Further, atleast 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and atleast 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 2,00,000 Equity Shares shall be available for allocation on a proportionate basis to Employees under the Employee Reservation Portion, subject to valid bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate Member only. Further QIB Bids can be submitted only through BRLM. In case of QIB Bidders, our Company in consultation with BRLM may reject Bid at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and bids under the Employee Reservation Portion, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchange.

Bid-cum-Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the ROC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application form for various categories is as follows:

Category	Colour of Bid-cum-Application Form
Indian Nationals or NRIs applying on a non-repatriation basis	White
Eligible Employees of the Company.	Pink
NRIs or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue

Who Can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
- Indian nationals resident in India who are majors, in single or joint names (not more than three) or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to compliance with applicable laws. NRIs, other than Eligible NRIs, are not permitted to participate in this Issue.
- Companies and corporate bodies registered under the applicable laws in India and authorized to invest in Equity shares;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
- Mutual funds registered with SEBI;
- Indian financial institutions, scheduled commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);
- FIIs registered with SEBI;
- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the issue;
- State Industrial Development Corporations;
- Insurance companies registered with the Insurance Regulatory and Development Authority;
- As permitted by the applicable laws, Provident funds with minimum corpus of Rs. 2500 Lakhs and who are authorized under their constitution to invest in Equity Shares;
- Pension funds with minimum corpus of Rs. 2500 lakhs and who are authorized under their constitution to invest in Equity Shares;
- Multilateral and bilateral development financial institutions;
- National Investment Fund set up by resolution F.No. 2/3/2005-DD-11 dated November 23, 2005 of Government of India.
- Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable local laws; and
- Scientific and/or industrial research organizations authorized under their constitution to invest in equity shares.
- Eligible Employees

As per existing regulations, OCBs are prohibited from investing in this Issue.

Note: The BRLM and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations if any. However, associates and affiliates of the BRLMs and

Syndicate Member are entitled to bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allotment will be on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.

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.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than 90,500 Equity Shares, allocation shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

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 more than 10% of any company's paid-up capital carrying voting rights.

Bids by Eligible NRIs

Eligible NRI Bidders to comply with the following:

- Individual NRI Bidders can obtain the Bid cum Application Forms from Registered Office of our Company, members of the Syndicate or the Registrar to the Issue.
- Eligible NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White in color). All instruments accompanying bids shall be payable in Mumbai only.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of post-issue paid-up capital of our Company (i.e., 10% of 1,20,76,000 Equity Shares). In respect of an FII investing in Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of total issued capital or 5% of our total issued capital of our Company in case such sub-account is a foreign corporate or an individual. Under the current foreign investment policy applicable to us foreign equity participation up to 100% is permissible under the automatic route.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity

P-Notes have not been and are not being offered or sold pursuant to this Red Herring Prospectus. This Red Herring Prospectus does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

The SEBI, through its Press Release (PR No. 286/2007) dated October 25, 2007 has decided that with respect to P-Notes.

- FIIs and their sub-accounts shall not issue/renew offshore derivative instruments with underlying securities as derivatives with immediate effect. They are required to wind up the current position over 18 months, during which period SEBI will review the position from time to time.
- Further issuance of offshore derivative instruments by the sub-accounts of FIIs will be discontinued with immediate effect. They will be required to wind up the current position over 18 months, during which period SEBI will review the position from time to time.
- The FIIs who are currently issuing offshore derivative instruments with notional value of P-Notes outstanding (excluding derivatives) as a percentage of their assets under custody in India of less than 40% shall be allowed to issue further offshore derivative instruments only at the incremental rate of 5% of their assets under custody in India.
- Those FIIs with notional value of Participatory Notes outstanding (excluding derivatives) as a percentage of their AUC in India of more than 40% shall issue Participatory Notes only against cancellation / redemption / closing out of the existing Participatory Notes of at least equivalent amount.

Any P-Notes that may be issued are not the securities of the Company and do not constitute any obligation of, claims on or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the PNotes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Company. Our Company does not make any recommendation as to any investment in PNotes and does not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the BRLMs and do not constitute any obligations or claims on the BRLMs.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

Bids by SEBI registered VCF and FVCI

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the investment by any VCF or FVCI should not exceed the prescribed investment limit as the case may be.

The SEBI has issued a press release on 26 June, 2006 stating that the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing the draft prospectus with the SEBI.

Bids and revision of Bids by non-residents including Eligible NRIs, FIIs and Foreign Venture capital Funds registered with SEBI on a repatriation basis must be made:

- On the prescribed Bid cum Application Form or Revision Form, as applicable (blue in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected;
- In a single name or joint names (not more than three and in the same order as their Depository Participant details);
- Eligible NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Bidders portion for the purposes of allocation and Bids for a Bid amount of more than Rs. 1,00,000 would be considered under the Non-Institutional Bidders portion for the purposes of allocation; Other Non-Resident Bidders must bid for a minimum of such number of Equity Shares and in multiples of 30 thereafter that the Bid amount exceeds Rs. 1,00,000; for further details see “Maximum and Minimum Bid Size” at page no. 175 of this Red Herring Prospectus.
- In the names of individuals, or in the names of FIIs or in the names of Foreign Venture Capital Funds, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids by Employees

For the purpose of the Employee Reservation Portion, Employee means all or any of the following:

- a permanent employee of the Company as of Bid/Issue Opening Date and based in, working and present in India as on the date of submission of the Bid cum Application Form.
- a director of the Company, whether a whole time director except any Promoters or members of the Promoter group, part time director or otherwise as of Bid/Issue Opening Date and based and present in India as on the date of submission of the Bid cum Application Form. Bids under Employee Reservation Portion by Employees shall be:
 - Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour Form).
 - The sole/ first Bidder should be Employees.
 - Only Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
 - Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
 - Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
 - The maximum bid under Employee Reservation Portion by an Employee cannot exceed the total number of Equity Shares allocated for the Employee Reservation portion.
 - Bid by employees can be made also 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 2,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.
 - If the aggregate demand in this category is greater than 2,00,000 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, please see section titled “Basis of Allocation” on page no. 195 of this Red Herring Prospectus.
 - Under-subscription, if any, in the Employee Reservation portion will be added back to the Net Issue, and the ratio amongst the investor categories will be at the discretion of the Company and the Book Runners. In case of under-subscription in the Net Issue, spill over to the extent of undersubscription shall be permitted from the Employee Reservation portion.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modifications or changes in the applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid size

For Retail Bidders: The Bid must be for minimum of 30 Equity Shares and in multiples of 30 Equity Shares and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 1,00,000. *Bidders may note that the total Bid amount will be used to determine if a Bid is in the retail category or not, and not just the amount payable on Application.* In case of revision of Bids, the Retail Individual Bidders have to ensure that

the Bid amount does not exceed Rs. 1,00,000. In case the Bid amount is over Rs. 1,00,000 due to revision of the Bid or revision of the Price Band or on exercise of option to Bid at Cut-off price, the Bid would be considered for allocation under the Non-Institutional Portion. The option to Bid at Cut-off price is an option given only to the Retail Individual Bidders indicating their agreement to bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

For Non-Institutional Bidders and QIBs Bidders: The Bid must be for a minimum of such number of Equity Shares in multiples of 30 Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 1,00,000 and in multiples of 30 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by applicable laws. Under the existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the QIB margin amount upon submission of the Bid.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000, for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under the Retail Portion in respect of the Bids by Non-Institutional Bidders who are otherwise eligible for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

For Bidders in the Employee Reservation Portion: Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs.1,00,000 may bid at Cut-off Price. The Bids must be for a minimum of 30 Equity Shares and in multiples of 30 Equity Shares thereafter. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, in case of an oversubscription in the Employee Reservation Portion, the maximum allotment to any Employee will be capped at up to 2,00,000 Equity Shares.

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.

Information for the Bidders

- Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX-A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated November 11, 2005. The members of the syndicate shall accept the bids from the bidders during the bidding/ issue period in accordance of the terms of the syndicate agreement.
- The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors. Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of the Red Herring Prospectus along with the Bid-cum-

Application Form can obtain the same from the registered office of our Company or from the BRLM, or from a member of the Syndicate.

- Eligible investors who are interested in subscribing for the Equity Shares should approach the BRLM or Syndicate Member or their authorized agent(s) to register their Bids.
- The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. The Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.
- The Bidding/Issue Period shall be a minimum of three working days and shall not exceed seven working days. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.
- The Price Band has been fixed at Rs. 200 to Rs. 210 per Equity Share. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1 (One). In accordance with the SEBI Guidelines, our Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.
- In case the Price Band is revised, the Bidding/ Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/ Issue Period not exceeding 10 working days. The revised Price Band and Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, and by issuing press release to be published in two national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the Book Runners and at the terminals of the members of the Syndicate.
- We, in consultation with the BRLM, can finalise the Issue Price within the Price Band, without the prior approval of, or intimation to, the Bidders.

Method and Process of bidding

1. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled “Bids at Different Price Levels” on page no. 178 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.
2. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph “Build up of the Book and Revision of Bids” on page no. 184 of this Red Herring Prospectus.
3. The members of the Syndicate will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum application Form.

4. During the Bidding Period, the Bidders may approach the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and this Red Herring Prospectus.
5. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Account" on page no. 180 of this Red Herring Prospectus.

Bids at Different Price Levels and Revision of Bids

- The Price Band has been fixed at Rs. 200 to Rs. 210 per Equity Share of Rs. 10/- each, Rs. 200 being the lower end of the Price Band and Rs. 210 being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (One).
- Our Company, in consultation with the BRLM, can revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines, in which case the Bidding Period shall be extended further for a period of three additional days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the Floor of the Price-band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the Floor Price disclosed in this Red Herring Prospectus.
- Any revision in the Price Band and the revised Bid /Issue Period, if applicable, will be widely disseminated by informing the stock exchanges, by issuing a public notice in two widely circulated newspapers (one each in English and Hindi) and in one Telugu newspaper with a wide circulation and also indicating the change on the relevant website of the BRLM, Company and the terminals of the members of the Syndicate.
- The Company, in consultation with the BRLM, can finalise the Issue Price within the Price Band, in accordance with this clause, without the prior approval of, or intimation to, the Bidders.
- 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 Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB, Non Institutional Bidders and Employees bidding under the Employee Reservation Portion where the Bid amount exceeds Rs. 1,00,000 and such Bids from QIBs, Non Institutional Bidders and Employees shall be rejected.**
- Retail Individual Bidders and the bidders in the Employee Reservation Portion who bid at Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and bidders in the Employee Reservation Portion bidding at Cut-Off shall deposit the bid amount based on the Cap Price in the Escrow Account. In the event the bid amount is higher than the subscription amount payable by the Retail Individual Bidders and bidders in the Employee Reservation Portion, who bid at the Cut-Off (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual bidders and bidders in the Employee reservation portion shall receive the refund of the excess amounts from the respective Refund Account.
- In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion at Cut-Off Price, who had bid at Cut-Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 1,00,000 if the bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount

plus additional payment) exceeds Rs.1, 00,000, the Bid by a retail Individual Bidder 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 higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downward for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidders is deemed to have approved such revised Bid at Cut-off Price.

- In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion, who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account or the Refund Account, as the case may be.
- In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall be within the range of Rs. 5,000 to Rs. 7,000. The Company in consultation with the BRLM shall accordingly stipulate the minimum application size (in terms of number of shares) falling within the aforesaid range.
- During the Bidding/Issue 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 during the Bidding/Issue Period using the printed Revision Form, which is a part of the Bid cum Application Form.
- Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- The Bidder can make revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.
- Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB margin amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

Bids and revisions of Bids must be:

- Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and non-residents applying on a non-repatriation basis; blue colour for the Eligible

NRIs, FIIs applying on a repatriation basis and [pink] colour for eligible employees applying in the Employee Reservation Portion).

- In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form.
- The Bids from the Retail Individual Bidders must be for a minimum of 30 Equity Shares and in multiples of 30 Equity Shares thereafter, subject to a maximum Bid Amount of Rs. 100,000.
- For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 30 Equity Shares such that the Bid Amount exceeds Rs. 100,000. Bids cannot be made for more than the Net Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- For Bidders bidding under the Employee Reservation Portion, the Bid must be for a minimum of 30 Equity Shares in multiple of 30 Equity Shares thereafter subject to a maximum of Bid of 2,00,000 Equity Shares.
- Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Application in the Issue

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

PAYMENT INSTRUCTION

Escrow Mechanism

1. The Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of the Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue and to the Refund Account as per the terms of the Escrow Agreement. Payment 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.
2. The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between the Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid-cum-Application Form by drawing a cheque, demand draft in favour of the Escrow Account of the Escrow Collection Bank(s) as per the below terms:

- The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds whose bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held in the Refund Account for the benefit of the Bidders who are entitled to refunds.
- Each category of Bidders (i.e. QIBs, Non Institutional Bidders, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form by way of a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) and submit the same to the member of the Syndicate to whom the Bid is being submitted. (For details please see the section titled “Issue Procedure - Payment Instructions” beginning on page no. 180. The Margin Amount payable by each category of Bidders is mentioned in the section titled “Basic Terms of Issue” beginning on page no. 43 of this Red Herring Prospectus. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid Price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.
- Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date which shall be a minimum period of two (2) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid-cum-Application Form.
- *Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest @15% per annum for any delay beyond the periods mentioned above.*
- The Bidders for whom the applicable margin amount is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the member of the Syndicate.
- In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of the Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
 - In case of resident QIB Bidders- **“Escrow Account-Anu’s Public Issue - QIB-R”**

- In case of other resident Bidders - **“Escrow Account-Anu’s Public Issue - R”**
 - In case of Non-Resident QIB Bidders- **“Escrow Account-Anu’s Public Issue-QIB-NR”**
 - In case of NRI Bidders - **“Escrow Account - Anu’s Public Issue - NR”**
 - In case of Employees- **“Escrow Account- Anu’s Public Issue -Employees”**
- In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
 - 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 Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO account of a Non-resident bidder bidding on 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 Account or an NRO account.
 - In case of Bids by FIIs, FVCI’s registered with SEBI 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.
 - Where a bidder has been allocated a lesser number of equity shares than the bidder has bid for, the excess amount, if any, paid on bidding, after adjusting towards the balance payable on equity shares allocated, will be refunded to the bidder from the refund amount.
 - The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
 - On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
 - Payments should be made by cheque, or demand drafts drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers’ clearing house located at the center where the Bid cum Application Form is submitted. Outstation cheque/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/ Postal Orders will not be accepted.

- Bidders are advised to mention the number of the Bid Cum Application Form on the reverse of the cheque or demand draft to avoid misuse of the instrument submitted along with the Bid cum application Form.

Payment by Stock-invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-2004 dated November 5,2003, the option to use the stock-invest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stock-invest would not be accepted in this Issue.

Electronic Registration of Bids

- The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one NSE/ BSE on-line connectivity to each city where a Stock Exchange is located in India and the Bids are accepted.
- The NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- The aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be displayed on-line at all bidding centers and the websites of NSE and BSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.
- At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the Bidder(s): Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depository Account is held. In case the Bid-cum-Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form;
 - Investor Category - Individual, Corporate, NRI, FII, or Mutual Fund, etc.;
 - Numbers of Equity Shares bid for;
 - Bid price;
 - Bid-cum-Application Form number;
 - Whether Margin Amount, as applicable, has been paid upon submission of Bid-cum-Application Form; and
 - Depository Participant Identification Number and Client Identification Number of the Beneficiary Account of the Bidder.

- A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the members of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- The BRLM/ member of the Syndicate have the right to accept the Bid or reject it in case of QIBs; however, such rejection should 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 and Retail Individual Bidders, Bids should not be rejected except on the technical grounds listed on page no. 193 of this Red Herring Prospectus.
- It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company or BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.
- It is also to be distinctly understood that the approval given by BSE and/or NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.
- Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of discrepancy of data between BSE or NSE and members of the Syndicate, the decision of the BRLM based on the physical records of Bid-cum-Application Form shall be final and binding to all concerned.

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
- (b) The book gets build up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired numbers of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing

only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

- (e) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (f) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she has placed the original Bid. **Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.**
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of discrepancy of data between BSE or NSE and members of the Syndicate, the decision of the BRLM based on the physical records of Bid-cum-Application Form shall be final and binding to all concerned.

Price Discovery and Allocation

- After the Bid/Issue Closing Date, the BRLM shall analyze the demand generated at various price levels.
- Our Company, in consultation with the BRLM shall finalise the "Issue Price", and the number of Equity Shares to be allotted in each category to Bidders.
- The allocation for QIBs would be not more than 50% of the Net Issue and to Non-Institutional Bidders and Retail Individual Bidders will be not less than 15% and not less than 35% of the Net Issue, respectively, on proportionate basis in the manner specified in the SEBI guidelines and this Red Herring Prospectus and in consultation with the Designated Stock Exchange subject to valid bids received at or above the Issue price. The allocation under the Employee Reservation Portion would be on a proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue price.
- Any undersubscription in the Employee Reservation Portion would be included in the Net Issue. Under-subscription, if any, in any category of the Net Issue, would be allowed to be met with spill over from any of the other categories at the discretion of our Company, in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 90,500 Equity Shares, the balance

Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders.

- Allocation to Eligible NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions registered with SEBI applying on repatriation basis will be subject to the applicable laws, rules, regulations, guidelines and approvals.
- The BRLM, in consultation with the Company shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- In terms of SEBI DIP guidelines, QIB bidders shall not be allowed to withdraw their bid after the bid / issue closing date.
- The allotment details shall be put on the website of the Registrar.

Signing of Underwriting Agreement and ROC Filing

- (a) Our Company, the BRLM, and the Syndicate Member shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, our Company will update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Filing of the Prospectus with ROC

The Company will file a copy of the Prospectus with the Registrar of Companies, Andhra Pradesh, situated at Hyderabad in terms of Section 56, Section 60 and Section 60B of the Companies Act, 1956.

Announcement of Pre-Issue Advertisement

Subject to section 66 of the Companies Act, our Company shall after receiving final observation, if any, on this Red Herring Prospectus with SEBI, and filing of the Red Herring Prospectus with RoC, publish an advertisement, in the form prescribed by the SEBI (DIP) Guidelines in two widely circulated newspapers (one each in English & Hindi) and a Telugu newspaper with a wide circulation.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by our Company in two widely circulated newspapers (one each in English & Hindi) and a Telugu newspaper with a wide circulation, after filing of the Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Issue Price. Any material updates between the date of the Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

- Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation 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 for Employees bidding in the Employee Reservation

portion. Investor should note that our Company shall ensure that the demat credit of the Equity Shares pursuant to allotment shall be made on the same date to all investors in this Issue;

- The BRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay in full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN;
- Such Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrars to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder.
- The Issuance of CAN is subject to “Notice to QIBs: Allotment Reconciliation and Revised CANs” as set forth below in this Red Herring Prospectus.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared, by the Registrar, on the basis of, Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

1. Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account and Refund Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account of the allotted Equity Shares to the allottees within two working days of the date of finalization of the basis of allotment.
2. **As per the SEBI (DIP) Guidelines, 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, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

General Instructions

Do's:

- Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of this Red Herring Prospectus;
- Read all the instructions carefully and complete the Bid-cum-Application Form (white or blue or pink in colour) as the case may be;
- 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.
- Ensure that the Bids are submitted at the Bidding Centers only on forms bearing stamp of the Syndicate Member;
- Investors must ensure that the name given in the Bid cum Application form is exactly the same as the name in which the Depository account is held. In case the Bid cum Application Form is submitted in Joint names, it should be ensured that the Depository account is also held in the same Joint names and are in the same sequence in which they appear in the Bid cum Application Form.
- Ensure that you have been given a TRS for all your Bid options;
- Submit Revised Bids to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS;
- Ensure that the Bid is within the Price Band.
- Each Bidder should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act.
- Ensure that demographic details (as defined herein below) are updated true and correct in all respects.

Don'ts:

- Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- Do not Bid for lower than minimum Bid size;
- Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- Do not pay Bid amount in cash, money order, postal order or by stockinvest;
- Do not Bid at cut off price (for QIB Bidders, Non-Institutional Bidders and Bidders bidding under the Employee Reservation Portion for Bid Amount exceeding Rs. 1,00,000);
- Do not bid where bid amount exceeds Rs. 1,00,000 (for Retail Individual Bidders)
- Do not fill up the Bid cum Application Form for an amount that exceeds the Issue size and / or investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws / regulations or maximum amount permissible under the applicable regulations.
- Do not send Bid cum Application Form by post; instead submit the same to a member of the Syndicate only.
- Do not provide your GIR number instead of your PAN as bid is liable to be rejected on those ground.

- Do not submit the Bid without the QIB Margin Amount, in case of a Bid by QIB.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders bank account details, including the nine digit MICR code as appearing on a cheque leaf. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through Direct Credit to or ECS. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and such delay shall be at the Bidders sole risk and neither our Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor BRLM shall be liable to compensate for the losses caused to the Bidders due to any such delay or liable to pay any interest for such delay.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or giving credit through ECS, Direct Credit , RTGS or NEFT and occupation (hereinafter referred to as "Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/ Allocation Advice and printing of Bank particulars on the refund order or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid-cum-Application Form would not be used any other purposes by the Registrars to the Issue.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid-cum-Application Form, Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic details as available on its records.

Refund Orders/ Allocation Advice/ CANs would be mailed at the 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 Bidders in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Registrar, Escrow Collection Bank(s) nor the BRLM 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 get delayed if bank particulars obtained from the depository participants are incorrect.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Our Company in its absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

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. The Company and/or the Book Runners will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids under Power of Attorney

In case of bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered Societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid. in whole or in part, in either case without assigning any reason thereof.

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

In case of Bids made by provident fund with the minimum corpus of Rs. 2,500 lakhs (subject to applicable law) and pension fund with the minimum corpus of Rs. 2500 lakhs, a certified copy of certificate from a chartered

accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

In case of Bids made pursuant to Power of Attorney by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made pursuant to Power of Attorney by 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, a certified copy of the relevant resolution or authority, as the case may be must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

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 as the Company and the BRLM may deem fit.

The Company in its absolute discretion reserves the right to permit the holder of the power of attorney to request the Registrar to the issue that for the purpose of printing particulars on the refund order and mailing of the refund order/ CAN's/ allocation advice, the Demographic details given on the Bid cum application form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic details as given on the Bid cum application form instead of those obtained from the Depositories.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by Account Payee cheques or drafts equivalent to the margin amount shall be submitted to the Members of the Syndicate at the time of submitting the Bid-cum-Application Form.

No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the Members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Individuals may make bid in single or joint names (not more than three). In the case of joint Bids, all refunds will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, illustrations of certain procedures, which may be followed by the Registrar to the Issue to detect multiple applications, are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file, which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN numbers are different, the same will be deleted from this master.
3. The Registrar will obtain, from depositories, details of the applicants' address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applicants in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the application processed. A print-out of the addresses will be taken to check for common names. The application with same name and same address will be treated as multiple applications.
5. The applications will be scrutinized for their DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of multiple master will be taken and applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as 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 made by Employees both under Employees Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

The Company reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number (PAN)

The Bidders or in the case of Bids made in joint names, each of the Bidder, should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act. In accordance with the SEBI Guidelines, the PAN would be the sole identification number for the 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 QIB Bidders, the Company in consultation with the BRLM may reject a Bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the Bid and the reasons therefore shall be disclosed to the QIB Bidders in writing. In case of Non-Institutional

Bidders and Retail Individual Bidders, the Company would have a right to reject Bids only on technical grounds.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on, inter alia, on the following technical grounds:

1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. In case of Partnership firms, the shares may be registered in the name of individual partners and no such partnership firm shall be entitled to apply.
4. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
5. Bids for lower number of Equity Shares than specified for that category of investors;
6. Bids at a price less than the lower end of the Price Band;
7. Bids at a price more than the higher end of the Price Band;
8. Bids at cut-off price by Non-Institutional and QIB Bidders and such Bidders in the Employee Reservation Portion whose maximum Bid exceeds Rs. 100,000.
9. Bids for number of Equity Shares, which are not in multiples of 30;
10. Category not ticked;
11. Multiple bids as defined in this Red Herring Prospectus;
12. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
13. Bids accompanied by Stock invest/money order/ postal order/ cash;
14. Signature of sole and/or joint Bidders missing;
15. Bid-cum-Application Form does not have the stamp of the BRLM or the Syndicate Member;
16. Bid-cum-Application Form does not have Bidder's depository account details;
17. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum-Application Form; or
18. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations.
19. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's account number;
20. Bids by OCBs;
21. Bids by US persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act or other than in compliance with Regulation S under the Securities Act;
22. Bids by QIBs not submitted through BRLM or members of the syndicate;
23. Bids by NRIs not disclosing their residential status;
24. If GIR number is mentioned instead of PAN number;
25. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;

26. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority; and
27. Bids by any person resident outside India, if not in compliance with applicable foreign and Indian laws.

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among the Company, the Depositories and the Registrar,

1. An Agreement dated March 10, 2007 among NSDL, our Company and Registrars to the Issue.
2. An Agreement dated March 27, 2007 among CDSL, our Company and Registrars to the Issue.

All Bidders can seek allotment only in Dematerialized mode. Bids from any Bidder without the following details of his or her depository account are liable to be rejected:

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's Identification number) appearing in the Bid cum Application Form or Revision Form.
3. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account details of the Bidder(s) with the Depository.
5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
6. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
7. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
8. *The trading of Equity Shares of the Company would only be in dematerialized form for all investors in 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, details of Depository Participant, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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 respective beneficiary accounts, refund orders etc.

Procedure and Time Schedule for Allotment

The Issue will be conducted through a “100% book building process” pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on May 12, 2008 and expire on May 15, 2008. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM, will determine the issue price, and, in consultation with the BRLM, the basis of allotment and entitlement to allotment based on the bids received and subject to the confirmation by the BSE/NSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI and the Registrar of Companies and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors’ demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchange, the Equity Shares will be listed and trading will commence.

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:

- makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or
- 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.”

Basis of Allocation

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 allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the valid Bids in this category is less than or equal to 12,67,000 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 valid Bids in this category is greater than 12,67,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 30 Equity Shares

and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, 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 Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non- Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the valid Bids in this category is less than or equal to 5,43,000 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 valid Bids in this category is greater than 5,43,000 Equity Shares at or above the Issue Price; allocation shall be made on a proportionate basis up to a minimum of 30 Equity Shares and in multiples of 1 Equity Shares thereafter. 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 2,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 2,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 30 Equity Shares and in multiple of 1 Equity Share thereafter. For the method of proportionate basis of allocation, refer below.
- Only Eligible Employees eligible to apply under Employee Reservation Portion.

D. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIBs will be made at the issue price.
- The Issue size less allocation to Non-Institutional portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of up to 90,500 Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds

Portion). For the method of allocation in the QIB Portion, see the paragraph titled “Illustration of Allotment to QIBs” appearing below. If the valid Bids by Mutual Funds are for less than 90,500 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders.

- The allotment shall be undertaken in the following manner -
 - (a) In the first instance, allocation to mutual funds for upto 5% of the QIB portion shall be determined as follows-
 - In the event that bids from mutual funds exceed 5% of the QIB portion, allocation to mutual funds shall be done on a proportionate basis upto 5% of the QIB portion.
 - In the event that the aggregate demand from mutual funds is less than 5% of QIB portion, then all mutual funds shall get full allotment to the extent of valid bids received above the issue price.
 - Equity Shares remaining unsubscribed, if any, not allocated to mutual funds shall be available to all QIB Bidders as set out in as (b) below;
 - (b) In the second instance, allocation to all QIBs shall be determined as follows -
 - In the event that the over subscription in the QIB portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for upto 95% of the QIB portion.
 - Mutual Funds, who have received allocation as per (a) above, for less than the number of equity shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - Under-subscription below 5% of the QIB portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Under subscription, if any, in any category would be allowed to be met with spillover from any other category at the sole discretion of our Company and the BRLM

Illustration of Allotment to QIBs and Mutual Funds (“MF”)

A. Issue details

S. No.	Particulars	Issue details
1	Issue size	100 lakhs Equity Shares
2	Allocation to QIB (minimum 50% of the Issue)	50 lakhs Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	2.50 lakhs Equity Shares
	b. Balance for all QIBs including Mutual Funds	47.50 lakhs Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	250 lakhs Equity Shares

B. Details of QIB Bids

Sr. No.	Type of QIB bidders#	No. of shares bid for (in lakhs)
1	A1	25

2	A2	10
3	A3	65
4	A4	25
5	A5	25
6	MF1	20
7	MF2	20
8	MF3	40
9	MF4	10
10	MF5	10
	TOTAL	250

A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in lakhs)

Type of QIB bidders	Shares bid for	Allocation of 2.5 lakhs Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 47.50 lakhs Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	25	0	4.80	0
A2	10	0	1.92	0
A3	65	0	12.48	0
A4	25	0	4.80	0
A5	25	0	4.80	0
MF1	20	0.50	3.74	4.24
MF2	20	0.50	3.74	4.24
MF3	40	1.0	7.48	8.48
MF4	10	0.25	1.87	2.12
MF5	10	0.25	1.87	2.12
	250	2.50	47.50	21.20

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Basic Terms of Issue" beginning on page no. 43 of this Red Herring Prospectus.
2. Out of 50 lakhs Equity Shares allocated to QIBs, 2.50 lakhs (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 lakhs shares in the QIB Portion.
3. The balance 47.50 lakhs Equity Shares [i.e. 50 - 2.5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 250 lakhs Equity Shares (including 5 Mutual Fund applicants who applied for 100 lakhs Equity Shares).

4. The figures in the fourth column titled “Allocation of balance 47.50 lakhs Equity Shares to QIBs proportionately” in the above illustration are arrived as under:

- For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 47.5/247.5
- For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e., in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 47.5/247.5

The numerator and denominator for arriving at allocation of 47.5 lakhs Equity Shares to the 10 QIBs are reduced by 2.5 lakhs shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Basis of Allocation

In the event of the issue being over-subscribed, our Company shall finalize the basis of allotment to Retail Individual Bidders and Non-Institutional Bidders in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrars to the issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

Bidders will be categorized according to the number of Equity Shares applied for by them and the allotment shall be made on a proportionate basis as explained below:

- (a) 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.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is the total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- (c) If the proportionate allotment to a Bidder is a number that is more than 30 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (d) In all Bids where the proportionate allotment is less than 30 Equity Shares per Bidder, the allotment shall be made as follows:
 - Each successful Bidder shall be Allotted a minimum of 30 Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
- (e) 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 Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of

Equity Shares.

Disposal of Applications and Applications Money

Our Company shall give credit to the beneficiary account with depository participants within 2 working days of finalisation of the basis of allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, our Company shall dispatch refund orders, if any, of value upto Rs. 1,500 by "Under Certificate of Posting", and will dispatch refund orders above Rs. 1,500, if any, by registered post only at the sole or first Bidder's sole risk within 15 days of the Bid / Issue Closing date. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter through "Under Certificate of Posting" within 15 days of closure of issue, intimating them about the mode of credit of refund, the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

Our Company will provide adequate funds required for dispatch of refund orders or for credit of refunds, as the case may be, to the Registrar to the Issue.

We undertake that all steps will be taken for completion of necessary formalities for listing and commencement of trading at all the stock exchange where the Equity Shares are proposed to be listed within seven working days of finalization of basis of allotment.

Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI guidelines, our Company undertakes that:

- Allotment shall be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid / Issue Closing Date at the sole or First Bidder's sole risk; and
- Our Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders have not been dispatched to the applicants or if, in case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid / Issue closing date.

Save and except refunds effected through the electronic mode i.e. ECS, direct credit or RTGS, refunds will be made by cheques, pay-orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

MODE OF MAKING REFUNDS

The payment of refund, if any, would be done through various modes in the following order of preference -

ECS - Payment of refund would be done through ECS for applicants having an account at any of the following 68 centers - Ahmedabad, Bangalore, Bhubneshwar, Kolkatta, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvanthapuram (managed by RBI); Baroda,

Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete bank account details including the MICR Code as appearing on a cheques leaf from the Depositories. The payment of refunds is mandatory through this mode for applicants having a bank account at any of the above-mentioned 68 centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS or NEFT. Refunds through ECS may also be done at other locations based on operational efficiency and in terms of demographic details obtained by the Registrar from the Depository participant.

1. **Direct Credit** - Applicants having bank accounts with the Refund Banker, shall be eligible to receive funds through direct credit. Charges, if any, levied by the Refund Banker for the same would be borne by the Company.
2. **RTGS** - Applicants having a bank account at any of the above-mentioned 68 centers and whose refund amount exceeds Rs. Ten lakhs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC Code in the Bid-cum-Application form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the refund banks for the same would be borne by the Company. Charges, if any, levied by the applicants' bank receiving the credit would be borne by the applicant.
3. **NEFT** - Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the IFSC, which can be linked to a MICR, if any, available to that particular bank branch. IFSC will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.
4. **Refund Orders** - For all other applicants, 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 Escrow Collection 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 centres will be payable by the Bidders.**

Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed in 1, 2, 3 & 4 hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine digit MICR code, the refund orders would be dispatched "Under Certificate of Posting" for refund orders of value upto Rs. 1,500 and through Speed Post / Registered Post for refund orders of Rs. 1,500 and above.

UNDERTAKING BY THE COMPANY

Our Company undertake as follows:

- (a) that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- (b) that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchange where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- (c) that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed under the heading "Mode of Making Refunds" on page no. 200 of this Red Herring Prospectus shall be made available to the Registrar to the Issue by our Company;
- (d) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of Issue, giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund;
- (e) that the refund orders or allotment advice to the Eligible NRIs or FIIs shall be dispatched within specified time; and
- (f) that no further Issue of Equity Shares shall be made until the Equity Shares Issued through this Red Herring Prospectus are listed or until the Bid Money's are refunded on account of non-listing, under-subscription etc.

UTILISATION OF ISSUE PROCEEDS

Our Board of Directors of the Company certifies that:

- (a) all monies received out of 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;
- (b) details of all monies utilized out of the Issue referred above shall be disclosed under an appropriate separate head in its balance sheet indicating the purpose for which such monies have been utilized;
- (c) details of all unutilized monies out of the Fresh Issue, if any, shall be disclosed under the appropriate separate head in its balance sheet indicating the form in which such unutilised monies have been invested;
- (d) details of utilization of monies received under Employee Reservation Portion shall be disclosed under an appropriate separate head in its balance sheet indicating the purpose for which such monies have been utilized;
- (e) details of all unutilized monies out of the funds received from the Employee Reservation Portion shall be disclosed under the appropriate separate head in its balance sheet indicating the form in which such unutilized monies have been kept.

- (f) Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from the Stock Exchange where listing is sought has been received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the GoI and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government of India, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment.

Subscription by Non-Residents

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or the requirements of the Investment Company Act.

Accordingly, the Equity Shares are only being offered and sold (i) in the United States to entities that are both "qualified institutional buyers", as defined in Rule 144A of the Securities Act and "qualified purchasers" as defined under the Investment Company Act and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, OCBs cannot participate in this Issue.

The above information is given for the benefit of the Bidders. The Company, the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations. However we shall update this Red herring Prospectus and keep the public informed of any material changes in matters concerning our business and operations till the listing and commencement of trading of the Equity Shares.

SECTION IX – Main Provisions of Articles of Association

Capitalised terms used in this section have the meaning to such terms in the Articles of Association of our Company. Pursuant to Schedule II of the Companies Act and the DIP Guidelines, the main provisions of the Articles of Association of our Company relating to voting rights, dividend, lien, forfeiture, restriction on transfer and transmission of Equity Shares / Debenture and/or their consolidation / splitting are detailed below.

The regulations contained in Table A or Schedule I of the Companies Act, 1956, shall apply to our Company in so far as they are not inconsistent with or repugnant to any of the regulations continued in the Article of Association of our Company.

SHARE CAPITAL

3.
 - a) The Authorised Share Capital of the Company is same as mentioned in Clause V of the Memorandum of Association of the Company.
 - b) The Company shall have the power to subdivide, consolidate, increase and reduce the capital and to divide the shares in the Capital for the time being into several classes and attach there to respectively such preferential or special rights, privileges and conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify, abrogate such rights, privileges or conditions of the Company; to consolidate, subdivide or reorganise the shares and issue shares of higher or lower denominations.
 - c) Subject to the provisions of the Act, any preference share may, with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue of the shares may by special resolution determine.
 - d) Where at any time subsequent to the first allotment of shares, it is proposed to increase the subscribed capital by the issue of new shares, subject to any directions to the contrary which may be given by the company in general meeting and subject only to these directions such new shares shall be issued in accordance with the provisions of the Act, or any statutory modification thereof.
 - e) The Company shall have power to issue shares at a discount, but doing so the Company shall comply with provisions of the Act.
 - f) The Company shall have power to issue shares at a premium but in doing so, the Company shall comply with the provisions of the Act.

Provided that not with standing any thing to the contrary contained in the foregoing Articles or contained in any other provisions of these Articles, it shall be permissible for the Directors of the Company without requiring any Resolution of the Company in General Meeting or without making any offer to the existing shareholders of the Company, in the event of the increase of the subscribed capital of the Company being caused by allotment and/or reservation of any bonus shares and/or Right Shares by the exercise of any option to the debentures issued or loans raised by the Company from the Government or any institution specified by the Central Government in this behalf under

the provisions of the Act.

4. Subject to the provisions of the Act and of the Articles, the shares in the capital of the company for the time being shall be under the control of the directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the company in the General Meeting to give to any 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.
5. The Board of Directors may allot and issue shares in the Capital of the Company in payment or in part payment for any property or assets of any kind whatsoever supplied or transferred, or for goods or machinery supplied or for services rendered to the Company either in or about the formation or promotion of the Company or the conduct of its business, and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash, and if so issued, shall be deemed to be fully paid or partly paid up shares, as the case may be.
6. As regards all allotments from time to time made, the Board shall duly comply with the provisions of the Act.
7. The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or debenture-stocks in the Company, but so that if the commission in respect of shares shall be paid or payable out of Capital, the statutory condition and requirements shall be observed and complied with and the amount or rate of commission shall not exceed 5% on the shares and 2% on debentures or debenture-stock in each case subscribed, or to be subscribed. The commission may be paid or satisfied in cash or in shares, debenture or debenture-stock.
8. With the previous authority of the company in a General meeting and a sanction of the Company Law Board and upon otherwise complying with the provisions of the Act, the Board may issue at a discount, shares of a class already issued.
9. The Company may subject to the Conditions and restrictions contained in the Act, issue shares for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant with long gestation period, pay interest on so much of the Share Capital as is for the time being paid-up and may charge the same to capital as part of the cost of construction.
10. The Joint holders of a share shall be several as well as jointly liable for payment of all instalments and calls due in respect of such shares. The company shall have first and paramount lien upon all the Shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all monies (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that the Article will have full effect. And such

lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien if any, on such shares. The directors may at any time declare any shares wholly or in part, to be exempt from the provisions of this clause.

11. Save as herein otherwise provided, the Company shall be entitled to treat the registered holder of any shares as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as by statute require, be bound to recognise any benami, equitable or other claim to or interest in such share on the part of any other person.
12. 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 determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month 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 certificates 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 sufficient delivery to all such holder.
13. 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 to the party entitled to such lost or destroyed certificate. Every certificate under the article shall be issued without payment of fees if the directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer. Provided that notwithstanding what is stated above the directors shall comply with such rules or regulation or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provision of this Article shall mutatis mutandis apply to debentures of the company.

14. Share Certificates should be issued in marketable lots and where Share Certificates are issued for either more or less than marketable lots, sub-division or consolidation into marketable lots should be done free of charge. No fee should be charged for issue of new Share Certificates in replacement of those which are old, decrepit or where the cages on the reverse have been completely exhausted.
15. The Certificate of shares registered in the names of two or more persons shall be delivered to the person first named on the register.

CALLS ON SHARES

16.
 - a) The Board may after obtaining sanction of Company accorded by ordinary resolution passed at its General Meeting subject to the provisions of the Act, from time to time make calls upon the members in respect of monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member shall pay the amount of every call so made on him at the time and place appointed by the Directors.
 - b) A call may at the discretion of the Directors be made payable by instalments.
 - c) That option or right to call of shares shall not be given to any person except with the sanction of the Issuer in general meetings.
17. Thirty days notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid, provided that before the time or payment of such call, the Board may by notice in writing to the members revoke the same or extend the time for payment thereof.
18. The call shall be deemed to have been made at the time when the resolution authorising the call was passed by the Board.
19. The joint-holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.
20.
 - a) Any amount which by the terms of issue of a share becomes payable on allotment of a share or at any fixed time or by instrument at fixed time whether on account of the nominal value of the shares or by way of premium shall for the purpose of these Articles be deemed to be a call duly made and payable on the date on which the amount becomes due by the terms of issue.
 - b) In case of non payment of such sum all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise shall apply as if such amount had become payable by virtue of a call duly made and notified.
21. If the amount payable on a call or instalment is not paid, on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to time of actual at a rate decided by the Board from time to time. The Board shall have power to waive payment of any such interest wholly or in part.
22. The Director may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any, part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate as the member paying such 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 Director may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The Provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the company.

FORFEITURE OF SHARES

23. If any member fails to pay any call, installment or any interest thereof or any amount whatsoever due to the Company, on or before the day appointed for payment of the same, whether demanded or not by the Company, the Board may, at any time thereafter and during such time as the call, installment, interest or such amount remains unpaid, serve a notice on such member or any persons, if any, entitled to the share by transmission requiring him to pay the amount due together with any interest that may have accrued.
24. The notice aforesaid shall name a day not being less than fourteen days from the date of notice and place or places on and at which such call or installment and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment on or before the day, at or before the time and at the place appointed, the share in respect of which the call was made or installment is payable including the amount already paid on that share will be liable to be forfeited.
25. If the requirements of the notice as aforesaid are not complied with any shares in respect which such notice has been given may at any time thereafter before payment of calls, installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board of that effect. Such, forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before forfeiture.
26. The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of that share and all other rights incidental to the share except only such of those rights as are expressly saved by these Articles or by a Resolution of the Board.
27. Any share so forfeited shall be deemed to be the property of the Company, and may be sold, reallocated or otherwise disposed of, either to the original holder thereof or to any other person, upon such manner as the Board shall think fit.
28. The Board may at any time before any share so forfeited shall have been sold, reallocated or otherwise disposed of, annul the forfeiture thereof upon such conditions and in such manner as it thinks fit.
29. When any share shall have been so forfeited notice of the forfeiture shall be given to the member in whose name it stands immediately prior to the forfeiture, an entry of the forfeiture with the date thereof shall forthwith be made in the register of Members but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.
30.
 - a) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding, the forfeiture, remain liable to pay to the Company all monies which, at the date of forfeiture, were presently payable by him to the Company in respect of the shares together with interest thereon from the time of forfeiture until payment, at such rate as may be determined by the

Board from time to time and the Directors may enforce the payment thereof, without any deduction or allowance for the value of the shares at the time of forfeiture but shall not be under any obligation to do so.

- b) The liability of such person shall cease if and when the Company shall have received payment in full of all such monies in respect of the shares.
- c) The Company may receive the consideration if any, given for the shares on any sale or disposal thereof and may execute a transfer of the shares in favour of the person to whom the share is sold or disposed of.

TRANSFER AND TRANSMISSION OF SHARES

- 30. The Company shall not register a transfer of share in or debentures of the Company, unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferee and specifying the name, address and occupation, if any of the transferee, has been delivered to the Company along with the certificate relating the shares or debentures, or if any such certificate is not existing, along with a letter of allotment of the shares or debentures and any other evidence that the Board may require to prove the title of the transferor and his right to transfer the shares or debentures. The transferor shall remain the holder of such share until the name of the transferee is entered in the register in respect thereof.
- 31. The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registrations thereof.
- 32. That a common form of transfer shall be used;
- 33. No fee shall be charged for registration of transfer, transmission, probate, Succession certificate and letter of administration, certificate of death or Marriage, Power of Attorney or similar other document.
- 34. Applications for the registration of a share transfer may be made either by transferor or the transferee provided that where such application is made by the transferor, in the case of partly paid share, registration shall be effected unless the Company gives notice of the application to the transferee in the manner prescribed by the Act and subject to the provisions of these Articles the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the application for registration of the transfer was made by the Transferee. No fee should be charged for transfer of shares or for effecting transmission or for registering any letters of probate, letters of administration and similar other documents.
- 35. Subject to the provision of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as

the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the company on any account whatsoever except where the Company has a lien on shares.

36. No transfer shall be made on partly paid shares to a minor or person of unsound mind.

37.

- a) Every instrument of transfer shall be retained by the Company, but any instrument of transfer which the Board may refuse to register shall be returned to the persons depositing the same. The Board may, subject to the provisions of the Companies (Issue of Share Certificates) Rules, 1960 or any statutory modification thereof for the time being in force, waive the production of any certificate upon evidence satisfactory to them of its loss or destruction.
- b) The Board may, by such means as they shall deem expedient, authorise registration of transferees as shareholders without the necessity of any Meeting of the Directors for that purpose.
- c) Subject to the provisions of the Act, in no case the Board shall be bound to inquire into the validity, legal effect or genuineness of any instrument of transfer produced by a person claiming transfer of any share in accordance with these Articles, and whether they abstain from so inquiring, or do so inquire, and are misled, the transferor shall have no claim whatsoever upon the Company in respect thereof and not paid but his claim, if any, shall be against the transferee only.

38.

- a) If the Board refuses whether in pursuance of these Articles or otherwise to register the transfer of any share, the Company shall, within one month from the date of which the instrument of transfer was lodged with the Company send to the transferee and the transferor notice of the refusal.
- b) No share holder who shall change his or her name shall be entitled to recover any dividend or to vote at any meeting until notice of the change of name shall have been duly given to the Company in order that the same be registered.

39. The executor and administrator of deceased member (not being one of several joint-holders) shall be the only person recognised by the Company as having any title to the share registered in the name of such member, and in case of the death of anyone or more of the registered joint holders of any share, the survivor shall be the only person recognised by the Company as having any title to or interest in such share, but nothing herein contained shall release the estate of a deceased joint holder from any liability on the shares held by him jointly with any other person. Before recognising any executor or administrator, the Board may require him to obtain a Grant of Probate or Letter of Administration or other legal representation, as the case may be, from a competent Court in India having effect in the State of Andhra Pradesh.

Provided nevertheless that in any case where the Board in its absolute discretion thinks fit it shall be lawful for the Board to dispense with the production of probate or Letters of Administration or such other legal representation upon such terms as to indemnity or otherwise as the Board, in its absolute discretion, may consider adequate.

40. Any committee or guardian of a lunatic or minor member or any person becoming entitled to hold or to transfer a share in consequence of the death or bankruptcy or insolvency of any member upon

producing such evidence that he sustains the character in respect of which he proposes to act under this article or his title as the Board thinks sufficient, may, with the consent of the Board (which the Board may not be bound to give) be registered as a member in respect of such share, or may, subject to the regulations as to transfer herein contained, transfer such share. This Article is herein after referred to as the "Transmission Article".

41. If any person who shall become entitled to be registered in respect of any share under these Articles shall, for any clause whatsoever, within twelve calendar months after the event on the happening of which his title shall accrue, be registered in respect of such shares, or if in the case of the death of any share holder no person shall, within twelve calendar months after such death be registered as a shareholder in respect of the shares of such deceased shareholder, the Company may sell such shares either by public auction or private contract and give a receipt for the purpose money and the purchaser shall be entitled to be registered in respect of such shares and shall not be bound to enquire whether the events have happened which entitled the Company to sell the same and the net sale proceeds, after deducting all expenses and all monies if any, in respect of which the Company is entitled to a lien on the shares so sold, shall be paid to the person entitled thereto.
42. The Company shall incur no liability whatsoever in consequence of its registering or giving effect of any transfer of shares made or purporting to be made by the legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of any person or persons having or claiming any equitable right, title or interest to or in the same shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and the Company shall not be bound or required to regard, or attend, or give effect to any notice which may be given to it or any equitable right, title or interest or notice prohibiting registration of such transfer and the Company shall not be bound or required to regard, or attend, or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so.

The provisions of these Articles in regard to transfers shall, mutatis mutandis apply to the transfers of or transmission by operation of law or the rights to the debentures of the Company.

NOMINATION

- 43A. Notwithstanding anything contained in the Articles of Association or in any other law for the time being in force, where a nomination has been made in the manner prescribed in the Act, purporting to confer on any person the right to vest the shares in , or debentures of the Company, the nominee shall, on the death of the Shareholder or debenture holder of the Company or as the case may be, on the death of the joint holders, become entitled to all the rights in the shares or debentures of the Company or, as the case may be, all the joint holders, in relation to such shares in or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner and the provisions contained in Act, shall be applicable to such cases.

CONVERSION OF SHARES INTO STOCK

43. The Company may by an ordinary resolution subject to the provisions of the Act:
 - a) Convert any paid-up shares into stock.

- b) Re-convert any stock into paid-up shares of any denominations.
44. The holders of the stock may transfer the stock or any part thereof in the same manner and subject to the same regulations, as and subject to which, the shares from which the stock arose might previous to conversion have been transferred, or as near thereto as circumstances admit but, the Board of Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the shares from which the stock arose.
45. The holders shall, according to the amount of stock held by them have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose but no such privilege or advantage (except participating in the dividends and profits of the Company) and in the assets on winding up shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage. Such of the regulations contained in these Articles as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" shall include "stock" and "stockholder" respectively.
52. Subject to the provisions of the Act, the Company may from time to time by a special resolution reduce in any manner:
- a) Its share capital
 - b) Any capital redemption reserve fund; and/or
 - c) Any share premium account.

Excess capital may be paid off upon the footing that it may be called up again.

ALTERATION OF CAPITAL

53. The Company may in General Meeting from time to time, increase the Share Capital by creation of new shares. Such increase to be of such of appropriate amount to be divided into shares of such amount as the resolution shall prescribe.
54. The Company may by Ordinary Resolution in the General Meeting:
- a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
 - b) By sub-division of its existing shares of any of them divide the whole of any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association, subject, however, to the provisions of the Act and that in the sub-division the proportion between the amount paid and the amount if any, unpaid on each reduced share shall be the same as it was in the case of the share from which reduced share is derived;
 - c) 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 share capital by the amount of the shares so cancelled.
55. The resolution whereby any share is sub-divided may determine that as between the holders of the

shares resulting from such sub-division one or more of such shares shall have same preference or special advantage as regards dividend, capital, voting or otherwise over or as compared with the others, subject nevertheless, to the provisions of the Act.

56. Subject to the provisions of the Act, the Board may accept from any member the surrender on such terms and conditions as shall be agreed to of all or any of his shares.

VARIATION OF RIGHTS OF SHAREHOLDER

57. The rights and privileges if any, attached to different classes of shareholders for the time being (unless otherwise provided by the terms of issues of the share of that class) may, subject to the provisions of the Act and whether or not the Company is being wound up, be varied, modified, committed, abrogated or affected with the consent in writing the holders of at least three fourths of the issued shares of that class, or with the sanction of a resolution passed at a separate General Meeting of the holders of not less than three fourths of these shares.

The provisions contained in these Articles relating to General Meetings shall *mutatis mutandis* apply to every such separate General meeting and the necessary quorum shall be five persons personally present.

This article is not to be implied curtailing the power of modification, which the Company would have, if this Article were omitted and the provisions of the Act as to forwarding a copy of any such agreement or resolution to the Registrar shall be applicable.

58. The right conferred upon the holders of the shares of any class issued with preferential or other rights shall not unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.
59. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound or be compelled in any way to recognise (even when having notice thereof) any equitable contingent future or partial interest in any share, or any interest in fractional part of a share or (except only as by these regulations or by law otherwise provided) any other right in respect of any shares except an absolute right to the entirety thereof in the registered holder.

LIEN

60. 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 times in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the company's lien if any, on such shares/debentures. The directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.
61. That fully paid shares shall be free from all lien and that in the case of partly paid shares the Issuer's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares;

62. The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has lien provided that no sale shall be made except under the circumstances mentioned in these Articles.
63. Unless the sum in respect of which the lien exists is presently payable, or
64. Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.
65. To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof.
66. The purchaser shall be registered as the shareholder of the shares comprised in any such transfer.
67. The purchaser shall not be bound to see the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
68. The proceeds of the sale shall be received by the company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.
69. The residue, if any, shall, subject to a like lien for sum not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of sale.
70. No member shall exercise any voting rights in respect of any shares registered in his name on which any call or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right to lien.

FURTHER ISSUE OF SHARES

71. 1. Where at any time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the unissued capital or out of the increased share capital then:
 - (a). Such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the company, in proportion, as nearly as circumstances admit, to the capital paid-up on those shares at that date;
 - (b). The offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;
 - (c). The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right. 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.
 - (d). After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from

the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the company.

2. Notwithstanding anything contained in sub clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof in any manner whatsoever.
 - (a). If a special resolution to that effect, is passed by the company in General Meeting, or
 - (b). Where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the company.
3. Nothing is sub-clause (c) of (1) hereof shall be deemed:
 - (a). To extend the time within which the offer should be accepted; or
 - (b). To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
4. Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debentures issued by the company:
 - (a). To convert such debentures or loans into shares in the company; or
 - (b). 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.

PROVIDED THAT terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- i. 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
- ii. 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.

DEBENTURES

72. Any debenture, 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.

DEMATERIALISATION OF SECURITIES

73. Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise or rematerialise its shares, debentures and other securities (both existing and future) held by it with the Depository and to offer its shares, debentures and other securities for subscription in a dematerialised form pursuant to the Depositories Act, 1996 and the Rules framed thereunder, if any;

BORROWING POWERS

74. Subject to the provisions of the Act, the Board may from time to time raise or borrow, from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purposes of the payment of the Company.

Provided that the Board shall not, without the sanction of the Company in General Meeting borrow any sum of money which together with monies already borrowed by the Company (apart from temporary loans obtained) from the Company's bankers in the ordinary course of business.

75. Subject to the provisions of the Act, the Board may raise or secure the repayment of such terms and conditions in all respects as it thinks fit, and in particular, by the issue of bonds, perpetual or redeemable, debenture or debenture-stock, or by creation of any mortgage, charge or other security on the undertaking of the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.
76. Subject to the provisions of the Act and the rules made there under the Directors may receive deposits for such term and bearing interest at such rates as the Directors may decide from time to time. The deposits may be received from any person or persons including the Directors and shareholders of the Company.
77. The Directors shall cause a proper register to be kept, in accordance with the provisions of the Act, of charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act with regard to the registration of mortgages and charges. The register of charges kept in pursuance of act shall be open during business hours, subject to reasonable restrictions as the Company in general Meeting may impose so that not less than two hours in each day are allowed for such inspection to any creditor and member of the Company without fee and to any other person on payment of a fee of Rs.1/- for each inspection at the registered office of the Company.
78. Any bonds, mortgages, debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise or with any special privileges as to assignment, redemption, surrender, drawing, allotment of shares (but not for voting thereat) otherwise.

The debentures, debenture-stock, bonds or other securities conferring right to allotment or conversion into shares shall not be given except with the sanction of the Company in General Meeting, the Board may keep alive redeemed debentures for the purpose of reissue and shall have the power either to reissue the debentures or issue other debentures in place of those redeemed as it may consider fit.

PROCEEDINGS AT GENERAL MEETINGS

87. The ordinary business of an Annual General Meeting shall be to receive and consider Profit and Loss Account, the Balance Sheet and the Report of the Directors and that of the Auditors, to elect the Directors in the place of those who retire by rotation, to appoint Auditors and to fix their remuneration and also to declare dividends. All the other business transacted at an Annual General Meeting shall be deemed to be special business.
88. Five members present at the Meeting in person shall be the quorum for General Meeting. No business shall be transacted at any General Meeting unless the requisite number of members sufficient to constitute quorum are present at the time when the Meeting proceeds to business.
89. If within half an hour of the time appointed for holding a Meeting the requisite number of members sufficient to constitute quorum are not present, the Meeting shall be dissolved. In any other case the Meeting shall stand adjourned to the same day in the next week at the same time and place or to such other later day, time and place as the Board may determine. If at the adjourned Meeting also the requisite quorum is not present within half an hour from the scheduled time of holding the Meeting, the members present shall form the quorum.
90. The Chairman of the Board of Directors or in his absence, the Managing Director shall preside over every General Meeting as Chairman. If at any time, no such Chairman or Managing Director is present to chair the Meeting within fifteen minutes after the time appointed for holding of the Meeting or if either of them is unwilling to act as a Chairman, the Directors present shall choose one of the Directors to be Chairman of the Meeting or if no Director is present or if the Directors present at the Meeting decline to chair the Meeting, the members present shall elect one of themselves as Chairman of the Meeting.
91. Every question submitted to a Meeting shall be decided by a show of hands or by a poll if so demanded by any five members entitled to vote and are present in person or proxy. In the case of an equality of votes, the Chairman shall both on show of hands and at the poll have a casting vote in addition to the votes to which he may be entitled to as a member.
92. At any General Meeting unless a poll is demanded by at least five members present in person or by proxy and entitled to vote, a declaration by Chairman of a resolution have been carried or carried by a particular majority and entry to that effect in the books containing the minutes of the Meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes given for or against such resolution
93. The Chairman, may adjourn any General Meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the Meeting from which the adjournment took place unless due notice is given thereby.
94. Subject to the provisions of the Act, the Chairman shall have the power to regulate the manner in which a poll shall be taken and the results of the poll shall be deemed to be the decision of the Meeting on the resolution on which the poll was taken.
95. No objection shall be made to the validity of any vote whether given personally or by proxy or by attorney except at the Meeting or poll at which such vote shall be tendered and every vote, whether given personally, or by proxy or by attorney, to which no objection shall be made at such Meeting or

poll, shall be deemed valid for all purposes of such Meeting or poll whatsoever.

Every objection as to admission or rejection of a vote, either on show of hands on a poll may in due time, shall be referred to the Chairman who shall determine the same forthwith and such determination made in good faith shall be final and conclusive.

VOTES OF MEMBERS

96. Subject to the provisions of these Articles and without prejudice to and special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every member, not disqualified by these Articles shall be entitled to be present, and to speak and vote at such meeting, and on a show of hands every member present in person shall have one vote and upon a poll the voting right of every member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. Provided however, if any preference shareholder be present at any meeting of the Company, save as provided in the Act, he shall have a right to vote only on resolutions placed before the meeting which directly affect the rights attached to his preference shares.
97. No Company or body corporate being a member of the Company shall vote by proxy unless a resolution of its Board of Directors under the provisions of the Act is in force and the representative named in such resolution is present at the Meeting at which the vote by proxy is tendered.

A person duly appointed by a resolution as aforesaid under the Act, shall not by reason of such appointment be deemed to be a proxy and the lodging with the Company at the office or production at the Meeting of a copy of such a resolution duly signed by one Director of such member Company and certified by him as being a true copy of the resolution shall, on production at the Meeting, be accepted by the Company as sufficient evidence of the validity of his appointment and such a person shall be entitled to exercise the same rights and powers, including the right to vote by proxy on behalf of the member Company he represents, as that member Company could exercise if it were an individual member.

98. If any member be a lunatic, idiot, or a non-composmentis, he may vote whether on a show of hands or on a poll by his committee, curator bonus or other legal curator and such last mentioned person may give his vote by proxy provided that forty eight hours atleast before the time of holding the Meeting or adjourned Meeting as the case may be, at which any person proposes to vote, he shall satisfy the Board of his right under the Transmission Article to transfer the shares in respect of which he proposes to exercise his right under this Article, unless the Board shall have previously admitted his right to vote at such Meeting in respect thereof.
99. Where there are Joint Registered Holders of any share, any of such persons may vote at any Meeting either personally or by proxy in respect of such share as if he were solely entitled thereto; and if more than one of such Joint-holders be present at any Meeting either personally or by proxy or attorney, that one of the said persons whose name stands prior in the Register of Members in respect of such shares shall alone be entitled to vote in respect thereof.

Provided that Joint-Holder present at any meeting personally shall be entitled to vote in preference to a Joint-holder represented by a proxy. Every executors or administrators of the deceased member in whose name shares stand shall for the purposes of this Article, be deemed Joint-Holders of such shares.

100. An instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer or his attorney is a body corporate be under the common seal or the hand of its officer or attorney duly constituted. A proxy who is appointed for a specific Meeting only shall be called a Special Proxy and any other proxy shall be called general proxy.
101. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notariably certified copy of that power of authority, shall be deposited at the office not less than forty eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or in the case of a poll not less than twenty four hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. Provided that the Directors shall have power to waive this rule in any case should they, in the interest of the Company, think fit desirable to do so.
102. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument, or transfer of the share shall have been received by the Company at the Office before the vote is given; provided nevertheless that the Chairman of any Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.
103. Every instrument of proxy, whether for a specific meeting or otherwise shall as nearly as circumstances will permit, be in either of the forms set out in the Act.
104. No member shall be entitled to exercise any voting rights either personally or by a proxy at any meeting of the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised, any right of lien.

DIVIDENDS AND RESERVE

147. The Company in Annual General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors. However, the Company in the Annual General Meeting may declare a smaller dividend. No dividend shall be paid otherwise than out of the profits of the year or any other undistributed profits. All dividends shall be paid subject to Section 207 of the Act and shall fix the time for payment. No dividend shall bear interest against the Company.
148. Subject to the rights of members entitled to share (if any) with preferential or special rights attached thereto as to dividends, all dividends shall be paid according to the amount paid upon the shares. No amount paid up on a share in advance of calls shall, while carrying interest be treated for the purposes of this Articles as paid on the share.
149. a) The Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the Company.
- b) The Board may deduct from any dividend payable to any member, all sums of money if any presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

150. In any General Meeting declaring dividend the Company may make a call on the members of such amount as the Meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may be set off against the call.
151. A mere transfer of shares shall not pass the rights to any dividend declared thereon unless the transfer has been registered by the Company.
152. If several persons are registered as Joint-holders of any shares, anyone of them may give effectual receipt for any dividend, bonuses or any other payments payable on the shares.
153. Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner hereinafter mentioned and all dividends unclaimed till the claim thereto becomes barred by law shall be dealt with in accordance with the provisions of the Act. No unclaimed dividend shall be forfeited by the Board and the Company shall comply with all the provisions of Section 205A of the Act in respect of all unclaimed or unpaid dividend.
154. Unless otherwise directed in accordance with Section 205(5)(b) of the Act, any dividend, interest or other monies payable in cash in respect of a share may be paid by cheque or warrant sent through post to the registered address of the holder or in the case of joint-holders, to the registered address of anyone of the joint-holding or to such person and such address as the holder/joint-holder, as the case may, may direct, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.
155. a) The Directors may, before recommending any dividend, shall set aside out of the profit of the Company such sums as they may think proper as a reserve, which shall, at the discretion of the Directors be applicable for repayment of debentures, debts or other liabilities of the Company to meet contingencies or for equalising dividends or for any other purpose to which the profits of the Company may be properly applied and pending such application may, at their discretion either be employed in the business of the Company or be invested in such investment (other than the shares of the Company) as the Directors may from time to time think fit and from time to time deal with and very such investment and dispose of all or any part thereof for the benefits of the Company.
- b) The Board may also, before recommending any dividend, set apart any or such portion of the profits of the Company as they think fit as a depreciation reserve to be applied at the discretion of the Board for providing against any depreciation in the fixed assets of the Company or for the rebuilding, restoring, replacing or altering any part of the building, work, plant, machinery or other property of the Company destroyed or damaged by fire, flood, storm, tempest, accident, riot, wear and tear or other means and for repairing, altering and keeping in good condition the property of the Company or for extending and enlarging the building, machinery and property of the Company with full power to employ the assets acquired out of such depreciation reserve in the business of the Company without being bound to keep the same separate from the other assets.
156. All monies carried to the Reserve and Depreciation Reserve shall nevertheless remain and be the profits of Company subject to setting off any loss suffered and depreciation for the payment of the dividends and such monies and all the other monies of the Company not immediately required for the purposes of the Company (subject to Section 49 and 372 of the Act) be invested by the Board in or upon

such investments or securities as they may select or may be used as working capital or may be kept in any bank or deposit or otherwise as the Board may from time to time think proper.

157. The Company in any General Meeting may, upon the recommendation of the Board, at any time, from time to time, pass a resolution that any monies, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserves or any Capital Redemption Reserve Account, or in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of Share Premium Account be capitalised and distributed amongst such of the share-holders as would be entitled to receive the same if distributed by way of dividend and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such share-holders in paying up in full any unissued shares, debentures or debenture-stock of the Company which shall be deposited accordingly or in or towards payment of the uncalled liability on any issued shares or debenture or and that such distribution or payment shall be accepted by such share-holders in full satisfaction of their interests in the said capitalised sum. Provided that any sum standing to the credit of a Share Premium Account and Capital Redemption Reserve Account may, for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

158. A General Meeting may resolve that any surplus money arising from the realisation of any capital assets of the Company or any investment representing the same, or any other undistributed profits of the Company not subject to charge for income-tax be distributed amongst the members on the footing that they receive the same as capital.

159. The Board, in order to give effect to any resolution under the preceding Articles, settle any difficulty that may arise as to distribution as it thinks expedient and may issue fractional certificates, and fix the value for distribution of any specific assets, determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of parties and vest such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient. Where required, a contract shall also be filled in accordance with the provisions of the Act and the Board may appoint any person to sign any contract thereby required on behalf of the persons entitled to the dividend and such appointment shall be effective.

160. 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 "Anu's Laboratories Limited Unpaid Dividend Account".

Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.

No unclaimed or unpaid dividend shall be forfeited by the Board.

168. No member shall be entitled to visit or inspect the officer's work without the permission of the Directors or to require discovery of any information regarding any details of the Company's trading of 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 members of the Company to communicate to the public.

169. Every Director, Secretary, Trustee for the Company, its members or debenture-holders, members of a Committee Officer, Servant, Agent, Accountant or other person employed in or about the business of the Company with its customers and the state of accounts with individuals and in matters relating thereto, and shall not 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 Board or by any General Meeting or by a Court of Law and except so far as may be necessary in order to comply with any of the provisions in these Articles. Except as may be specifically permitted by the Board or otherwise required under law, all proceedings of the Board shall be strictly confidential and no Director shall knowingly disclose such proceedings to a third party.

WINDING UP

170. If the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid up capital deemed to be paid up, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid-up or due to be paid-up at the commencement of the winding up. The assets available for distribution amongst the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the members in proportion to the capital paid up or deemed to be paid up at the commencement of the winding up on shares in advance of calls upon the footing that the same shall carry interest, such capital shall be excluded and shall be repayable in full before any distribution is made on the paid up capital or deemed to be paid up together with interest at the rate agreed upon. The provisions of these Articles shall be subject to any special rights or liabilities attached to any special calls of shares forming part of the assets of the Company.

171. The liquidators may with the sanction of special resolution, divide among the members in specie the whole or any part of the assets of the Company.

SECTION X - OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of the Red Herring Prospectus, have been delivered to the Registrar of Companies, Andhra Pradesh, Hyderabad for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company, from 10.00 a.m. to 4.00 p.m. on any working day from the date of the Red Herring Prospectus until the date of closing of the Issue.

Material Contracts

1. Memorandum of Understanding dated September 20, 2007 signed between the Company and Almondz Global Securities Limited, the Book Running Lead Managers to the Issue.
2. Memorandum of Understanding dated June 09, 2007 signed between the Company and Karvy Computershare Private Limited, the Registrar to the Issue.
3. Copy of the Tri-partite Agreement dated March 10, 2006 between NSDL, the Company and Karvy Computershare Private Limited.
4. Copy of the Tri-partite Agreement dated March 27, 2006 between CDSL, the Company and Karvy Computershare Private Limited.

Documents for Inspection

1. Memorandum and Articles of Association of Anu's Laboratories Limited, as amended from time to time.
2. Certificate of Incorporation of Anu's Laboratories Limited dated February 20, 1996
3. Copy of board resolution passed on January 2, 2007 and special resolution passed at Extra Ordinary General Meeting dated January 27, 2007, 2007 u/s 81 (1A) authorizing the Issue of Equity Shares.
4. Copies of letter addressed to BSE and NSE regarding In-principle approval for Listing.
5. Copies of letter from BSE regarding In-principle approval dated November 28, 2007.
6. Copies of Annual Reports of the Company for the last 5 accounting periods i.e. FY 2003, FY 2004, FY 2005, FY 2006 FY 2007 and for nine months period ended December 31, 2007.
7. Copy of letter addressed to BSE by the Company dated April 17, 2008 regarding the number of shares for IPO.
8. Copy of Tax Benefits Certificate issued by Statutory Auditors of the Company M/s Karumanchi & Associates, Chartered Accountants, dated April 07, 2008.
9. Copy of Auditors Reports issued by Statutory Auditors of the Company Karumanchi & Associates, Chartered Accountants regarding Re-stated financials of the Company for the last 5 financial years and for nine months period ended December 31, 2007 dated April 07, 2008.
10. Certificate dated April 07, 2008 regarding Deployment of funds in relation to the proposed projects.
11. No objection Certificate from the Bankers to the Company in respect of proposed public issue of our Company.
12. Resolution approving the present terms of employment and remuneration between our Company and our Whole-time Director and Managing Director as approved by our Board and our Shareholders.

13. Consent letters from Directors, Book Running Lead Manager to the Issue, Bankers to the Company, Statutory Auditors, Legal Advisors to the Issue, Registrar to the Issue, Compliance Officer to the Issue, Escrow Bankers/Bankers to the Issue, Syndicate member and Underwriters to the Issue to act in their respective capacities and for inclusion of their names in the Red Herring Prospectus.
14. Copies of Annual Reports of Promoter Group Companies
15. Due Diligence Certificate dated September 25, 2007 issued by Book Running Lead Manager to the Issue viz. Almondz Global Securities Limited.
16. A copy of the SEBI Final observation letter no. CFD/DIL/ISSUES/PB/MKS/117899/2008 dated February 21, 2008, received from SEBI, Mumbai in respect of the Public Issue of Anu's Laboratories Limited.
17. IPO Grading letter no. ICRA/ALL/2007-08/3103 dated April 2, 2008 received from ICRA Limited.
18. Copy of Board Resolution dated April 18, 2008 regarding approval of Red Herring Prospectus.

RATIONALE FOR IPO GRADING REPORT BY ICRA FOR ANU'S LABORATORIES LIMITED

IPO Grading IPO Grade 2

ICRA has assigned an IPO Grade 2, indicating below average fundamentals, to the proposed IPO of Anu's Laboratories Limited (ALL). ICRA assigns IPO Grades on a scale of IPO Grade 5 through to IPO Grade 1, with IPO Grade 5 indicating strong fundamentals and IPO Grade 1 indicating poor fundamentals.

An ICRA IPO Grade is a symbolic representation of ICRA's current assessment of the fundamentals of the issuer concerned. The fundamental factors assessed include, *inter alia*, business and competitive position, financial position and prospects, management quality, corporate governance, and history of compliance and litigation.

Disclaimer: Notwithstanding anything to the contrary: An ICRA IPO grade is a statement of current opinion of ICRA and is not a statement of appropriateness of the graded security for any of the investors. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the issuer concerned and also other sources considered reliable by ICRA. However, ICRA makes no representation or warranty, express or implied as to the accuracy, authenticity, timeliness, or completeness of such information. An ICRA IPO grade is not (a) a comment on the present or future price of the security concerned (b) a certificate of statutory compliance and/or (c) a credit rating. Further, the ICRA IPO grade is not a recommendation of any kind including but not limited to recommendation to buy, sell, or deal in the securities of such issuer nor can it be considered as an authentication of any of the financial statements of the company, and ICRA shall not be liable for any losses incurred by users from any use of the grade in any manner. It is advisable that professional assistance be taken by any prospective investor in the securities of the company including in the fields of investment banking, tax or law while making such investment. All services and information provided by ICRA are provided on an "as is" basis, without representations and warranties of any nature.

Strengths

- Significant experience of Promoters and key operating personnel in the pharmaceutical industry
- Strong growth in revenues and profitability indicators
- Continuous improvement in conversion coefficients for all products
- Strong customer base, consisting of large domestic and international generic pharmaceutical companies

Concerns

- Significant product concentration, with three products accounting for 79% of 2006-07 revenues
- High client concentration, with 47.5% of 2006-07 coming from a single client
- Currently small balance sheet size, which could be a limiting factor, given the intensity of competition prevailing in the industry
- Increasing business risks, given that the size of the proposed project is significantly large as compared with the current asset base
- Planned forward integration into intermediates and bulk drugs, both of which are capital intensive and commoditised businesses characterised by high competitive intensity
- Weak financial position of Promoter Group companies
- Strengthening Indian rupee, which may hamper international competitiveness, given that 12.4% of annual revenues (as of 2006-07) are derived from exports

Grading Rationale

The IPO Grade assigned by ICRA takes into account the significant experience of ALL's Promoters and its management in the pharmaceutical industry, the strong growth in the company's revenues and profitability during 2003-04 to 2006-07, its strong customer base, and the improvement in its productivity following continual reduction in conversion coefficients. The Grade is however constrained by ALL's high product and client concentration, its small size of operations, the weak financial position of its Group companies, and the competitive environment prevailing in the industry. Besides, with the planned investments in the intermediates and bulk drugs business being large, ALL is exposed to offtake and price risks for the proposed products, which are also relatively mature.

ALL derives most of its revenues from a few products. Its top three products, 2, 4 Dichloro 5 Fluoro Acetophenone (DCFA), CIS Hydroxy Lactam and Methyl-4 (4-Chloro 1-Oxo butyl) a, a Di-Methyl Acetate, accounted for 79% of its 2006-07 sales. This apart, ALL has very high concentration on a few customers. Its top three customers accounted for over 67% of its total revenues in 2006-07.

ALL proposes to set up an API plant at an outlay of Rs. 551 million and a pilot plant for CRAM at Rs. 83 million. Given that the company's gross block as in March 2007 stood at Rs. 279 million, the proposed investment is considerably larger than its current Balance Sheet size, which exposes it to significant business risks. Moreover, ALL, which currently manufactures intermediates, plans to forward integrate into APIs using the proceeds of the proposed IPO. These APIs have however reached maturity already and the market for them is highly competitive, featuring some large and well-entrenched players enjoying scale economies. Moreover, three of the proposed APIs would come under the purview of the Drug Price Control Order (DPCO) 1995.

ALL has three Group companies: Nitya Laboratories Limited (NLL), Zen Chemi Consultech Private Limited (ZCPL), and Zen Absorptions Private Limited (ZAPL). NLL is a contract manufacturer for ALL, while ZCPL and ZAPL are unrelated to ALL. All the three Group companies have incurred losses during the last three financial years.

The US dollar has been under pressure vis-à-vis the Indian rupee for sometime now. The average dollar rate (vis-à-vis the Indian rupee) depreciated by around 8.2% during April-September 2007 over the previous half year. Dollar depreciation has a direct impact on the price competitiveness of Indian exports. Currently, ALL's exports are dollar denominated; if the trend of a strengthening rupee continues, ALL's profit margins could be hit.

Company Profile

ALL is engaged in the manufacture of basic and advanced intermediates and fine chemicals. It has manufacturing facilities for key intermediates like DCFA (an intermediate for synthesising quinolone antibiotics like Ciprofloxacin), Chlorohexanone (key intermediate in the manufacture of cardiovascular medicine), and Methyl-4 (4-Chloro 1 oxo butane) a, a Di-Methyl Acetate (an intermediate in the manufacture of Fexofenadine, an anti-allergic drug). To widen its product portfolio, ALL has entered into contracts with Group company NLL, under which ALL has been undertaking conversions since 2004 for the manufacture of Sodium Methoxide and CIS Hydroxide Lactam.

Promoters and Management

ALL was incorporated in 1996 for the manufacture of bulk APIs and intermediates for drug molecules. Mr. K. Hari Babu initially promoted the company in 1996, while Mr. N.S. Walimbe subsequently joined in as a Co-

Promoter in 1997. ALL's Promoters and management have significant experience in the pharmaceutical industry. The other companies in the Group are NLL, ZCPL and ZAPL.

Business and Competitive Position

Globally, the Indian pharmaceutical industry ranks 4th in terms of volume (8% share in global sales) and 13th in terms of value (1% share in global sales). Overall, the industry is expected to grow at a healthy rate over the medium term. The Indian API industry remains highly competitive, especially for mature products.

Industry Prospects

- Steady demand expected for select APIs (Ciprofloxacin, Diltiazem and Naproxen) proposed to be manufactured by ALL. However, most of the existing manufacturers of these products enjoy favourable scale economies
- Older generation bulk drugs are often outsourced by large pharmaceutical companies to smaller players similar to ALL

Market Position

- ALL derives significant revenues from intermediates for old generation APIs that have steady demand and a large number of manufacturers
- ALL supplies its products to large pharmaceuticals companies, most of whom have been sourcing products from ALL on a steady basis.
- ALL is a late entrant in the crowded API market
- ALL faces intense competition from Chinese API players, but price differential between Indian and Chinese products is declining gradually

Operating Efficiency

- ALL has been successful in increasing conversion coefficients via process optimisation and recoveries
- ALL's R&D is focused on process improvement; however, of late, the company has been increasingly concentrating on developing products (old generation) that can be taken up for contract manufacture
- ALL's Operating Profit before Depreciation, Interest and Tax/Operating Income of 22% in 2006-07 was higher than that of most of its peers; however, it has a limited track record of high operating margins
- ALL's Return on Capital Employed (RoCE) of 49% in 2006-07 was the highest among peers. Its high RoCE is partly explained by the benefits of contract manufacturing for Group company NLL

New Project – Risks and Prospects

Project Profile

The net proceeds of the proposed IPO, after deduction of issue expenses, are intended to be used to set up a new plant that would manufacture drug intermediates including APIs and a pilot plant that would carry out CRAM; meet long-term working capital requirements and general corporate expenses.

Setting up of new plant for manufacture of drug intermediates, including APIs

To expand its activities by way of forward integration, ALL proposes to set up a new plant for the manufacture of intermediates including APIs. The new plant will be set up at Jawaharlal Nehru Pharma City, Visakhapatnam (Andhra Pradesh). For the purpose, ALL has purchased 9.54 acres of land for Rs.14.3 million. The total cost of Rs. 14.3 million consists of a sale consideration of Rs. 3.8 million and infrastructure development charges of Rs. 10.5 million.

Setting up of a pilot plant for carrying out CRAM

ALL has identified contract manufacturing as one of the ways to maintain growth and profitability. It currently contract-manufactures Ciprofloxacin Hcl for Dr. Reddy's Laboratories Limited. ALL is of the view that there is large scope for extending such services to other companies both in India and abroad. It therefore intends to upgrade its manufacturing facilities so as to make them compliant with the norms laid down by international regulatory authorities like the United States Food and Drug Administration (USFDA). To offer contract research services, ALL is planning to set up a pilot plant for carrying out CRAM at Jawaharlal Nehru Pharma City, Visakhapatnam.

Meeting of long-term working capital requirements

ALL intends to use a part of the net proceeds of the proposed IPO to meet its long-term working capital requirements.

Table 1: Proposed Use of IPO Proceeds

Fund Requirement	Rs. million
Setting up a new plant for manufacturing of drug intermediates including APIs	550.9
Setting up a pilot plant for carrying out CRAM	83.4
Meeting long-term working capital requirements	166.7
Meeting general corporate expenses	[•]
Meeting issue expenses	[•]
Total Project Cost (excluding general corporate expenses and issue expenses)	801.0

Cost of Project and Means of Finance

ALL's fund requirement as brought out in *Table 1* is planned to be financed by the proceeds of the proposed IPO. In the event that the proceeds of the IPO fall short of this requirement, ALL would use internal accruals (retained earnings of Rs. 281 million as on March 31, 2007) and/or debt to bridge the gap. But in case the IPO proceeds exceed the requirement (as in *Table 1*), the surplus may be used to meet general corporate expenses.

Project Risk Analysis

ALL proposes to enter the crowded bulk drug and CRAMs space. By taking up bulk drugs manufacturing, the company is expected to benefit from forward integration as it already manufactures the requisite intermediates, which account for 40-50% of the manufacturing cost of bulk drugs. Besides, ALL would be able to leverage its strong relationships with existing customers by supplying APIs or entering into CRAMs contracts with them. However, its margins may come under pressure, as bulk drugs are commodity products facing high competitive pressures.

Financial Position

Focus on high margin products lifts operating margins

ALL's operating margins were almost stagnant at around 10% during the period 2002-03 to 2004-05. Since then, the operating margins have improved significantly (both in 2005-06 and 2006-07) with the company being able to scale up supplies of high margin products like Chlorohexanone, Methyl-4 (4-Chloro 1-Oxo butyl) a, a Di Methyl Phenyl Acetate, and CIS Hydroxy Lactam. Besides, higher economies of scale and improvement in efficiency, as indicated by the increase in conversion coefficients for ALL's major product DCFA, also

enabled the company report better margins. ALL's RoCE reported a consistent rise from 17.6% in 2002-03 to 49.2% in 2006-07 on the back of strengthening margins and the part outsourcing of production to Group company NLL.

Table 2: Financial Highlights of ALL

Amounts in Rs. million	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	H1, 2007-08
Operating income	238.8	217.4	271.3	628.6	909.9	1091.7	729.4
Y-o-Y growth	-	-9.0%	24.8%	131.7%	44.7%	20.0%	
OPBDITA	29.7	21.4	28.4	60.1	115.9	240	146.4
OPBDITA/OI	12.4%	9.9%	10.5%	9.6%	12.7%	22.0%	20.1%
PAT	16.6	1.1	5.4	20.9	57.1	135.9	92.6
PAT/OI	7.0%	0.5%	2.0%	3.3%	6.3%	12.4%	12.7%
RoNW		2.6%	12.5%	34.1%	55.0%	60.8%	50.4%
RoCE		17.6%	20.1%	35.0%	42.3%	49.2%	42.7%
EPS (Rs.)	0.5	1.1	5.6	16.0	11.0	17.0	

H1: First half (of a financial year); Y-o-Y: Year-on-Year; OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; OI: Operating Income; PAT: Profit after Tax; RoNW: Return on Net Worth; RoCE: Return on Capital Employed; EPS: Earning per Share

Gearing currently at comfortable levels

ALL's gearing, which had reached a peak of 1.75 times in 2002-03, declined subsequently to 1.34 times in 2005-06, following equity infusion. ALL allotted 712,800 fully paid-up equity shares on preferential basis to Andhra Pradesh State Financial Corporation, its own Promoters, and other investors during February and March 2007, which brought down its gearing to the current 0.84 time. The gearing is expected to decline further once the IPO proceeds come in.

Table 3: ALL's Capital Structure

Amounts in Rs. million	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	H1, 2007-08
Total Debt	46.0	70.8	66.7	102.4	175.1	265.1	346.9
Net Worth	40.1	40.5	45.7	76.8	131.1	316.0	418.6
Total Debt/Net Worth (Times)	1.2	1.8	1.5	1.3	1.3	0.8	0.8

Working capital intensity have been volatile

- ALL Debtors days increased in 2006-07 following the renegotiation of Credit Period with Dr. Reddy's Laboratories (accounting for 47.5% of ALL's 2006-07 Sales) from 30 to 60 days .This apart, increasing exports (all offers a credit period of 60 days) also contributed to the increase in debtor days.
- ALL's creditor days have declined significantly post 2004-05.
- ALL's inventory days went up temporarily during 2006-07 from 124 to 163 but has since been corrected to 121 days as in September 2007(in line with past levels)

Table 4: Working Capital Indicators of ALL

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	H1, 2007-08
Current Ratio	1.2	1.2	1.2	1.3	1.3	2.0	1.8

NWC/OI	0.1	0.3	0.2	0.2	0.2	0.3	0.3
Debtors & Bills Disc. Days	31	51	42	49	19	22	35
Days Payables	84	92	113	106	65	62	52
Days Inventory	102	133	129	123	124	163	120

NWC: NET WORKING CAPITAL

Contingent Liabilities

Table 5: Contingent Liabilities of ALL

Rs. million	March 31, 2007
Unexpired Bank Guarantees & Letters of Credit	107.2
Disputed Income Tax for 2001-02 (disputed tax amount paid to the Income Tax Department)	0.5
Disputed Sales Tax Demands	
2001-02	0.9
2002-03	3.9
2003-04	4.9
Upto July 2005 (2004-05)	2.8
Total	120.2

Compliance and Litigation History

ALL is involved in some civil and sales tax dispute cases, which are currently at various stages of adjudication. The overall size of the same is not significant.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. The Company further certifies that all statements in this Red Herring Prospectus are true and correct.

SIGNED BY ALL THE DIRECTORS OF ANU'S LABORATORIES LIMITED

K.Hari Babu
Managing Director

N.S. Walimbe
Director

M.S.S.V. Satyanaryana
Director

Dr. Rajeswararao Kosaraju*
Director

M. Ajaya Kumar
Director

O.M. Kejriwal*
Director

G.Ramakrishnan
Chief Financial Officer

*Through duly constituted Attorney Mr. K. Hari Babu, Managing Director

Date: April 18, 2008

Place: Hyderabad