



**Red Herring Prospectus**

Dated: January 5, 2011

Please read Section 60B of the Companies Act, 1956

100% Book Built Issue

## OMKAR SPECIALITY CHEMICALS LIMITED

Our Company was originally incorporated as Omkar Speciality Chemicals Private Limited on February 24, 2005 and was registered with the Registrar of Companies, Maharashtra. It was converted into a public limited company under the name Omkar Speciality Chemicals Limited on March 18, 2010.

**Registered & Corporate Office:** B-34, MIDC, Badlapur (E), Thane- 421503, Maharashtra

(For the details of change in our Registered Office, please refer to page no. 11 of this Red Herring Prospectus)

**Tel No.:** +91-251-2690651/2697340; **Fax No.:** +91-251-2697347/2691572

**Website:** [www.omkarchemicals.com](http://www.omkarchemicals.com); **Email:** [info@omkarchemicals.com](mailto:info@omkarchemicals.com)

**Contact Person:** Ms. Nikita Mehta, Company Secretary & Compliance officer; **Email:** [nikita@omkarchemicals.com](mailto:nikita@omkarchemicals.com)

**Name of Promoters:** Mr. Pravin Herlekar and Mr. Omkar Herlekar

**PUBLIC ISSUE OF 81,00,000 EQUITY SHARES OF ₹10/- EACH FOR CASH AT A PRICE OF ₹[•] PER EQUITY SHARE, AGGREGATING ₹[•] LAKHS (THE "ISSUE"). THE ISSUE CONSTITUTES 41.27% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.**

**PRICE BAND: ₹95 TO ₹98 PER EQUITY SHARE OF FACE VALUE OF ₹10/- EACH**

**THE ISSUE PRICE IS 9.5 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 9.8 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 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 Issue to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the 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.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for 3 additional working days after such revision of the Price Band, 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 a notice to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, by issuing a press release and also 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 shares of Omkar Speciality Chemicals Limited (the "Company"), there has been no formal market for the Equity Shares. **The face value of the Equity Shares of our Company is ₹10/- per Equity Share and the Issue Price of ₹[•] per Equity Share is [•] times of the face value of the Equity Shares of our Company.** The Issue Price (as determined and justified by the Book Running Lead Manager and the 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 or sustained trading in the Equity Shares of our Company or the price at which the Equity Shares will be traded after listing.

### GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares issued in the issue have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this Red Herring Prospectus. **Specific attention of investors is invited to the section titled 'Risk Factors' beginning on page no. iii of this Red Herring Prospectus.**

### ISSUER'S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for, and confirms that this Red Herring Prospectus contains all information with regard to our Company and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material respects 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 documents 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 are proposed to be listed on the Bombay Stock Exchange Limited, Mumbai (BSE), Designated Stock Exchange and National Stock Exchange of India Limited (NSE). The in-principle approvals of the BSE and NSE for listing Equity Shares have been received pursuant to letters dated September 29, 2010 and October 26, 2010 respectively.

### IPO GRADING

The Issue has been graded by CARE and has been assigned "CARE IPO GRADE 3" to the Initial Public Offering of our Company indicating average fundamentals vide its letter dated November 26, 2010. For more information on IPO Grading, please refer to page no. 15 of this Red Herring Prospectus.

### BOOK RUNNING LEAD MANAGER TO THE ISSUE



**ALMONDZ GLOBAL SECURITIES LIMITED**

Level-5, Grande Palladium, 175, C.S.T Road, Kalina, Santacruz (E), Mumbai – 400 098

**Tel.:** +91-22-66437600; **Fax:** +91-22-66437700

**Website:** [www.almondzglobal.com](http://www.almondzglobal.com)

**Email :** [omkar.ipo@almondz.com](mailto:omkar.ipo@almondz.com)

**Investor Grievance Email Id:** [complaint@almondz.com](mailto:complaint@almondz.com)

**Contact Person:** Mr.Kaushal Patwa/Ms.Sugandha Kaushik

**SEBI Registration No.:** INM000000834

### REGISTRAR TO THE ISSUE



**BIGSHARE SERVICES PRIVATE LIMITED**

E/2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (E), Mumbai-400 072

**Tel No** +91-22-40430200 **Fax :** +91-22-2847 5207

**Website:** [www.bigshareonline.com](http://www.bigshareonline.com)

**Email :** [ipo@bigshareonline.com](mailto:ipo@bigshareonline.com)

**Contact Person:** Mr. Ashok Shetty

**SEBI Registration No.:** INR 000001385

### BID/ISSUE PROGRAMME

**BID/ISSUE OPENS ON : Monday, January 24, 2011**

**BID/ISSUE CLOSSES ON : Thursday, January 27, 2011**

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## SECTION I – GENERAL

### Definitions and Abbreviations

#### Definitions

Term	Description
“Omkar Speciality Chemicals Limited” or “Omkar” or “the Company” or “our Company”	Omkar Speciality Chemicals Limited, a public limited company incorporated under the Companies Act, 1956 having its registered office at B-34, MIDC, Badlapur (E), Thane- 421503, Maharashtra
“We” or “us” and “our”	Unless the context other requires, refers to Omkar Speciality Chemicals Limited

#### Conventional or General Terms

Term	Description
Articles/Articles of Association	Articles of Association of Omkar Speciality Chemicals Limited
Auditors	The statutory auditors of Omkar Speciality Chemicals Limited viz., M/s. Siddharth Sinkar & Associates, Chartered Accountants
Board of Directors/Board	The Board of Directors of Omkar Speciality Chemicals Limited
Companies Act	The Companies Act, 1956, as amended
Depositories Act	The Depositories Act, 1996, as amended
Director(s)	Director(s) of Omkar Speciality Chemicals Limited, unless otherwise specified
Equity Shares	Equity Shares of the Company of face value of ₹ 10 each unless otherwise specified in the context thereof
GIR Number	General Index Registry Number
Indian GAAP	Generally Accepted Accounting Principles in India
MOA/Memorandum/Memorandum of Association	Memorandum of Association of Omkar Speciality Chemicals 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
Promoter(s)	Mr. Pravin Herlekar and Mr. Omkar Herlekar
Promoter Group	The persons constituting our Promoter Group pursuant to Regulation 2(1)(zb) of SEBI (ICDR) Regulations
Registered Office	B-34, MIDC, Badlapur (E), Thane- 421503, Maharashtra
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act,

<b>Term</b>	<b>Description</b>
	1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended
SEBI (ICDR) Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, notified by SEBI on August 26, 2009, 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
Stock Exchanges	Bombay Stock Exchange Limited and National Stock Exchange of India Limited
Subsidiary	Rishichem Research Limited, the subsidiary of Omkar Speciality Chemicals Limited, as mentioned in the section titled "History and Certain Corporate Matters" beginning on page no. 99 of this Red Herring Prospectus.

### **Issue Related Terms**

<b>Term</b>	<b>Description</b>
Allottee	The successful Bidder to whom the Equity Shares are issued
Allotment/Allot/Allocation	Unless the context otherwise requires, the issue and the allotment/allocation of Equity Shares pursuant to this Issue
Almondz	Almondz Global Securities Limited
Application Supported by Blocked Amount/ ASBA	The application (whether physical or electronic) for subscribing to this Issue alongwith an authorization to SCSB to block the Bid Amount in their specified bank account
ASBA Bidder/ ASBA Investor	means any Investor/ Bidder, who intends to apply through ASBA process
ASBA Form/ Bid-cum-ASBA Form	The form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purpose of Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus
ASBA Process	The ASBA process, as detailed in the section titled "Issue Procedure" beginning on page no. 205 of the Red Herring Prospectus
ASBA Revision Form	The forms used by the ASBA Bidders to modify the quantity of Equity Shares or Bid Price in any of their Bid cum ASBA Forms or any previous Revision Form(s).
Bankers to the Issue / Escrow Bankers to the Issue	Axis Bank, HDFC Bank and Bank of Baroda
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to or purchase our Equity Shares at a price within the Price Band, including all revisions and modifications thereto. For the purposes of ASBA Bidders, Bid means an indication to make an offer during the Bidding Period by any Investor/Bidder, to subscribe to the Equity Shares of our Company.
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

<b>Term</b>	<b>Description</b>
	the Issue
Bid-cum-Application Form/ Bid Form	The form used by the Bidder (including the format of such application form used by the ASBA Bidder, whether physical or electronic) to make a Bid which will be considered as the application for Allotment in terms of this Red Herring Prospectus
Bid/ Issue Closing Date	The date after which the Syndicate Members and SCSBs will not accept any Bids for the Issue, which shall be notified in an English National Newspaper, a Hindi National Newspaper and a Marathi Newspaper with wide circulation
Bid/Issue Opening Date	The date on which the Syndicate Members and SCSBs shall start accepting Bids for the Issue, which shall be the date notified in an English National Newspaper, Hindi National Newspaper and a Marathi Newspaper with wide circulation
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form
Bidding Period/ Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book Building route as provided in Schedule XI of the SEBI (ICDR) Regulations, 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 after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The upper end of the Price Band including any revision thereof, above which the Issue Price will not be finalized and above which no Bids will be accepted
Controlling Branches	Such branches of the SCSBs which coordinates Bids under this Issue by the ASBA Bidders with the BRLM, the Registrar to the Issue and the Stock Exchanges and a list of which is available at <a href="http://www.sebi.gov.in">www.sebi.gov.in</a>
Cut-off Price	The Issue Price finalized by our Company in consultation with the BRLM and it shall be any price within the price band. Only Retail Individual Bidders are entitled to bid at Cut-off Price, for a Bid Amount not exceeding ` 2,00,000. Qualified Institutional Buyers and Non-Institutional Bidders are not entitled to bid at Cut-off Price
Depositories Act	The Depositories Act 1996, as amended
Depository	A body corporate registered under the SEBI (Depositories and Participants) Regulations, 1996, as amended
Depository Participant	A Depository Participant as defined under the Depositories Act
Designated Branches	Branch offices of the SCSBs which the respective SCSB has identified as a designated branch at which the Physical ASBA Form can be submitted by an ASBA Investor and a list of which is available at <a href="http://www.sebi.gov.in">www.sebi.gov.in</a>
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 Registrar of

<b>Term</b>	<b>Description</b>
	Companies, 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 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. It will become a Red Herring Prospectus after filing with the Registrar of Companies, Mumbai at least three days before the opening of this Issue. It will become a Prospectus after filing with the Registrar of Companies, Mumbai, after the Pricing Date
Electronic ASBA	Submission of Bid-cum-ASBA Form electronically, by an ASBA Investor, through the internet banking facility offered by the SCSBs.
Equity Shares	Equity shares of our Company of face value of ₹ 10/- each, unless otherwise specified
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (excluding the ASBA Bidder) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst our Company, the Registrar, the Escrow Collection Bank(s), the BRLM, and the Syndicate Members for collection of the Bid Amounts and for remitting refunds (if any) of the amounts collected, to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof
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 or the Bid-cum-ASBA Form or ASBA Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
IPO	Initial Public Offering
Issue Price	The final price at which the Equity Shares will be allotted in terms of this Red Herring Prospectus, as determined by our Company in consultation with BRLM on the Pricing Date
Members of the Syndicate	The BRLM and the Syndicate Members
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Funds Portion	5% of the QIB portion or 2,02,500 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue, including affiliates of BRLM and Syndicate Members, or Retail Individual Bidders and who have bid for an amount more than ₹ 2,00,000
Non-Institutional Portion	The portion of this Issue being at least 12,15,000 Equity Shares, available for allocation to Non Institutional Bidders
Pay-in-Date	Bid/Issue Closing Date
Pay-in-Period	The period commencing on the Bid/Issue Opening Date and extending

<b>Term</b>	<b>Description</b>
	until the Bid/Issue Closing Date
Physical ASBA	ASBA Forms submitted by an ASBA Investor physically with designated branches of the SCSBs
Price Band	Price band of a minimum price of ` 95 per Equity Share (Floor Price) and the maximum price of ` 98 per Equity Share (Cap Price), both inclusive and includes revisions thereof
Pricing Date	The date on which our Company, in consultation with the BRLM, finalizes the Issue Price
Prospectus	The Prospectus to be 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/Issue	Public Issue of 81,00,000 Equity Shares of Rs 10/- each for cash at a Price of ` [•] Per Equity Share, aggregating ` [•] lakhs (The "Issue"). The Issue would constitute 41.27% of the fully diluted post issue paid-up capital of our Company
Public Issue Account/ Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account and from the SCSBs from the bank accounts of the Bidders on the Designated Date
Qualified Institutional Buyers / QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Foreign Institutional Investors and sub account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Venture Capital Funds registered with SEBI, Foreign venture capital funds registered with SEBI, Multilateral and bilateral development financial institutions, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of ` 2500 lakhs, Pension Funds with minimum corpus of ` 2500 lakhs, National Investment Fund, set up by resolution no. F.No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India, Insurance funds set up and managed by army, navy or air force of the Union of India and Insurance funds set up and managed by the Department of Posts, India.
QIB Portion	Not more than 50% of the Issue being 40,50,000 Equity Shares of ` 10/- each available for allocation to QIB bidders.
Red Herring Prospectus or RHP	The document issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are issued and the size of Issue. The Red Herring Prospectus will be filed with the ROC at least three days before the Bid/Issue Opening Date and will become a Prospectus after filing with the ROC after Pricing Date.
Refund Account	Account opened with an Escrow Collection Bank, from which refunds of the whole or part of the Bid Amount (excluding to the ASBA Bidders), if any, shall be made
Refund Bank(s)	HDFC Bank Limited

<b>Term</b>	<b>Description</b>
Refunds through electronic transfer of funds	Refunds through electronic transfer of funds means refunds through ECS, Direct Credit, RTGS or NEFT or the ASBA Process as applicable
Registrar/Registrar to the Issue	Bigshare Services Private Limited
Resident Retail Individual Bidder	Retail Individual bidder who is a person resident in India as defined under Foreign Exchange Management Act, 1999
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 ₹ 2,00,000.
Retail Portion	The portion of the Issue being 28,35,000 Equity Shares 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 Amount in any of their Bid cum Application Forms or any previous Revision Form(s)
Self Certified Syndicate Bank / SCSB	SCSB is a bank, registered under the SEBI (Bankers to an Issue) Regulations, 1994, which offers the facility of applying through the ASBA process and has its name included in the SEBI's list of SCSBs displayed on its website at <a href="http://www.sebi.gov.in">www.sebi.gov.in</a> . Bid-cum-ASBA Forms can be accepted only by SCSBs
Syndicate Agreement	Agreement to be entered into among our Company and Syndicate Member(s) in relation to the collection of Bids in the Issue (excluding Bids from the ASBA Bidders)
Syndicate Member(s)	Almondz Global Securities Limited
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Member to the Bidder as proof of registration of the Bid
Underwriters	The BRLM and the Syndicate Member(s)
Underwriting Agreement	The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date

### Company and Industry Related Terms

API	Any substance or mixture of substances intended to be used in the manufacture of a drug (medicinal) product and that when used in the production of a drug becomes an active ingredient of the drug product. Such substances are intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment or prevention of disease or to effect the structure and function of the body
CARE	Credit Analysis & Research Limited
CETP	Common Effluent Treatment Plant
CRAMS	Contract Research And Manufacturing Services
cu.mtr.	Cubic Metre
DG Set	Diesel Generator Set
FBP	Foreign Bill Purchased
FOB	Free on Board
GC	Gas Chromatograph
HDPE	High Density Polyethylene
HMHDPE	High Molecular High Density Polyethylene



HP	Horse Power
HPLC	High Performance Liquid Chromatograph
hr	hour
HSD	High Speed Diesel
HT	High Tension
Intermediate	A material produced during steps of the processing of an API which must undergo further molecular change or purification before it becomes an API
Kgs	kilograms
KVA	Kilo Volt Ampere
KW	Kilo Watt
LDO	Light Diesel Oil
LDPE	Low Density Polyethyene
Lpm	Litre Per Minute
LT	Low Tension
MIDC	Maharashtra Industrial Development Corporation
mm Hg	Millimeter of mercury
MPCB	Maharashtra Pollution Control Board
MSDS	Material Safety Data Sheet
MT	Metric Tonnes
NoC/NOC	No Objection Certificate
OPC	Optical Photoconductor
PC	Packing Credit
PCFC	Packing Credit on Foreign Currency
Ph	The measure of the acidity or alkalinity of a solution
R&D	Research and Development
Sq. mtr.	Square Meter
SS	Stainless Steel
TR	Tonnes of Refrigeration
UFBP	Usance Foreign Bill Purchased
UN	United Nations
Unit 1	Manufacturing facility located at Plot No. W-92 (A), MIDC, Badlapur (E), District Thane- 421503, Maharashtra
Unit 2	Manufacturing facility located at Plot No. F-24, MIDC, Badlapur (E), District Thane- 421503, Maharashtra
Unit 3	Registered Office and manufacturing facility located at Plot No. B-34, MIDC, Badlapur (E), District Thane- 421503, Maharashtra
Unit 4	Warehouse and manufacturing facility located at Plot No. F-10/1, MIDC, Badlapur (E), District Thane- 421503, Maharashtra
USFDA	United States Food and Drug Administration
USP	US Pharmacopeia
WHO	World Health Organization

### Abbreviations

Abbreviation	Full Form
A/c	Account

<b>Abbreviation</b>	<b>Full Form</b>
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
bn	billion
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identification Number
DRHP	Draft Red Herring Prospectus
EBIT	Earnings Before Interest and Tax
ECS	Electronic Clearing System
EOGM	Extra Ordinary General Meeting
EPS	Earning Per Share
ESIC	Employees' State Insurance Corporation
ESOP	Employee Stock Option Plan
ESOS	Employee Stock Option Scheme
ESPP	Employee Stock Purchase Plan
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended, and the regulations framed there under.
FIIIs	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
FVCI	Foreign Venture Capital Investor, (as defined under SEBI (Foreign Institutional Investor) Regulations, 1995), registered with SEBI.
FY/Fiscal/ Financial Year	Period of twelve months ended March 31 of that particular year, unless otherwise stated
GDP	Gross Domestic Product
GoI/ Government	Government of India
HUF	Hindu Undivided Family
I.T. Act	Income Tax Act, 1961, as amended
IPC	Indian Penal Code
MNC	Multinational Corporation
MoF	Ministry of Finance, Government of India
MOU	Memorandum of Understanding
N/A	Not Applicable
NAV	Net Asset Value
NEFT	National Electronic Funds Transfer
NPV	Net Present Value
NRIs	Non Resident Indians
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited

<b>Abbreviation</b>	<b>Full Form</b>
NSE	National Stock Exchange of India Limited
OCB	Overseas Corporate Bodies
p.a.	Per annum
PAN	Permanent Account Number
PAT	Profit After Tax
P/E Ratio	Price/Earnings Ratio
PLR	Prime Lending Rate
RBI	Reserve Bank of India
RoC	Registrar of Companies, Mumbai
ROE	Return on Equity
RONW	Return on Net Worth
₹ / Rs. / INR	Rupees, the official currency of the Republic of India
RTGS	Real Time Gross Settlement
SCRA	Securities Contract (Regulation) Act, 1956, as amended
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended
STT	Securities Transaction Tax
u/s	Under Section
U.S.	United States of America
USD/ US\$/ \$	United States Dollar, the official currency of the United States of America
VCF	Venture Capital Fund as defined and registered with SEBI under SEBI (Venture Capital Funds) Regulations, 1996 as amended
w.e.f.	with effect from
Yen	Official currency of Japan
y-o-y	year-over-year

## **SECTION II: RISK FACTORS**

### **Certain Conventions; Use of Financial Information and Market Data**

In this 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.

Unless indicated otherwise, the financial data in this Red Herring Prospectus has been derived from the unconsolidated financial statements as at and for six months ended September 30, 2010, and for fiscals 2006, 2007, 2008, 2009 and 2010 and consolidated financial statements for the period ended September 30, 2010, prepared in accordance with the Generally Accepted Accounting Principles (“Indian GAAP”) and the Companies Act, and restated in accordance with the SEBI (ICDR) Regulations.

Fiscal year of our 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” beginning on page no. a of this Red Herring Prospectus.

In the sections titled ‘Main Provisions of Articles of Association of the Company’, ‘Statement of Tax Benefits’, and ‘Financial Statements of the Company’ beginning on page nos. 249, 58 and 122 respectively of this Red Herring Prospectus, defined terms have the meaning given to such terms of our Company in the sections titled ‘Statement of Tax Benefits’ and ‘Financial Statements of the Company’ respectively. Market data used throughout this 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 our 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 our 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 the speciality chemicals industry and pharmaceuticals 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 scenario in India.

For further discussion of factors that could cause actual results to differ, see 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, for purposes of the Issue, our Company and the Book Running Lead Manager to the Issue will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

## 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.*

*This Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Red Herring Prospectus.*

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

### Materiality

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

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

### Internal Risk Factors

- 1. We do not own the trademark "Omkar", logo of "Omkar" and two patents and unauthorized parties may infringe upon or misappropriate our intellectual property. This could have a material adverse effect on our business which in turn adversely affect results of operations.**

The trademark "Omkar" and logo of "Omkar" has not been registered by our Company. We have made an application for registration of our logo under class 1 to the Registrar of Trade Marks, Mumbai by an application dated June 16, 2010. However, we have not made any application for the registration of our trademark. We have also made applications on August 17, 2010 to the Office of Controller General of Patents, Designs and Trade Marks for registration of two patents relating to the process and composition for 5-Iodo-2-Methylbenzoic Acid and Benzeneseleninic Anhydride. These patents have been advertised and published in the journals on October 1, 2010. There is no assurance that the application for the registration of our logo and patents will be approved by the Trade Marks Registry, Mumbai and Office of Controller General of Patents, Designs and Trade Marks respectively. In addition, our applications may be opposed by third parties. If we are unable to obtain registration of our logo and patents we may not be able to successfully enforce or protect our intellectual property rights and obtain statutory protections available under the Trade Mark Act, 1999 and Patents Act, 1970, as otherwise available for registered marks. This could have a material adverse effect on our business, which in turn adversely affect our results of operations.

**2. *Our revenues are significantly dependent on sale of some of our products. Any factor adversely affecting these products will negatively impact our profitability.***

We manufacture a range of organic, inorganic and organo inorganic intermediates. The inorganic intermediates include Molybdenum derivatives, Selenium derivatives, Iodine derivatives, Cobalt derivatives, Bismuth & Tungsten derivatives and the organic intermediates include Tartaric acid derivatives and other intermediates. Iodine & Selenium derivatives are our key category of products contributing 88.23% to our gross sales for the year 2009-10. In case we are not able to launch new products, our dependence on these products will increase. Any decline in revenues from these products on account of reasons beyond our control or any other factor that negatively affects these products will adversely affect our business, financial performance and results of operations.

**3. *We may not be able to manage our growth effectively which could have an adverse effect on our business and results of operations.***

A principal component of our strategy is to continue to grow by expanding the size and geographical scope of our existing businesses and other projects. This growth strategy will place significant demands on our management, financial and other resources. It will require us to continuously develop and improve our operational, financial and internal controls. Continuous expansion increases the challenges involved in financial management, recruitment, training and retaining high quality human resources, and developing and improving our internal administrative infrastructure.

Further, our total income has increased from ` 4329.21 lakhs during FY 2007-08 to ` 5064.64 lakhs during FY 2008-09 showing an increase of 16.99% and from ` 5064.64 lakhs during FY 2008-09 to ` 6891.92 lakhs during FY 2009-10 showing an increase of 36.08%. Similarly, profit after tax showed an increase of 21.19% and 64.02% during FY 2008-09 and FY 2009-10 respectively. We may not be able to sustain such growth in revenues and profits or maintain a similar rate of growth in the future. Any inability to manage our growth efficiently may have an adverse effect on our business and results of operations.

**4. *Our Company has not entered into any supply agreement for the major raw materials required for manufacturing of our products and are exposed to risks relating to fluctuation in global commodity prices and shortage of raw material.***

The major raw materials used in manufacturing of our products are Crude Iodine, Selenium Metal Powder, Molyore, Tetra Hydro Furon, Toluene, Caustic Soda Flakes, Methanol etc. We do not have any long-term supply contracts with respect to raw material used in the manufacture of our products. A significant proportion of the raw materials we consume are imported. During the period ended March 31, 2010 and March 31, 2009, raw material imported by us was ` 2140.07 lakhs and ` 2173.60 lakhs constituting 41.78% and 57.96% respectively of the total raw material costs. While we are not significantly dependent on any single manufacturer of such raw material, raw material costs are dependent on global commodity prices, which are subject to fluctuation. In the event the prices of such raw materials were to rise substantially or if imports were to be restricted in any manner, we may find it difficult to find alternative suppliers for our raw materials, on terms acceptable to us, and our business, results of

operations and financial condition could be adversely affected.

Our suppliers may not be able to supply to us our raw materials without interruption, or may not comply with their obligations to us under our purchase agreements, if any. We may not have adequate remedies for any breach and their failure to supply us could result in a shortage of raw materials. If one of our suppliers fails or refuses to supply us for any reason, it would take a significant amount of time and expense to identify a new supplier or manufacturer. We may not be able to obtain raw material from new suppliers on acceptable terms and at reasonable prices, or at all.

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

While we are constantly striving to increase our customer base and reduce dependence on any particular customer, there is no assurance that we will be able to broaden our customer base in any future periods, or that our business or results of operations will not be adversely affected by a reduction in demand or cessation of our relationship with any of our major customers. Based on unconsolidated financial statements, the percentage of sales derived from top customers in recent periods are given below:

Sr. No.	Particulars	September 30, 2010	2009-10	2008-09	2007-08
1	Sales to top customer	10.60%	21.26%	16.89%	31.45%
2	Sales to top 10 customers	58.28%	57.51%	61.51%	64.76%

**6. *We have not entered into any long-term contracts with any of our customers and typically operate on the basis of purchase orders, which could adversely impact our revenues and profitability.***

We do not have any long-term contracts with our customers and any change in the buying pattern of the customers could adversely affect the business of our Company. Although we believe that we have satisfactory business relations with our customers and have received continued business from them in the past, there is no certainty that the same will continue in the years to come and may affect our profitability.

**7. *Any delay or non-receipt of certain regulatory licenses or approvals could adversely affect the implementation schedule which may adversely affect our growth plans.***

Our Company has applied for factory license for our manufacturing unit located at Plot no. F-24 (Unit 2), vide our application dated February 17, 2009, which is pending as on date. Also, for our proposed expansion project, necessary application for various licenses/approvals would be made to the respective authorities at various stages of project implementation, the details of which are as under:

<b>Proposed expansion at Unit 1 &amp; Unit 2</b>
No objection Certificate from Maharashtra Industrial Development Corporation for proposed construction of factory building



Consent for water supply from Maharashtra Industrial Development Corporation
Consent for electricity supply from Maharashtra State Electricity Distribution Company Limited
<b>Proposed expansion at Unit 3</b>
Consent to operate from Maharashtra Pollution Control Board
Factory License
<b>Setting up of Unit 4</b>
Factory License
Consent for water supply from Maharashtra Industrial Development Corporation
Central Excise Registration from Assistant Commissioner of Central Excise
Service Tax Registration from Office of the Superintendent, Service Tax Division, Mumbai

Further, we have made applications for taking on record the present name of our Company to various regulatory authorities. For details please refer to section titled "Government Approvals and licensing arrangements" beginning from page no. 181 of the Red Herring Prospectus.

There can be no assurance that we will receive the approvals on a timely basis, or at all. If we do not receive the requisite approvals for our proposed expansion or if such approvals are delayed, our proposed expansion plans may be adversely affected.

For status of all licenses/approvals, please refer to section titled "Government Approvals and licensing arrangements" beginning from page no. 181 of the Red Herring Prospectus.

- 8. *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 details of the net proceeds of the Issue proposed to fund the planned expansion are explained in the section titled 'Objects of the Issue' beginning on page no. 32 of this Red Herring Prospectus. We are yet to enter into definitive agreements or are yet to place orders for all machinery and equipment required for our proposed expansion. The total cost of plant and machinery and other equipments proposed to be installed is estimated at ₹ 3209.02 lakhs. We are subject to risks on account of inflation in the price of the machinery and other equipments that we require for the proposed expansion. Further, we have not entered into any agreement/memorandum of understanding for purchase of additional land for Unit 1 & 2, which has been estimated at a cost of ₹ 140 lakhs. 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.

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

Our Company's proposed project is to be funded from the proceeds of this IPO and internal accruals. We have not identified any alternate source of funding and hence any failure or delay on our part to mobilize the required resources or any shortfall in the Issue proceeds may delay

the implementation schedule.

Further, our Company has recently set up a new manufacturing facility at Unit 3 which is being funded through internal accruals and debt. The commercial production of the same was originally scheduled to start in the month of October, 2010 which is now likely to be commissioned in March, 2011.

We therefore, cannot assure that we would be able to execute the proposed 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.

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

We are embarking upon an expansion of our existing units and setting up of a new unit. We propose to incur capital expenditure of ₹ 4677.32 lakhs, as detailed in the section titled "Objects of the Issue" beginning on page no. 32 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 affect 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 proposed project may be less than what is anticipated.

**11. *We have not appointed any independent agency for appraisal of our proposed expansion project. The cost of project is based on our own estimates and various quotations received by us from different suppliers, which may vary depending upon factors like increase in prices due to which the cost of project may be adversely affected, in turn affecting our financial operations.***

Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and various quotations received by us from different suppliers 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. 32 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. 32 of this Red Herring Prospectus are based on our own estimates and the quotations 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. We cannot assure that we will be in a position to set up our proposed expansion project in the stated means of finance. We may have to revise our management estimates from time to time and consequently, our funding requirement may also be changed. In case of any increase in cost of project, our financial position may be adversely affected.

**12. 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 favorable to us, could adversely affect our operations and profitability.**

Our projected level of working capital borrowings for the fiscal year 2012 are of ₹ 5302.22 lakhs, out of which we propose to meet ₹ 2800.00 lakhs from bank borrowings and the balance from issue proceeds and internal accruals. As on date we have not tied up this additional borrowing from the banks. Our inability to arrange for this additional working capital requirement from banks on terms favorable to us, could adversely affect our operations and profitability.

**13. Our Company is subject to high working capital requirements and our inability to fund these requirements in a timely manner may adversely impact our financial performance.**

Our business requires a substantial amount of working capital. We require working capital to finance the purchase of raw materials and execution of orders before payment is received from our customers. Our working capital requirements may increase if, in certain orders, payment terms include reduced or advance payments. There can be no assurance that the payments will be remitted by our customers to us on a timely basis.

Continued increase in working capital requirements and insufficient cash flows from our operations to meet any of the above requirements may have an adverse effect on our financial condition and result of operations.

**14. We had negative cash flows only from investing and financing activities in some years. Any negative cash flow from operations in future could affect our operations and financial conditions.**

Based on unconsolidated restated financial statements, we had negative cash flow from financing and investing activities, but positive from operating activities, details of which are as under:

( ₹ in lakhs)				
Particulars	September 30, 2010	2009-10	2008-09	2007-08
Net Cash flow from operating activities	96.63	627.87	16.08	372.72
Net Cash flow from investing activities	(513.10)	(300.60)	(871.37)	(468.32)
Net Cash flow from financing activities	412.05	(306.04)	842.16	89.38
<b>Total Net Cash flow</b>	<b>(4.42)</b>	<b>21.23</b>	<b>(13.13)</b>	<b>(6.22)</b>

The net cash flow of a company is a key indicator to show the extent of total cash generated from all activities of the company including operations, investment and financing for a particular year. In the past, we had generated positive cash flows from operating activities, but on account of investing and financing activities, we had generated net negative cash flows, in some years. If we are not able to generate sufficient net cash flows, it may adversely affect our

business and financial operations.

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

As per our audited unconsolidated accounts, we have following outstanding contingent liabilities as on March 31, 2008, 2009, 2010 and on September 30, 2010:

(` in lakhs)

Particulars	September 30, 2010	March 31, 2010	March 31, 2009	March 31, 2008
Letter of Credit	539.00	125.52	NIL	NIL
Estimated amount of contracts remaining to be executed on capital account	228.48	492.08	NIL	NIL
<b>Total</b>	<b>767.48</b>	<b>617.60</b>	<b>NIL</b>	<b>NIL</b>

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

**16. We have entered into certain related party transactions and may continue to do so.**

We have entered into transactions with several related parties, including our Promoters and Directors aggregating to ` 231.48 and ` 290.75 lakhs for the period ended March 31, 2010 and September 30, 2010 respectively based on unconsolidated restated financial statements. While we believe that all such transactions have been conducted on the arm's length basis, there can be no assurance that we could not have been 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 nos. 143 and 163 of this Red Herring Prospectus.

**17. 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 for term loans and financial facilities with our banker and these covenants in borrowing from bank, among other things require us to seek the prior consent of the bank for various activities, including amongst others, effect/ permit withdrawals of deposits or withdrawals by family members, friends or directors, declare dividend, payment of any consideration in whatever form by the Company to the guaranteeing directors either directly or indirectly for guaranteeing of credit limits sanctioned by the bank, undertake new project/ any further expansion, invest in shares and debentures of other companies, extend finance to associate concerns, acquire or sell any fixed assets, etc. These covenants may have an adverse effect on the functioning of our Company.

Furthermore, our Company has created a charge in favour of our lender against the fixed assets of our Company. In case of default by our Company in repayment of the loans, our banker may

exercise their rights over the security, which may be detrimental to the interest of our Company. For details of restrictive covenants, please refer to paragraph “Restrictive covenants of lenders” appearing on page no. 31 of this Red Herring Prospectus under the section titled “Capital Structure”.

***18. The operations of our Company are subject to manufacturing risk and may be disrupted by failure in the facilities.***

Due to the nature of its business and despite compliance with requisite safety requirements and standards, the operations of our Company are subject to operating risks associated with chemical manufacturing. Operating risks may result in personal injury and property damage and in the imposition of civil and criminal penalties. The occurrence of any of these events could have a material adverse effect on the productivity and profitability of our Company.

Also, our manufacturing facilities are subject to operating risks, such as breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, earthquakes and other natural disasters and industrial accidents. Our manufacturing facilities are also subject to operating risk arising from compliance with the directives of relevant government authorities. The occurrence of any of these events could adversely affect our operating results.

***19. All our present and proposed 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 Maharashtra could have material adverse effect on our business and financial condition.***

All of our present and proposed manufacturing facilities are based at Badlapur, Thane, Maharashtra. As a result, any localized social unrest, natural disaster, adverse weather conditions, earthquakes, fires, explosives, power loss, or breakdown of services and utilities in and around Maharashtra could have material adverse effect on our business, financial position and results of operations. Further, any failure of our systems or any shutdown of any part of our manufacturing units, networks, operations because of operational disruptions, natural disaster or other factors, could disrupt our services and adversely affect our result of operations and financial condition.

***20. The completion of the projects is dependent on performance of external agencies. Any shortfall in the performance of these external agencies may adversely affect our expansion plans.***

The completion of the projects is dependent on performance of external agencies, which are responsible for construction of buildings, installation and commissioning of plant and machinery and supply and testing of equipment. We cannot assure you that the performance of external agencies will meet the required specifications or performance parameters. If the performance of these agencies is inadequate in terms of the requirements, this may result in incremental cost and time overruns, which in turn may adversely affect our expansion plans.

**21. *Anti dumping duty may be applicable to us, which may adversely impact our financial condition.***

We have exported to 13 countries during FY 2009-10 amounting to 7.97% of the total sales. The geographical distribution of sales is appearing on page no. 87 of this Red Herring Prospectus. The countries, to which we export our goods, may impose anti dumping duties on such goods exported by us. We may be required to pay additional duty on the goods exported by us, or we may not be able to export such products in future to the concerned countries. In that scenario, our financial condition could be adversely affected.

**22. *Our inability to fulfill export obligations under advance license could result in potential custom duty liability, which in turn could affect our financial operations to that extent***

Our Company has 3 outstanding advance licenses aggregating an outstanding export obligation of ₹ 221.30 lakhs as on December 31, 2010. Any failure to fulfill 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 section "Export Obligation" on page no. 88 of this Red Herring Prospectus.

**23. *We are yet to initiate the process of recruiting the manpower required for the proposed projects and any delay in recruiting the suitable personnel or the required number of people to operate the plants may result in time and cost overruns.***

We estimate that we require a total 124 personnel for undertaking and executing our operations relating to the proposed project. We propose to hire the required personnel from the surrounding villages and townships in and around Maharashtra. In the event we are unable to recruit the suitable personnel or the required number of people to operate the units effectively, we may face time and cost overruns, which may have an adverse effect on our business and results of operations.

**24. *Our success depends largely on our senior management and our ability to attract and retain our key personnel.***

Our success depends on the continued services and performance of the members of our management team and other key employees. If one or more members of our senior management team were unable or unwilling to continue in their present positions, our business could be adversely affected. Attracting and retaining scarce top quality managerial talent has become a serious challenge for companies. Competition for senior management in the industry in which we operate is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. As such, any loss of our existing senior management personnel or key employees could adversely affect our business, results of operations and financial condition.

**25. One of our key managerial personnel is related to our Promoter Director which may influence our key decisions relating to our business which may not be in the interest of our Company and therefore, could adversely affect our operations.**

One of our key managerial personnel viz. Mr. Dattatraya Deshpande is related to Promoter Director in terms of Schedule IA of the Companies Act, 1956 viz. Mr. Pravin Herlekar. Mr. Dattatraya Deshpande is designated as Head (Commercial & Regulatory Affairs) and is looking after all the commercial and regulatory matters of our Company. Since Mr. Dattatraya Deshpande is holding key position in our Company, he alongwith Promoters may influence any key decisions relating to our business or financial operations which may not be in the interest of our Company and therefore, could adversely affect our operations.

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

Our Company does not own the premises at which our Registered Office is located. Also, our Company does not own the premises at which all our manufacturing facilities are located. All these premises are on long term lease of 95 years. Any termination of these lease agreements 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. 91 of this Red Herring Prospectus.

**27. The objects clause of our Subsidiary viz. Rishichem Research Limited permits it to undertake the same line of business and may create potential conflict of interest.**

Our Company has acquired 99.82% stake in Rishichem Research Limited on May 14, 2010 thereby making it our Subsidiary. The objects clause of the Memorandum of Association of our Subsidiary permits it to undertake similar business i.e. manufacturing of speciality chemicals and pharma intermediates which may create a potential conflict of interest and which, in turn, may have an implication on our operations and profitability.

**28. Our Company's revenue and profits are difficult to predict and can vary significantly from quarter to quarter. This could cause our share price to fluctuate.**

Our operating results have varied in the past and may continue to vary significantly from quarter to quarter due to various reasons, including:

- Synchronizing availability of raw material and the competitive pricing of raw material;
- Unanticipated changes in regulatory policies in the jurisdictions in which we operate;
- Delays in receipt of payment from customers or level of bad debts;
- Our customer's requirements, and their future plans;
- Unanticipated cancellations or deferrals of orders; and
- Changes in pricing policies of our competitors

Therefore, we believe that period-to-period comparisons of the results of our operations may not necessarily be meaningful and should not be relied upon as an indication of our future performance. It is possible that in future some of our quarterly results of operations may be below the expectations of market analysts and our investors, which could lead to a

corresponding decline in the price of our Equity Shares.

**29. *We face competition in our business from both domestic and international competitors. Such competition would have an adverse impact on our business and development.***

We operate in a highly competitive environment. We face competition from Satyam Pharmachem Private Limited, Rajesh Enterprises, BMS Chemie, Multi Organics Private Limited, Maharashtra Organo Metallic Chemicals Private Limited, Eskey Fine Chemicals Private Limited, etc. at the domestic level. At the international level, we face competition from Chinese producers like Jinan Haohua Industries, Shanghai Mintchem Development Co. Ltd., Fairsky Industrial Co. Ltd., Simagchem Corporation etc. and others like C&S Speciality Inc., Argenmex S.A. & Desynth S.A., Synthon-Chemicals GmbH & Co. KG, Delfino Pharma & Chemie SA, Ajay SQM, etc.

Players in this market generally compete with each other on key attributes such as technical competence, quality of products and services, pricing and track record. Besides international producers, there are competitors in India having similar products as our Company. We compete against our competitors on quality, technical competence, distribution channels, logistics facilities, and customer relationships. There is no assurance that we will continue to compete successfully in future.

Some of our competitors may be able to price their products more attractively or may be able to distribute their products more effectively through establishing better distribution networks, or may have greater access to capital, superior manufacturing techniques, research and development, marketing and other resources. Our inability to remain sufficiently competitive will adversely and materially affect our business and operating results. In addition, we expect global competition to increase. Should there be any significant increase in global competition or if we are unable to meet the requirements of the changing market conditions, our business and operating results could be adversely affected. Further, we cannot assure you that our competitors will not develop or gain access to the information relating to our manufacturing processes and/or technical know-how. The occurrence of any of those events could have a material adverse effect on our ability to compete against our competitors, which would have an adverse impact on our business and financial performance.

**30. *Any inability on our part to maintain quality standards or keep pace with the technological development could adversely impact our business, results of operations and financial conditions.***

Quality control is vital element for our sector. We are supplying our products to pharmaceutical industry, chemical industry, glass industry, cosmetics, ceramic pigments and cattle & poultry feeds and each sector has different product specifications. Any rapid change in our customers' expectation on account of changes in technology or introduction of new products for any other reason and failure on our part to meet their expectation could adversely affect our business, result of operations and financial condition.

We believe that we have always expanded our capacities and/or introduced new products based on latest technology to cater to the growing demand of our customers. We also believe



that 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. 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.

***31. We are subject to product liability claims in relation to the quality and use of our products. This may harm our reputation and/or have an adverse impact on our operations, revenue and profitability.***

We are exposed to claims in relation to the quality and use of our products. Owing to the nature of our business, there is no assurance that product liability claims will not arise and due to uncertain nature of claims, adequate insurance cover cannot be availed. For defending any product liability claim, we may have to incur substantial legal costs and may also have to divert our management's attention away from business operations. Further, any judgment/award or findings, against us in such claim, may harm our reputation, and may have an adverse impact on our revenue and profitability.

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

We have various insurance policies covering stocks, buildings, furniture, plant & machinery, etc. for total insured amount of ` 4044.30 lakhs, details of which are disclosed on page number 93 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.

We may be exposed to public liability claims as we deal with products, which are made from raw materials, which are hazardous and poisonous and/or chemicals, which are combustible and flammable. Our Company is not covered under any Public Liability Insurance. Therefore, in the event of any accident, we may have to incur substantial costs or pay damages for, inter-alia, personal injuries or loss or damage to property etc. suffered by the public or any third party which may have an adverse impact on the financial performance of our Company.

***33. We are exposed to the risk associated with the use of hazardous, poisonous and/or highly flammable chemicals in the production and/or transportation of our products and raw materials.***

Some of our raw materials such as Methanol and Toluene are highly flammable. We are susceptible to the risk of fire and/ or other accidents while dealing with/storing the aforesaid. Each of our units is insured against fire and other risks. However, the occurrence of a major accident could damage our inventories and operating premises and may disrupt our operations and in turn would adversely affect our financial performance.

**34. *We are dependent on our research and development activities and the failure to develop new and improved products could adversely affect our business.***

Our Company carries out research & development activities at Badlapur, Maharashtra. The research is carried out for improving the quality of existing products and development of new processes for the existing products. With a view to strengthen our research and development, our Company has taken 99.82% stake in Rishichem Research Limited whereby it becomes our wholly owned subsidiary. We propose to concentrate our specialized research and development activities in Rishichem Research Limited. However, there can be no assurance that a new product will be commercially successful. In addition, research undertaken by competitors may lead to the launch of competing or improved products that may affect the sales of our products. If our R&D efforts do not result in a pipeline of products that can be commercially exploited, our business, results of operations and financial condition may be adversely affected.

**35. *Unsecured loans taken by our Company may be recalled by our lenders at any time affecting our immediate cash flows.***

Our Company has outstanding unsecured loans amounting to ₹ 157.55 lakhs and ₹ 862.40 lakhs as on March 31, 2010 and September 30, 2010 respectively based on unconsolidated restated financial statements which are in the nature of loans from Directors, Loans from relative of directors, inter-corporate deposits and other loans. We have availed these loans for meeting our working capital requirements. The details pertaining to names of the lenders, terms of repayment and rate of interest with respect to the unsecured loans availed by our Company are disclosed on page no. 140 and 141 of the Red Herring Prospectus and the details pertaining to related party transactions are appearing on page nos. 143 and 163 of the Red Herring Prospectus.

These loans have no specific terms with regard to the repayment as they are also not secured by a charge on any of the assets of our Company. Due to the absence of any specific terms regarding their repayment, the said loans can be recalled by their respective lenders at any given point of time and our Company will be forced to make arrangements for their repayment, which in turn could adversely affect our immediate cash flows. Further, out of the issue proceeds, ₹ 1000 lakhs, which is earmarked for meeting working capital requirements will not be utilized for repayment of these unsecured loans.

**36. *Our Company faces exchange rate fluctuation risk.***

During financial year 2009-10 and 2008-09, our imported raw material was to the extent of 41.78% and 57.96% 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. We also export our products to different countries. If the Indian rupee value moves in unfavorable direction it will make an adverse impact on our import cost and reduce our export considerations. Our inability to hedge this foreign exchange exposure may result in an adverse impact on our financial condition.

**37. *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. Our Company has obtained membership of Badlapur Common Effluent Treatment Plant Association and Mumbai Waste Management Limited for safe and secure disposal of Hazardous Waste for all our units. 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.

**38. *Our ability to pay dividends in future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditure***

The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditure. There can be no assurance that we will be able to pay dividends. Additionally, we may be restricted in our ability to make dividend payments by the terms of any debt financing we may obtain in the future.

**39. *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 58.73% of post-issue 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.

**40. *The market price of our Equity Shares may adversely affect due to additional issuances of Equity Shares or sale of Equity Shares by members of our Promoter Group.***

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.

**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.

**External Risk Factors**

**42. *Our business could be adversely affected by any economic, political and social developments in India and particularly in the regional markets where we operate.***

Our performance and growth are dependent on the health of the Indian economy and other economies directly or indirectly. These economies could be adversely affected by various factors, such as political and regulatory action including adverse changes in liberalization policies, any adverse development in the World economy, introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. There can be no assurance that we will succeed to operate in or succeed in obtaining all requisite regulatory approvals in the future for our operations which could have an adverse impact on our business, financial condition and results of operations.

**43. *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.

**44. *You will not be able to sell immediately any of the Equity Shares you purchase in this Issue on an Indian stock Exchange***

Under the SEBI (ICDR) Regulations, we are permitted to list the Equity Shares within 12 working days of the Bid/Issue Closing Date. Consequently, the Equity shares you purchase in the Issue may not be credited to your demat account with Depository Participants until 11 working days after the Bid/Issue Closing Date. You can start trading in the Equity Shares only

after they have been credited to your demat account, final listing and trading approvals are received from the Stock Exchanges and trading commences on the Stock Exchanges. There can be no assurance that final listing and trading approvals will be obtained from the Stock Exchanges on time or at all. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence within the specified periods.

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

The prices of our Equity shares may fluctuate after this issue due to a wide variety of factors, including volatility in the Indian and global securities market; our operational performance, financial results and capacity expansion, developments in India's economic liberalization and deregulation policies, particularly in the Chemicals industry; and changes in India's laws and regulations impacting our business.

We cannot assure you that an active trading market for our equity shares will be sustained after this Issue or that the price at which our equity shares would be traded subsequent to this issue will correspond to the current prices for our already existing equity shares.

**46. *Instability of economic 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 over the past several years. The current economic policies of the government may change at a later date

Unstable internal and international political environment could impact the economic performance in both the short term and the long term. 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.

**Prominent Notes**

1. The Net worth of our Company as on September 30, 2010 is ` 2044.96 lakhs as per our unconsolidated restated financial statements under Indian GAAP.

The Net worth of our Company as on September 30, 2010 is ` 2047.60 lakhs as per our consolidated restated financial statements under Indian GAAP.

The size of the Issue is ` [•] lakhs.

2. The average cost of acquisition of Equity shares of the Promoters is as per the details given below:

<b>Name of Promoter</b>	<b>Total number of Equity Shares</b>	<b>Average Cost of Acquisition – Per Equity Share (₹)</b>
Mr. Pravin Herlekar	91,44,480	2.75
Mr. Omkar Herlekar	5,76,410	negligible

The Book value per share as on September 30, 2010 is ₹ 17.74 per Equity Share as per our unconsolidated restated financial statements.

The Book value per share as on September 30, 2010 is ₹ 17.76 per Equity Share as per our consolidated restated financial statements.

3. Public Issue of 81,00,000 Equity Shares of ₹ 10/- each for cash at a price of ₹ [•] per Equity Share aggregating ₹ [•] lakhs (the “Issue”). The Issue constitutes 41.27% 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 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 Issue to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the 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”, “Our Management”, “Related Party Transactions” and “Financial Statements of the Company” beginning on page numbers iii, 116, 118, 103, 143 & 163 and 122 of this Red Herring Prospectus.
6. We have entered into various related party transactions with related parties including Promoter group companies amounting to ₹ 231.48 lakhs and ₹ 290.75 lakhs as on March 31, 2010 and September 30, 2010 respectively based on unconsolidated restated financial statements. For related party transaction refer to section titled “Related Party Transactions” beginning on page no. 143 and 163 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 Auditor’s Report. For details of loans and advances, please refer to Annexure-13 of Auditor’s Report under section titled “Financial Statements of the Company” appearing on page no. 122 of this Red Herring Prospectus.
8. Our Promoters/Promoter Group/Directors have not purchased/sold/financed/acquired any shares of the Company during the past 6 months except as under:

<b>Date</b>	<b>Transferor</b>	<b>Transferee</b>	<b>No. of Equity Shares</b>	<b>Transfer price per Equity Share ( )</b>
July 20, 2010	Mr. Pravin Herlekar	Ms. Anjali Herlekar, Mr. Omkar Herlekar and Mr. Rishikesh Herlekar	23,05,600	Gift

9. 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 BRLM for any complaint pertaining to the Issue.

10. Our Company was incorporated as “Omkar Speciality Chemicals Private Limited” on February 24, 2005 under the Companies Act and was converted into a public limited company under the name “Omkar Speciality Chemicals Limited” on March 18, 2010. There has been no change in the name of our Company since incorporation

11. The Investors are advised to refer to the Para on “Basis for the Issue Price” on page no. 55 of this Red Herring Prospectus before making any investment in this Issue.

12. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.

13. No part of the Issue proceeds will be paid as consideration to Promoters, Directors, key managerial personnel, associate or Subsidiary.

14. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders and Retail Individual Bidders shall be on a proportionate basis. For, more information, please refer section titled “Basis of Allocation” on page no. 237 of this 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 of the Company” and related notes beginning on page nos. iii and 122 of this Red Herring Prospectus before deciding to invest in our Equity Shares.

### **Industry Overview**

The chemical industry in India is one of the most diversified and matured of all industrial sectors with thousands of commercial products. It contributes significantly towards industrial and economic growth of the nation, contributing approximately 3% to the GDP. The industry primarily consists of basic chemicals and its products, petrochemicals, agrochemicals, speciality chemicals, pharmaceuticals & biotech, paints & varnishes, dyestuff & inks, alco-chemicals, etc.

### ***Speciality Chemicals Industry***

Speciality chemicals is generally described as a group of relatively high value, low volume chemicals known for their end use applications and catalysing properties. In India, the industry is recording a rapid growth of approximate 15% y-o-y which includes fine chemicals, organic chemicals and pharmaceutical intermediates. The usage of speciality chemicals is found in multitude of industries like textiles, paints, inks, plastics, adhesives, flavours/fragrances and also in paper industry. Extensive applications are also found in construction, automotive, electronics and water treatments whereas Active Pharmaceutical Ingredients (API) constitutes the largest segment of the speciality chemical industry. The industry size is about US\$15 bn and this growth momentum is backed by cost efficiency and a large pool of engineers & scientists whose emphasis and expertise on R&D is leading to new discoveries. Major drivers for speciality chemicals are favourable macroeconomic factors in India and growing export market with scope for import substitution. Moreover, there is a great potential of chemical demand in India as per capita chemical consumption is relatively low compared to global and Asian countries.

### ***Indian Pharmaceutical Industry***

The Indian Pharmaceutical Industry (IPI) is one of the largest in the world and has grown to a US\$20 bn (~ Rs 95,000 crore) industry backed by robust growth in terms of infrastructure development, technology base and a wide range of products. It is now the 3rd largest in the world in terms of volume and 14th largest in terms of value thereby accounting for around 10% of world's production by volume and 2% by value due to lower prices. The industry now produces about 400 bulk drugs (APIs) and almost entire range of formulations belonging to all major therapeutic groups requiring complex manufacturing technologies.



## **Pharmaceutical Intermediates Market**

A pharmaceutical intermediate is defined as a substance produced during the steps in the synthesis of an API which undergoes further molecular change(s) or purification before it becomes an API. Every reaction step may give rise to one or more intermediates, which may or may not be isolated at that stage. Pharmaceutical intermediates include both basic intermediates (building block chemicals for the pharma industry) and advanced intermediates (those that are 2 to 3 steps away from the bulk drug). Pharmaceutical speciality chemicals typically constitute both API's and intermediates. Some of the key drivers for the increase in demand of pharma intermediates are:

- Growth in outsourcing of pharma intermediates production to India
- Large number of patent expiries leading to advent of generic drugs
- Higher spending on R&D leading to new demand
- Several new drug development in pipeline in different therapeutic areas
- Constant demand for innovative therapies and manufacturing technologies

## **Our Business Overview**

We took over the business of Omkar Chemicals, a proprietary concern (proprietor Mr. Pravin Herlekar) in June, 2005. Omkar Chemicals was formed in the year 1983 with capacity of 6 MT per annum for manufacture of molybdenum derivatives. At the time of takeover in June, 2005, the installed capacity was 318 MT and the product range was cobalt, selenium & iodine derivatives in addition to molybdenum derivatives. During the year 2006-07, our Company expanded the total installed capacity to 325 MT which was further increased to 375 MT during the year 2007-08. In March, 2009, we set up a new manufacturing facility at plot no. F-24, MIDC, Badlapur (E), Thane, Maharashtra viz. Unit 2 with an installed capacity of 375 MT. With the setting up of Unit 2, our total installed capacity increased to 750 MT. Our Company has recently set up a new manufacturing facility at B-34, MIDC, Badlapur, Thane, Maharashtra viz. Unit 3 with an installed capacity of 200 MT. The commercial production at Unit 3 is likely to start in the month of March, 2011. With the set up of Unit 3, our total installed capacity stands increased to 950 MT.

Our Company is mainly engaged in the manufacture and sale of speciality chemicals viz. selenium compounds, iodine compounds, molybdenum compounds etc. and pharma intermediates viz. Potassium Iodate, Bismuth Ammonium Citrate, Bromoform etc.

Our total income has increased from ` 3731.85 lakhs during FY 2007 to ` 4329.21 lakhs during FY 2008, ` 5064.64 lakhs during FY 2009 and ` 6891.92 lakhs during FY 2010 showing an increase of 16.01%, 16.99% and 36.08% during FY 2008, FY 2009 and FY 2010 respectively.

## **Our Strengths**

### ***Multi product capability***

Our Company has a diverse product range comprising a mix of organic, inorganic and organo inorganic intermediates. Our Company's product portfolio comprises of more than 90 products in these segments. The products include inorganic intermediates like derivatives of Molybdenum, Selenium, Iodine, Cobalt, Bismuth and Tungsten; organic intermediates like

Tartaric acid derivatives and various other organo inorganic intermediates like Iodobenzene Diacetate, Dess Martin Periodinane, Vanadyl Sulphate etc. We have manufacturing facilities which can produce multiple products using a combination of processes. The manufacturing infrastructure helps us change our product mix in response to changes in market demand. The diverse product mix enables us to address a larger base of potential new customers in addition to our existing customers.

#### ***Customer base***

We have a diverse customer base from different industry segments like pharmaceutical, chemical, glass, cosmetics, ceramic pigments, etc. Further, we export our products to various countries in Europe, Asia, North America, South America and Australia. We focus on expanding our customer base by catering to the requirements of customers from various industry segments.

#### ***Existing Client Relationship***

We constantly try to address customer needs around a spectrum of products. We believe that our production and research facilities help us to get repeat business from our customers. We have existing client relationships 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.

#### ***Cost advantage***

We believe that we have developed processes for manufacture of products in a cost effective manner. Our R&D team is continuously working on the processes for our existing products in order to improve the production with optimum utilization of resources and cost saving. This provides us a competitive edge over others and helps us to widen our customer base.

#### ***Our quality control***

We have quality control departments at our Unit 1 and Unit 2 each, the activities of which comprise of collection and preparation of samples, testing of raw materials and other process inputs inspection, testing and quality certification of finished products, preparation of technical information sheet and issue of certificate of analysis. Our quality control laboratory is equipped with various equipments such as High Performance Liquid Chromatographs (HPLC), Gas Chromatographs (GCs), vacuum dryer, sonicator, Atomic Absorption Spectroscopy (AAS), spectrophotometer, etc. Our Unit 2 has been granted ISO 9001:2008 for its quality management systems.

#### ***Experienced management team***

Our Company is managed by a team of experienced and professional personnel with exposure in various aspects of speciality chemicals and pharma intermediates including production, research & development, marketing and finance. Mr. Pravin Herlekar, Chairman & Managing Director of our Company, is a chemical engineer from Indian Institute of Technology, Bombay and is a post graduate in management studies from Mumbai University. He has 27 years of experience in various fields of manufacturing, product development and management. Mr. Prafulla Bhise, Head (Technical) is a chemical engineer from Indian Institute of Technology, Bombay and holds a Diploma in Financial Management from University of Bombay. He has around 37 years of experience in chemical industry.

## **Our Strategy**

### ***Expansion of our existing manufacturing facilities and setting up a new unit***

Our Company proposes to expand our existing manufacturing capacities at Unit 1, Unit 2 and Unit 3. This expansion will increase our capacity by 1450 MT per annum.

We intend to set up a new manufacturing facility with an installed capacity of 1250 MT per annum at our Unit 4 to produce new molecules in the Iodine derivatives and other pharma intermediates with innovative technologies like catalytic high pressure reactions.

After the proposed expansion and setting up of new facility, our total installed capacity will be 3650 MT per annum from existing 950 MT per annum.

### ***Increase our product range***

At present our product portfolio comprises of more than 90 products in organic, inorganic and organo inorganic intermediates. The implementation of the proposed expansion will enable us to increase our product range and cater to the needs of customers from various industry segments viz. pharmaceutical, chemical, glass, cosmetics, ceramic pigments, etc. With the proposed expansion, we will be able to expand our product lines in Selenium, Molybdenum, Cobalt, Bismuth etc. Further, a new range of products in Metal oxides such as Cobalt Oxide, Molybdenum Trioxide, Molybdenum Disulfide, etc. will be added to our product portfolio after the proposed expansion of our manufacturing facilities.

### ***Enhancing focus on Research & Development***

Our Company has a research & development department at Badlapur, Maharashtra. With a view to strengthen our research and development, our Company has taken 99.82% stake in Rishichem Research Limited on May 14, 2010 whereby it becomes our wholly owned Subsidiary. It is engaged in manufacturing and R&D of speciality chemicals and pharma intermediates. We propose to concentrate our specialized research and development activities in Rishichem Research Limited by developing CRAMS business model wherein initial testing and trial of small quantities of product would be undertaken by Rishichem Research Limited and if the product is successful, it is commercialized and we procure their commercial rights.

### ***Increase in Exports***

Our Company exports its products to Europe, Asia, North America, South America and Australia. The exports constituted 12.35% of the total sales for FY 2008-09 and 7.97% of the total sales for FY 2009-10. With the proposed expansion, our installed capacity will increase to 3650 MT per annum and it will enable us to increase our geographical presence in the international markets and scale up our exports.

## SUMMARY OF FINANCIAL DATA

### Restated Unconsolidated Statement of Assets & Liabilities

						( In Lakhs)
Year ended on	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	30.09.10
<b>Fixed Assets (A)</b>						
Gross Block	90.68	155.34	265.26	1,588.79	1,838.80	1896.10
Less : Depreciation	4.73	19.76	46.20	97.42	278.52	367.45
Add: Capital Work In Process	-	92.00	451.07	-	57.93	388.02
<b>Net Block</b>	<b>85.95</b>	<b>227.58</b>	<b>670.13</b>	<b>1,491.37</b>	<b>1,618.21</b>	<b>1916.67</b>
<b>Investments (B)</b>	-	-	-	-	-	130.10
<b>Current Assets Loans and Advances (C)</b>						
Inventories	463.29	824.47	792.56	1,524.31	1,948.18	2720.68
Receivables / Sundry Debtors	705.23	500.27	792.22	1,496.59	1,657.71	2447.42
Cash and Bank Balances	5.45	40.05	33.82	20.70	41.93	37.51
Loans and Advances	194.32	553.38	493.01	505.41	858.32	925.63
<b>Total (C)</b>	<b>1,368.29</b>	<b>1,918.17</b>	<b>2,111.61</b>	<b>3,547.01</b>	<b>4,506.14</b>	<b>6131.24</b>
<b>Total Assets (A+B+C)</b>	<b>1,454.24</b>	<b>2,145.75</b>	<b>2,781.74</b>	<b>5,038.38</b>	<b>6,124.35</b>	<b>8178.01</b>
<b>Liabilities and Provisions (D)</b>						
Secured Loans	722.07	779.86	1,010.15	1,991.63	2,519.01	2471.14
Unsecured Loans	44.44	327.44	396.30	616.57	157.55	862.40
Current Liabilities and provisions	309.81	467.99	545.46	1,269.82	1,812.47	2746.57
Deferred Tax Liability/Asset	(1.46)	(2.76)	(1.94)	15.28	42.94	52.94
<b>Total (D)</b>	<b>1,074.86</b>	<b>1,572.53</b>	<b>1,949.97</b>	<b>3,893.30</b>	<b>4,531.97</b>	<b>6133.05</b>
<b>Net Worth (A+B+C-D) = (E)</b>	<b>379.38</b>	<b>573.22</b>	<b>831.77</b>	<b>1,145.08</b>	<b>1,592.38</b>	<b>2044.96</b>
<b>Represented by</b>						
Share Capital	26.20	26.20	26.20	26.20	1,152.80	1152.80
Reserve & Surplus	354.25	547.83	806.11	1,119.15	439.58	944.37
Less : Miscellaneous Expenditure Not Written Off	1.07	0.81	0.54	0.27	-	52.21
<b>Net Worth</b>	<b>379.38</b>	<b>573.22</b>	<b>831.77</b>	<b>1,145.08</b>	<b>1592.38</b>	<b>2044.96</b>

#### Notes:

#### **1. Fixed Assets**

Substantial increase in fixed assets in the FY 2008-09 was mainly due to setting up of a new manufacturing facility viz. Unit 2 at plot no. F-24, MIDC, Badlapur (E), Thane, Maharashtra with an

installed capacity of 375 metric tonnes. The same was funded majorly from term loan and the balance from internal accruals. In the FY 2009-10, the additions to the fixed assets of ` 250.01 lakhs were funded through internal accruals.

**2. Inventories**

The significant increase in inventories from ` 792.56 lakhs as on March 31, 2008 to ` 1524.31 lakhs as on March 31, 2009 was mainly due to the setting up of new manufacturing facility i.e. Unit 2 at plot no. F-24, MIDC, Badlapur (E), Thane in March 2009 which lead to the increase in the installed capacity of our Company from 375 MT to 750 MT. The commercial production of the same was started in April 2009. This necessitated the stocking of higher amount of raw material. Further the net sales of our Company increased by 23.04% in FY 2008-09 and 33.99% in FY 2009-10 which led to the increase in inventories.

**3. Reserves & Surplus**

The increase in reserves & surplus from ` 806.11 lakhs in FY 2008 to ` 1119.15 lakhs in FY 2009 was mainly due to profits made by our Company for the year 2008-09. Subsequently it decreased to ` 439.58 lakhs in FY 2010 due to the capitalization of reserves, for issue of bonus shares.

**Restated Unconsolidated Statement of Profits & Losses**

	<b>(` In Lakhs)</b>					
<b>Year ended on</b>	<b>31.03.06</b>	<b>31.03.07</b>	<b>31.03.08</b>	<b>31.03.09</b>	<b>31.03.10</b>	<b>30.09.10</b>
<b>Income</b>						
<b>Sales :</b>						
Products manufactured by the company	2,617.33	3,870.93	4,212.10	5,207.46	6,933.86	4722.41
Products traded by the company	27.66	228.34	359.34	229.00	296.73	739.55
<b>Gross Sales</b>	<b>2,644.99</b>	<b>4,099.27</b>	<b>4,571.44</b>	<b>5,436.46</b>	<b>7,230.59</b>	<b>5461.96</b>
Less : Excise Duty	247.54	394.85	425.73	335.45	395.63	351.46
<b>Net Sales</b>	<b>2,397.45</b>	<b>3,704.42</b>	<b>4,145.71</b>	<b>5,101.01</b>	<b>6,834.96</b>	<b>5110.50</b>
Other Income	5.70	27.43	24.90	2.27	26.54	4.39
Increase/ (Decrease) in stock of finished goods	-	-	158.60	(38.64)	30.42	40.94
<b>Total Income</b>	<b>2,403.15</b>	<b>3,731.85</b>	<b>4329.21</b>	<b>5064.64</b>	<b>6891.92</b>	<b>5155.83</b>
<b>Expenditure</b>						
Materials Consumed	1737.63	2576.85	2713.93	3166.48	4402.14	2940.10
Other Manufacturing Overheads	161.95	262.66	328.33	381.07	402.77	246.60
Employee Costs	130.92	137.02	253.48	279.37	340.62	142.18
Cost of Goods Traded	22.73	185.29	299.70	168.53	217.15	682.32
Administrative, Selling & Distribution Costs	58.44	93.31	103.51	171.43	220.62	129.22
Interest / Financial Charges	81.53	156.76	209.77	359.59	374.40	192.72
Depreciation and Amortization	4.75	15.03	26.45	51.21	181.11	88.93
<b>Total Expenditure</b>	<b>2,197.95</b>	<b>3,426.92</b>	<b>3935.17</b>	<b>4577.68</b>	<b>6138.81</b>	<b>4422.07</b>
<b>Net Profit before tax and extraordinary items</b>	<b>205.20</b>	<b>304.93</b>	<b>394.04</b>	<b>486.96</b>	<b>753.11</b>	<b>733.76</b>
Provision for Taxation	68.99	111.70	133.75	155.00	212.00	219.00
Provision for Fringe Benefit Tax	0.70	0.94	1.18	1.70	-	
Provision for Deferred Tax	(1.46)	(1.29)	0.81	17.22	27.66	9.97
<b>Net Profit after tax but before extraordinary items, as restated</b>	<b>136.97</b>	<b>193.58</b>	<b>258.30</b>	<b>313.04</b>	<b>513.45</b>	<b>504.79</b>
<b>Extra Ordinary Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net Profit after tax and extraordinary items, as restated</b>	<b>136.97</b>	<b>193.58</b>	<b>258.30</b>	<b>313.04</b>	<b>513.45</b>	<b>504.79</b>

**Notes:**

**1. Excise Duty**

Sale of goods comprises of excisable goods and non-excisable goods. The disproportionate increase/decrease of excise duty with the sale of products manufactured by us is due to the quantum of excisable goods sold during the year and change in the rate of excise duty.

**2. Other Income**

Increase in other income from ` 2.27 lakhs in FY 2009 to ` 26.54 lakhs in FY 2010 was due to increase in duty drawback, foreign exchange currency gain and interest receivable.

# Restated Consolidated Statement of Assets and Liabilities

(` In Lakhs)

<b>Period ended on</b>	<b>30.09.10</b>
<b>Fixed Assets (A)</b>	
Gross Block	2018.48
Less : Depreciation	368.78
Add: Capital Work In Process	388.02
<b>Net Block</b>	<b>2,037.72</b>
<b>Investments (B)</b>	0.25
<b>Current Assets Loans and Advances (C)</b>	
Inventories	2,727.93
Receivables / Sundry Debtors	2,462.18
Cash and Bank Balances	43.74
Loans and Advances	940.48
<b>Total (C)</b>	<b>6,174.33</b>
<b>Total Assets (A+B+C)</b>	<b>8,212.30</b>
<b>Liabilities and Provisions (D)</b>	
Secured Loans	2,471.14
Unsecured Loans	889.75
Current Liabilities and provisions	2749.76
Deferred Tax Liability	53.98
<b>Total (D)</b>	<b>6164.63</b>
<b>Minority Interest (E)</b>	<b>0.07</b>
<b>Net Worth (A+B+C-D-E) = (F)</b>	<b>2,047.60</b>
<b>Represented by</b>	
Share Capital	1,152.80
Reserve & Surplus	947.01
Less : Miscellaneous Expenditure Not Written Off	52.21
<b>Net Worth</b>	<b>2,047.60</b>

**Restated Consolidated Statement of Profits & Losses**

(₹ In Lakhs)

<b>Period ended on</b>	<b>30.09.10</b>
<b>Income</b>	
<b>Sales :</b>	
Products manufactured by the company	4722.41
Products traded by the company	739.55
<b>Gross Sales</b>	<b>5,461.96</b>
Less : Excise Duty	351.46
<b>Net Sales</b>	<b>5,110.50</b>
Other Income	4.39
Increase/ (Decrease) stock of Finished Goods	40.94
<b>Total Income</b>	<b>5,155.83</b>
<b>Expenditure</b>	
Raw Material Consumed	2940.14
Other Manufacturing Overheads	233.15
Employee Costs	147.79
Cost of Goods Traded	682.33
Administrative, Selling & Distribution Costs	131.16
Interest / Financial Charges	192.73
Depreciation & Amortisation	90.26
<b>Total Expenditure</b>	<b>4,417.56</b>
<b>Net Profit before tax and extraordinary items</b>	<b>738.27</b>
Provision for Taxation	220.43
Provision for Deferred Tax	9.94
<b>Net Profit after tax but before extraordinary items</b>	<b>507.90</b>
<b>Extra Ordinary Items</b>	-
<b>Net Profit after tax and extraordinary items</b>	<b>507.90</b>



## The Issue

Equity Shares offered	81,00,000 Equity Shares
Out of Issue	
QIB Portion including Mutual Funds*	Not more than 40,50,000 Equity Shares constituting 50% of the Issue to the Public (allocation on proportionate basis) out of which 5% i.e. 2,02,500 Equity Shares will be available for allocation to Mutual Funds only and the remaining QIB portion will be available for allocation to all QIBs, including Mutual Funds.
Non Institutional Portion*	At least 12,15,000 Equity Shares constituting 15% of the Issue to the Public (allocation on proportionate basis)
Retail Portion*	At least 28,35,000 Equity Shares constituting 35% of the Issue to the Public (allocation on proportionate basis)
Equity Shares outstanding prior to the Issue	1,15,28,000 Equity Shares
Equity Shares outstanding after the Issue	1,96,28,000 Equity Shares
Objects to the Issue	Please see the section entitled "Objects of the Issue" beginning on page no. 32 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 at the sole discretion of our Company, in consultation with the BRLM.

## General Information

Our Company was originally incorporated as Omkar Speciality Chemicals Private Limited on February 24, 2005 and was registered with the Registrar of Companies, Maharashtra. It was converted into a public limited company under the name Omkar Speciality Chemicals Limited on March 18, 2010.

### Registered & Corporate Office of our Company

B-34, MIDC, Badlapur (E)  
Thane- 421503, Maharashtra  
Tel. No.: +91-251-2690651/2697340  
Fax No.: +91-251-2697347/2691572  
Website: [www.omkarchemicals.com](http://www.omkarchemicals.com)

**Registration Number of the Company:** 151589

**Corporate Identification Number (CIN):** U24110MH2005PLC151589

### Changes in Registered Office of our Company in the past

Period	Address
Since Incorporation till June 21, 2007	23, Vrindavan, Four Bungalows, Andheri (W), Mumbai-400058
From June 22, 2007 to March 18, 2010	W- 92(A), MIDC, Badlapur (E), Thane- 421503, Maharashtra
From March 19, 2010 till date	B- 34, MIDC, Badlapur (E), Thane- 421503, Maharashtra

### Address of the Registrar of Companies

The Registrar of Companies, Maharashtra  
100, Everest, Marine Lines,  
Mumbai- 400002

### Board of Directors

Sr. No.	Name	Designation	Nature of Directorship
1	Mr. Pravin Herlekar	Chairman & Managing Director	Executive Director
2	Mr. Shivdas Herlekar	Director	Executive Director
3	Mr. Omkar Herlekar	Whole Time Director	Executive Director
4	Ms. Anjali Herlekar	Director	Executive Director
5	Mr. Amit Pandit	Director	Non Executive Independent Director
6	Dr. Vikas Telvekar	Director	Non Executive Independent Director
7	Mr. Suhas Rane	Director	Non Executive Independent Director
8	Mr. Subhash Mali	Director	Non Executive Independent Director

**Mr. Pravin Herlekar**

Mr. Pravin Herlekar, aged 61 years, is the Chairman and Managing Director of our Company. He is one of the Promoters of our Company. He is a Bachelor of Technology in Chemical Engineering from Indian Institute of Technology, Bombay and is a post graduate in management studies from Mumbai University. He has an overall experience of 27 years in the field of Product Development, Marketing and Administration.

**Mr. Shivdas Herlekar**

Mr. Shivdas Herlekar, aged 87 years, is the Executive Director of our Company. He is a Bachelor of Arts from University of Bombay. He has an overall experience of about 62 years in the field of accounts, finance, policy matters & administration.

**Mr. Omkar Herlekar**

Mr. Omkar Herlekar, aged 29 years, is the Whole Time Director of our Company. He is one of the Promoters of our Company. He is a Bachelor of Science and Master of Science (By Research) in Chemistry from the University of Mumbai. He has an overall experience of 3 years.

**Ms. Anjali Herlekar**

Ms. Anjali Herlekar, aged 50 years, is an Executive Director of our Company. She is a Bachelor of Science (Physics) and a Master of Education from University of Bombay. She has an overall experience of about 15 years in the field of policy matters & HR administration in addition to teaching experience.

For detail profile of our Board of Directors, see "Our Management" appearing on page no. 103 of the Red Herring Prospectus.

**Company Secretary & Compliance Officer**

Ms. Nikita Mehta

B-34, MIDC, Badlapur (E), Thane- 421503

Maharashtra

Tel. No.: +91-251-2690651/2697340

Fax No.: +91-251-2697347/2691572

Website: [www.omkarchemicals.com](http://www.omkarchemicals.com)

Email: [nikita@omkarchemicals.com](mailto:nikita@omkarchemicals.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**

Level-5, Grande Palladium, 175

C.S.T Road, Kalina, Santacruz (E)

Mumbai – 400 098

Tel: +91-22- 66437600

Fax: +91-22-66437700

Email: [omkar.ipo@almondz.com](mailto:omkar.ipo@almondz.com)

Website: [www.almondzglobal.com](http://www.almondzglobal.com)  
Investor Grievance Email Id: [complaint@almondz.com](mailto:complaint@almondz.com)  
SEBI Registration No: INM000000834  
Contact Person: Mr. Kaushal Patwa / Ms. Sugandha Kaushik

**Syndicate Member**  
**Almondz Global Securities Limited**

31, Vaswani Mansion  
6<sup>th</sup> Floor, Dinshaw Vachha Road  
Churchgate, Mumbai – 400020  
Tel: +91-22-22870580  
Fax: +91-22-22870581  
Email: [omkar.ipo@almondz.com](mailto:omkar.ipo@almondz.com)  
Website: [www.almondzglobal.com](http://www.almondzglobal.com)  
SEBI Registration No: INM000000834  
Contact Person: Mr. Surendra Tare

**Registrar to the Issue**  
**Bigshare Services Private Limited**

E/2, Ansa Industrial Estate  
Saki Vihar Road, Saki Naka  
Andheri (E), Mumbai-400 072  
Tel: +91-22-40430200  
Fax: +91-22-2847 5207  
Email: [ipo@bigshareonline.com](mailto:ipo@bigshareonline.com)  
Website: [www.bigshareonline.com](http://www.bigshareonline.com)  
SEBI Registration Number: INR000001385  
Contact Person: Mr. Ashok Shetty

**Legal Advisor to the Issue**

**Link Legal**

(Zenith India Lawyers has merged with Link Legal)  
Thapar House, Central Wing  
First Floor, 124, Janpath  
New Delhi – 110 001  
Tel: +91-11-46511000  
Fax: +91-11-46511099  
Contact Person: Ms. Rajrani Bhalla  
Email: [rajanibhalla@gmail.com](mailto:rajanibhalla@gmail.com) / [raj@linklegal.in](http://raj@linklegal.in)

**Banker to the Company**

**Bank of Baroda**

Fort University Branch,  
Agra Building, 119, M. G. Road  
Fort, Mumbai- 400001  
Tel: +91-22-22670614  
Fax: +91-22-22670567

Email: [fortun@bankofbaroda.com](mailto:fortun@bankofbaroda.com)  
Website: [www.bankofbaroda.com](http://www.bankofbaroda.com)  
Contact Person: Mr. Shashikant Kulkarni

### **Statutory Auditors**

#### **M/s. Siddharth Sinkar & Associates**

Chartered Accountants  
502, Prasad Apartment  
Chaphekar Bandhu Marg  
Mulund (E), Mumbai- 400081  
Telefax: +91-22-21632188  
Email: [sinkar.siddharth@gmail.com](mailto:sinkar.siddharth@gmail.com)

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

#### **Axis Bank Limited**

Ground Floor, Swanand Shopping Complex  
Near Shivaji Chowk  
Ambernath (E)  
Tel: +91-251-2605221/2605226  
Fax: +91-251-2605226  
Email: [ambarnath.branchhead@axisbank.com](mailto:ambarnath.branchhead@axisbank.com), [shailesh.heralgi@axisbank.com](mailto:shailesh.heralgi@axisbank.com)  
Website: [www.axisbank.com](http://www.axisbank.com)  
Contact Person: Mr. Satyajit Devadiga/ Mr. Shailesh Heralgi

#### **HDFC Bank Limited**

FIG-OPS Department  
Lodha-I, Think Techno Campus, O-3 Level  
Next to Kanjurmarg Railway Station  
Kanjurmarg (East)  
Mumbai – 400 042  
Tel: +91-22-30752928  
Fax: +91-22-25799801  
Email: [deepak.rane@hdfcbank.com](mailto:deepak.rane@hdfcbank.com)  
Website: [www.hdfcbank.com](http://www.hdfcbank.com)  
Contact Person: Mr. Deepak Rane

#### **Bank of Baroda**

Fort University Branch  
Agra Building, M.G. Road  
Fort, Mumbai - 400001  
Tel: +91-22-22675525/22672372  
Fax: +91-22-22670567  
Email: [fortun@bankofbaroda.com](mailto:fortun@bankofbaroda.com)  
Website: [www.bankofbaroda.com](http://www.bankofbaroda.com)  
Contact Person: Ms. J. Eswari

**Statement of inter-se allocation of responsibilities**

Since Almondz Global Securities Limited is the sole BRLM to this Issue, statement of inter-se allocation of responsibilities amongst Book Running Lead Managers is not applicable.

**Self Certified Syndicate Banks**

The list of banks who have been notified by SEBI to act as SCSBs for ASBA process are provided at <http://www.sebi.gov.in>. For details on designated branches of SCSBs collecting the Bid cum ASBA forms, please refer to the above mentioned link.

**IPO Grading**

Our Company has appointed Credit Analysis and Research Limited (CARE) for IPO grading. CARE has assigned a 'CARE IPO Grade 3' to the proposed initial public offering of the Company. "CARE IPO Grade 3 [Grade Three] indicates average fundamentals". CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE has assigned the grade vide their letter dated November 26, 2010.

**Rationale for CARE IPO Grading**

The grading derives strength from the experienced management team, multi-product capability and flexibility in its manufacturing facilities, strong Research & Development capabilities of the group, healthy profitability margins and long relations with reputed clientele.

The grading is however constrained by small scale of operation, long working capital cycle, project execution risk and raw material price risk.

For details of rationale of grading and Disclaimer Clause of CARE, please refer to page no. 265 and 196 respectively of this Red Herring Prospectus.

**Credit Rating**

This being an Issue of Equity Shares, Credit rating is not required.

**Trustees**

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

**Monitoring Agency**

There is no requirement for a monitoring agency in terms of Regulation 16(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. We have therefore not appointed any monitoring agency for the purpose of monitoring the utilization of issue proceeds.

**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;
- the Book Running Lead Manager;

- the Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and are eligible to act as Underwriters. The Syndicate Members are appointed by the BRLM;
- the Escrow Collection Bank(s);
- the Self Certified Syndicate Bank(s); and
- the Registrar to the Issue.

This Issue is being made through a 100% Book Building Process wherein not more than 50% of the 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 Issue to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the 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.

**The process of Book Building under SEBI (ICDR) Regulations is subject to change from time to time and the 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 (ICDR) Regulations 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.

The process of bidding through the ASBA process by ASBA Investors under the SEBI Circular dated December 30, 2009 may be subject to change from time to time which may either be of a clarificatory nature or otherwise and ASBA Investors are advised to make their own judgment about investment through this process prior to submitting a Bid cum ASBA Form to SCSB.

**QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date.** In addition, allocation to QIBs will be on a proportionate basis. Please refer to the section titled "Issue Procedure" beginning on page no. 205 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. 206 of this Red Herring Prospectus;
- Ensure that you have an active demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- Ensure that the Bid cum Application Form or Bid cum ASBA Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form or Bid cum ASBA Form;
- Ensure that the Bid cum Application Form or Bid cum ASBA Form is accompanied by the Permanent Account Number. For details please refer to the section titled "Issue Procedure" beginning on page no. 205 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. In accordance with the SEBI Regulations,

the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction;

- Bids by ASBA Bidders (physical ASBA) will only have to be submitted to the Designated Branches of the SCSBs. ASBA Bidders should ensure that their bank accounts have adequate credit balance at the time of submission to the SCSB to ensure that their Bid cum ASBA Form is not rejected and
- Bids by QIBs shall be submitted only to the BRLM, other than bids by QIBs who Bid through the ASBA process, who shall submit the Bids to the Designated Branch of the SCSBs.

### **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 ₹ 30 to ₹ 34 per equity share, issue size of 3,000 equity shares and receipt of five bids from Bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

<b>Bid Quantity</b>	<b>Bid Price (₹)</b>	<b>Cumulative Quantity</b>	<b>Subscription</b>
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., ₹ 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 ₹ 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	Monday, January 24, 2011
BID/ISSUE CLOSES ON	Thursday, January 27, 2011

Bids and any revision in Bids will be accepted **only between 10 a.m. and 5 p.m.** (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centers mentioned in the Bid cum Application Form or in case of Bids submitted through ASBA, the Designated Branches of the SCSBs 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 (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in



excess of ₹ 2,00,000 and (ii) A standard cut-off time of 5.00 p.m. for uploading of Bids received from Retail Individual Bidders where the Bid Amount is up to ₹ 2,00,000 which may be extended up to such time as deemed fit by the BSE and the NSE after taking into account the total number of applications received upto the closure of timings and reported by BRLM to the Stock Exchanges within half an hour of such closure. 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.

In case of discrepancy in the data entered in the electronic book vis-a-vis the data contained in the physical Bid form, for a particular Bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book vis-a-vis the data contained in the physical or electronic Bid-cum-ASBA Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask the relevant SCSB for rectified data.

On the Bid / Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders after taking into account the total number of Bids received up to the closure of the timing for acceptance of Bid cum Application Form and ASBA Form as stated herein and reported by the BRLM to the Stock Exchanges 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 (ICDR) Regulations 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 the extent 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 working days after revision of the Price Band subject to the total Bid/Issue Period not exceeding 10 working 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 websites of the BRLM and at the terminals of the Syndicate Member.**

### **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 their respective Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

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

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

<b>Name and Address of the Underwriters</b>	<b>Indicative Number of Equity Shares to be Underwritten</b>	<b>Amount Underwritten (₹ in Lakhs)</b>
<b>Almondz Global Securities Limited</b> Level-5, Grande Palladium, 175 C.S.T Road, Kalina, Santacruz (E) Mumbai – 400 098 Tel: +91-22-66437600 Fax: +91-22-66437700	[•]	[•]
<b>TOTAL</b>	[•]	[•]

The amount of underwriting would be finalized after determination of Issue Price and finalization of the Basis of Allotment. The above Underwriting Agreement is dated [•].

In the opinion of the Board of Directors (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). Our Board, at its meeting held on [•], has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

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 as set forth below:

(₹ in lakhs)

Particulars		Aggregate Nominal Value	Aggregate Value at Issue Price
<b>A</b>	<b>Authorized Share Capital</b>		
	2,50,00,000 Equity Shares of ₹ 10/- each	2500.00	
<b>B</b>	<b>Issued, Subscribed and Paid-up Share Capital</b>		
	1,15,28,000 Equity Shares of ₹ 10/- each	1152.80	
<b>C</b>	<b>Present Issue to the Public in terms of this Red Herring Prospectus</b>		
	81,00,000 Equity Shares of ₹ 10/- each	810.00	[•]
<b>D</b>	<b>Paid up Share Capital after the Issue</b>		
	1,96,28,000 Equity Shares of ₹ 10/- each	1962.80	
<b>E</b>	<b>Securities premium account</b>		
	Before the Issue	-	
	After the Issue	[•]	

### Details of Changes in the Authorized Share Capital of our Company

Date	Increased/ Decreased From (₹ in lakhs)	Increased/ Decreased to (₹ in lakhs)	Particulars
February 24, 2005	-	50.00	On incorporation 50,000 Equity Shares of ₹ 100/- each
February 23, 2009	50.00	1000.00	Increased from ₹ 50 lakhs divided into 50,000 Equity Shares of ₹ 100/- each to ₹ 1000 lakhs divided into 10,00,000 Equity Shares of ₹ 100/- each
June 12, 2009	1000.00	1500.00	Increased from ₹ 1000 lakhs divided into 10,00,000 Equity Shares of ₹ 100/- each to ₹ 1500 lakhs divided into 15,00,000 Equity Shares of ₹ 100/- each
February 19, 2010	1500.00	2500.00	Increased from ₹ 1500 lakhs divided into 15,00,000 Equity Shares of ₹ 100/- each to ₹ 2500 lakhs divided into 25,00,000 Equity Shares of ₹ 100/- each
May 19, 2010	Sub-Division*		Existing nominal value of ₹ 100/- per Equity Share sub-divided into ₹ 10/- per Equity Share resulting in 2,50,00,000 Equity Shares of ₹ 10/- each

\* Our Company, vide resolution passed by the shareholders of our Company at the Extra Ordinary General Meeting (EOGM) held on May 19, 2010, subdivided the face value of Equity

Shares from one Equity Share of face value ` 100/- per Equity Share to 10 Equity Shares of face value ` 10/- per Equity Share.

## Notes to Capital Structure

### 1. Capital Build-up

#### Equity Share Capital History

Date of Allotment	No. of Equity Shares	Face Value per share (₹)	Issue Price per share (₹)	Consideration	Reasons for Allotment	Cumulative Securities Premium Account (₹ in lakhs)	Cumulative No. of Equity Shares	Cumulative Paid-up Capital (₹ in lakhs)
February 24, 2005	1,000	100	100	Cash	Subscribers to the Memorandum	Nil	1,000	1.00
April 23, 2005	97	100	100	Cash	Further issue of Equity Shares to Promoter Group and Others	Nil	1,097	1.097
June 30, 2005	25,100	100	1000	Other than cash	Takeover of entire business (all assets & liabilities) of M/s. Omkar Chemicals*	225.90	26,197	26.197
January 27, 2006	3	100	100	Cash	Further issue of Equity Shares to Promoter Group	225.90	26,200	26.20
June 24, 2009	11,26,600	100	Nil	Bonus	Issue of Bonus shares in the ratio of 43:1	Nil	11,52,800	1152.80
May 19, 2010	Sub-Division**	10	-	-	Existing Nominal value of ` 100/- per Equity Share sub-divided into ` 10/- per Equity Share	Nil	1,15,28,000	1152.80

\*25,100 Equity Shares of ` 100/- each were issued at a premium of ` 900/- per Equity Share to the proprietor, Mr. Pravin Herlekar, for acquiring the entire business (all assets and liabilities) of Omkar Chemicals, which was valued at book value of ` 251.00 lakhs by S.P. Phadke, Chartered Accountants, vide valuation report dated June 30, 2005.

\*\*The Equity Share capital of our Company constituting of 11,52,800 Equity Shares of face value ` 100/- each was sub-divided into 1,15,28,000 Equity Shares of face value ` 10/- each pursuant to the resolution passed by the shareholders at the Extra Ordinary General Meeting held on May 19, 2010.

## 2. Details of promoters' contribution and lock in

### (a) Build up of Promoters

Name	Date of Allotment / Transfer /Acquisition	Date when made fully paid up	Consideration (cash/ bonus/ kind etc.)	No. of Equity Shares	Face value (₹)	Issue / Acquisition price	% of Pre Issue Paid up Capital	% of Post Issue Paid up Capital	Lock-in period (years)	No. of pledged shares	% of pledged shares
Pravin Herlekar	February 24, 2005	February 24, 2005	Cash	900	100	100	79.32	46.59	-	Nil	Nil
	June 30, 2005	June 30, 2005	Other than cash – against takeover of entire business (all assets & liabilities) of Omkar Chemicals	25100	100	1000			-		
	February 5, 2008	February 5, 2008	Transfer (Purchase)	23	100	100			-		
	June 24, 2009	June 24, 2009	Bonus	1118989	100	Nil			-		
	March 4, 2010	March 4, 2010	Transfer (Sale)	(4)	100	100			-		
	<b>Sub Total</b>			<b>1145008</b>	<b>100</b>				-		
	May 19, 2010	Sub-Division of face value from ₹ 100/- per Equity Share to ₹ 10/- per Equity Share		3965000	10	-			3 years		
	May 19, 2010	Sub-Division of face value from ₹ 100/- per Equity Share to ₹ 10/- per Equity Share		5179480	10	-			1 year		
	May 19, 2010	Sub-Division of face value from ₹ 100/- per Equity Share to ₹ 10/- per Equity Share		2305600	10	-			-		
	July 20, 2010	July 20, 2010	Gift	(2305600)	10	Nil			-		
	<b>Total</b>			<b>9144480</b>	<b>10</b>						
Omkar Herlekar	March 4, 2010	March 4, 2010	Transfer (Purchase)	1	100	100	5.00	2.94	-	Nil	Nil
	<b>Sub Total</b>			<b>1</b>	<b>100</b>						
	May 19, 2010	Sub-Division of face value from ₹ 100/- per Equity Share to ₹ 10/- per Equity Share		10	10	-			1 year		
	July 20, 2010	July 20, 2010	Gift	576400	10	Nil			1 year		
<b>Total</b>				<b>576410</b>	<b>10</b>						

**(b) Lock-in of minimum Promoter's Contribution**

Pursuant to the SEBI (ICDR) Regulations, an aggregate of 20% of the shareholding of the 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:

Name	Date of Allotment / Transfer / Acquisition	Consideration (cash/ bonus/ kind etc.)	No. of Equity Shares	Face value (₹)	Issue Acquisition price	% of Post Issue Paid up Capital	Lock-in period (years)
Pravin Herlekar	February 24, 2005	Cash	900	100	100	20.20	-
	June 30, 2005	Other than cash – against takeover of entire business (all assets & liabilities) of Omkar Chemicals	25100	100	1000		-
	February 5, 2008	Transfer (Purchase)	23	100	100		-
	June 24, 2009	Bonus	370477	100	Nil		-
	<b>Sub Total</b>		<b>396500</b>	<b>100</b>			-
	May 19, 2010	Sub-Division of face value from ₹ 100/- per Equity Share to ₹ 10/- per Equity Share	3965000	10	-		3 years

Currently, Mr. Pravin Herlekar holds 91,44,480 equity shares, out of which 39,65,000 equity shares have been locked-in for 3 years and the remaining 51,79,480 equity shares have been locked-in for 1 year.

- The Equity Shares to be locked-in for a period of three years have been computed as 20.20% of Equity Share Capital after the Issue. It is confirmed that the Equity Shares offered for by the Promoters for three years lock-in are not pledged. Further all the Equity Shares, which are being locked in for 3 years, are not ineligible for computation of promoters' contribution and lock-in as per Regulation 33(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- The Promoters have vide their letter dated August 23, 2010 given their consent for lock-in of shares as stated above. 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. 75,63,000 Equity Shares will be locked in for a period of one year from the date of allotment of Equity Shares in this Issue constituting 38.53% of the post issue equity share capital of the Company.

- iv. In terms of Regulation 39 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, 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, subject to the condition that (i) if the equity shares are locked-in in terms of clause (a) of Regulation 36, the loan has been granted by such bank or institution for the purpose of financing one or more of the objects of the issue and pledge of equity shares is one of the terms of sanction of loan; and (ii) if the equity shares are locked-in in terms of clause (b) of Regulation 36 and the pledge of equity shares is one of the terms of sanction of the loan.
- v. In terms of Regulation 40 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, 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 Regulation 40 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and in compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, locked in Equity Shares held by persons other than the Promoters may be transferred to any other person holding shares which are locked-in as per Regulation 37 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, subject to continuation of the lock-in in the hands of the transferees for the remaining period and such transferee shall not be eligible to transfer them till the lock-in period stipulated under the Regulations has expired.
- vi. We confirm that shares considered under minimum Promoters' contribution in terms of Regulation 33(1) of SEBI (ICDR) Regulations, 2009 are not ineligible as under:
  - (i) During the last 3 years, no specified securities have been acquired for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in such transaction;
  - (ii) During the last 3 years, no specified securities have been acquired which resulted from a bonus issue by utilisation of revaluation reserves or unrealized profits of the issuer;
  - (iii) No specified securities have been acquired by the Promoters during the preceding one year at a price lower than the price at which specified securities are being offered to public in the initial public offer.
- 3. Our Company has not been formed by conversion of a partnership firm into a Company. The entire business i.e. all assets and liabilities of Omkar Chemicals, a sole proprietorship concern, has been taken over by our Company during the year 2005-06.

4. There is no “buyback” or “standby” arrangement for purchase of Equity Shares by our Company, their Directors, their Promoters, or the BRLM for the Equity Shares offered through this Red Herring Prospectus.
5. Our Company has not issued any equity shares for consideration other than cash except for as stated below:

<b>Sr. No.</b>	<b>Date of allotment</b>	<b>Number of Equity Shares</b>	<b>Issue price (₹)</b>	<b>Details</b>	<b>Name of allottees</b>	<b>Benefits accrued to the Company pursuant to the allotment</b>
1	June 30, 2005	25,100	1000	Issued at a premium of ₹ 900/- per Equity Share to Mr. Pravin Herlekar, for acquiring the entire business of M/s Omkar Chemicals (proprietary concern of Mr. Pravin Herlekar), which was valued at ₹ 251.00 lakhs	Mr. Pravin Herlekar	Acquired the entire business (all assets and liabilities) of M/s Omkar Chemicals
2	June 24, 2009	11,26,600	-	Issue of Bonus shares in the ratio 43:1	Mr. Pravin Herlekar, Mr. Shivdas Herlekar, Ms. Anjali Herlekar	Increased capital base of our Company

6. An over-subscription to the extent of 10% of 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 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.
7. As on date of filing of this Red Herring Prospectus with SEBI, the entire issued share capital of our Company is fully paid-up.
8. 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 Schedule VIII Part A (VI)(D)(m) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
9. Undersubscription, if any, in any category would be met with spillover from other



categories at the sole discretion of our Company, in consultation with the BRLM and will be allocated in accordance with the process disclosed in the section titled “Basis of Allocation” appearing on page no. 237 of this Red Herring Prospectus.

**10. (a) Details of top ten shareholders of the Company on the date of filing of this Red Herring Prospectus with SEBI are as follows:**

Sr. No.	Name of the shareholder	No. of Equity Shares	% of Shareholding
1	Mr. Pravin Herlekar	91,44,480	79.32
2	Ms. Anjali Herlekar	12,08,240	10.48
3	Mr. Omkar Herlekar	5,76,410	5.00
4	Mr. Rishikesh Herlekar	5,76,410	5.00
5	Mr. Shivdas Herlekar	22,440	0.20
6	Mr. Dattatraya Deshpande	10	Negligible
7	Mr. Girish Deshpande	10	Negligible
<b>Total</b>		<b>1,15,28,000</b>	<b>100.00</b>

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

Sr. No.	Name of the shareholder	No. of Equity Shares	% of Shareholding
1	Mr. Pravin Herlekar	91,44,480	79.32
2	Ms. Anjali Herlekar	12,08,240	10.48
3	Mr. Omkar Herlekar	5,76,410	5.00
4	Mr. Rishikesh Herlekar	5,76,410	5.00
5	Mr. Shivdas Herlekar	22,440	0.20
6	Mr. Dattatraya Deshpande	10	Negligible
7	Mr. Girish Deshpande	10	Negligible
<b>Total</b>		<b>1,15,28,000</b>	<b>100.00</b>

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

Sr. No.	Name of the shareholder	No. of Equity Shares (Face value of ₹ 100/- each)	% of Shareholding
1	Mr. Pravin Herlekar	26,023	99.32
2	Ms. Anjali Herlekar	126	0.48
3	Mr. Shivdas Herlekar	51	0.20
<b>Total</b>		<b>26,200</b>	<b>100.00</b>

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

Sr. No.	Name	Shareholding	% of Pre-Issue Shareholding
<b>(A) Promoter – Core Promoters</b>			
	Mr. Pravin Herlekar	91,44,480	79.32
	Mr. Omkar Herlekar	5,76,410	5.00
<b>Sub-Total (A)</b>		<b>97,20,890</b>	<b>84.32</b>
<b>(B) Promoter Group</b>			
	Ms. Anjali Herlekar	12,08,240	10.48
	Mr. Shivdas Herlekar	22,440	0.20
	Mr. Rishikesh Herlekar	5,76,410	5.00
<b>Sub-Total (B)</b>		<b>18,07,090</b>	<b>15.68</b>
<b>Total (A) + (B)</b>		<b>1,15,27,980</b>	<b>100.00</b>

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

Category of shareholder	No. of shareholders	Total no. of shares	Total shareholding as a percentage of total number of shares		Total post-Issue shareholding		Shares pledged for otherwise encumbered	
			As a %age of (A+B)	As a %age of (A+B+C)	Total number of shares	As a %age of (A+B+C)	Number of shares	As a percentage of post-issued (A+B+C)
(A) Promoters' holding								
(1) Indian								
Promoters								
Individuals / Hindu Undivided Family	2	97,20,890	84.32	84.32	97,20,890	49.53	NA	NA
Central Government/State Government	-	-	-	-	-	-	NA	NA
Bodies Corporate	-	-	-	-	-	-	NA	NA
Financial Institutions/Banks	-	-	-	-	-	-	NA	NA
Any other (Specify)	-	-	-	-	-	-		
Promoter Group								
Individuals/ Hindu Undivided Family	3	18,07,090	15.68	15.68	18,07,090	9.20	NA	NA
Central Government/State Government	-	-	-	-	-	-	NA	NA
Bodies Corporate	-	-	-	-	-	-	NA	NA
Financial	-	-	-	-	-	-	NA	NA

Institutions/Banks								
Any other (Specify)	-	-	-	-	-	-	NA	NA
<b>Sub-total (A) (1)</b>	<b>5</b>	<b>1,15,27,980</b>	<b>100.00</b>	<b>100.00</b>	<b>1,15,27,980</b>	<b>58.73</b>	<b>NA</b>	<b>NA</b>
<b>(2) Foreign</b>								
Individuals (Non-Resident Individuals)	-	-	-	-	-	-	NA	NA
Bodies Corporate	-	-	-	-	-	-	NA	NA
Institutions	-	-	-	-	-	-	NA	NA
Any other (please specify)	-	-	-	-	-	-	NA	NA
<b>Sub-Total (A)(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>NA</b>	<b>NA</b>
<b>Total shareholding of Promoter &amp; Promoter Group (A) = (A)(1) + (A)(2)</b>	<b>5</b>	<b>1,15,27,980</b>	<b>100.00</b>	<b>100.00</b>	<b>1,15,27,980</b>	<b>58.73</b>	<b>NA</b>	<b>NA</b>
<b>(B)Public shareholding</b>								
<b>(1) Institutions</b>								
Mutual Funds	-	-	-	-	[•]	[•]	NA	NA
Financial Institutions/Banks	-	-	-	-	[•]	[•]	NA	NA
Central Government/ State Government(s)	-	-	-	-	[•]	[•]	NA	NA
Venture Capital Funds	-	-	-	-	[•]	[•]	NA	NA
Insurance Companies	-	-	-	-	[•]	[•]	NA	NA
Foreign Institutional Investors	-	-	-	-	[•]	[•]	NA	NA
Foreign Venture Capital Investors	-	-	-	-	[•]	[•]	NA	NA
Any Other (specify)	-	-	-	-	[•]	[•]	NA	NA
<b>Sub-total (B) (1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>[•]</b>	<b>[•]</b>	<b>NA</b>	<b>NA</b>
<b>(2) Non-Institutions</b>								
Individuals (i) Individual shareholders holding nominal share capital up to ` 2	2	20	Negligible	Negligible	[•]	[•]	NA	NA

lakh.								
(ii) Individual shareholders holding nominal share capital in excess of ₹ 2 lakh	-	-	-	-	[●]	[●]	NA	NA
Body Corporate	-	-	-	-	[●]	[●]		
Any other (specify)	-	-	-	-	[●]	[●]	NA	NA
<b>Sub-total (B) (2)</b>	2	20	Negligible	Negligible	[●]	[●]	NA	NA
<b>Total Public Shareholding (B)= (B) (1) + (B) (2)</b>	2	20	Negligible	Negligible	[●]	[●]	NA	NA
(C) Shares held by Custodians and against which Depository Receipts have been issued	-	-	-	-	[●]	[●]	NA	NA
<b>Grand Total (A + B + C)</b>	7	1,15,28,000	100.00	100.00	[●]	[●]	NA	NA

**Note: The split of total post issue public shareholding is currently not available and will be available once the basis of allotment is finalized.**

13. 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 the Company. The Shares locked in by Promoters are not pledged to any one.

14. Our Promoters/Promoter Group/Directors have not purchased/sold/financed/acquired any shares of the Company during the past 6 months except as under:

Date	Transferor	Transferee	No. of Equity Shares	Transfer price per Equity Share (₹)
July 20, 2010	Mr. Pravin Herlekar	Ms. Anjali Herlekar, Mr. Omkar Herlekar and Mr. Rishikesh Herlekar	23,05,600	Gift

15. The Company has not raised any bridge loan against the proceeds of the present issue. For details on use of proceeds, see the section titled "Objects of the Issue" appearing on page no. 32 of this Red Herring Prospectus.

16. 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.

17. 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 issue of specified securities on a preferential basis or issue of bonus or rights or further public issue of specified securities or qualified institutional placement, except that the Company may issue options to its employees pursuant to any Employee Stock Option Plan, or if the Company go for acquisitions and joint ventures, the Company may consider raising additional capital to fund such activity or use shares as currency for acquisition and / or participation in such joint venture.

18. 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.
19. The Company has not issued any shares out of revaluation reserves.
20. Neither the BRLM nor their associates hold any Equity Shares in the Company.
21. Our Company shall ensure that transactions in the Equity Shares by our Promoter and Promoter Group between the date of filing of offer document with RoC and the Bid closing date shall be intimated to the Stock Exchanges within 24 hours of such transaction.
22. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
23. The Company has 7 shareholders as on the date of filing of this Red Herring Prospectus with SEBI.
24. The Issue is being made through 100% Book-Building process wherein not more than 50% of the 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 Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 35% of the 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.
25. An applicant in the public category cannot make an application for the number of Equity Shares exceeding the number of Equity Shares offered to the public.
26. 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. 237 of this Red Herring Prospectus.

## **27. Restrictive covenants of lenders**

Our Company is subject to certain restrictive covenants of loan agreement entered into with our Banker. These restrictive covenants require our Company to seek the prior consent of the bank for various activities, including amongst others, effect/ permit withdrawals of deposits or withdrawals by family members, friends or directors, declare dividend, payment of any consideration in whatever form by the Company to the guaranteeing directors either directly or indirectly for guaranteeing of credit limits sanctioned by the bank, undertake new project/ any further expansion, invest in shares and debentures of other companies, extend finance to associate concerns, acquire or sell any fixed assets, etc.

## Objects of the Issue

### Rationale for the Issue

Our Company is mainly engaged in the manufacture and sale of speciality chemicals viz. selenium compounds, iodine compounds, molybdenum compounds etc. and pharma intermediates viz. Potassium Iodate, Bismuth Ammonium Citrate, Bromoform etc.

Our Company has four units at MIDC, Badlapur (E), Thane, Maharashtra. At present, we carry out our manufacturing activities at our two units viz. Unit 1 & Unit 2. Our Company has recently set up a new manufacturing facility through its internal accruals, at B-34, MIDC, Badlapur, Maharashtra viz. Unit 3 with an installed capacity of 200 MT. The commercial production at Unit 3 is likely to start in the month of March, 2011. We now propose to expand our capacities in all our existing units including Unit 3. Further, our Company proposes to set up a new manufacturing facility at our Unit 4 located at MIDC, Badlapur, Maharashtra with an installed capacity of 1250 MT per annum.

In view of the above proposed expansion, the total installed capacity of our Company would aggregate to 3650 MT per annum from the existing installed capacity of 950 MT per annum, details of which are as under:

(in MT)			
Unit	Existing Installed Capacity	Proposed Expansion in Installed Capacity	Proposed Installed Capacity after Expansion
Unit 1	375	225	600
Unit 2	375	525	900
Unit 3	200	700	900
Unit 4	Nil	1250	1250
<b>Total</b>	<b>950</b>	<b>2700</b>	<b>3650</b>

**The proceeds from the proposed Issue of shares are intended to be deployed for:**

1. Setting up of new manufacturing facility at Unit 4 at Badlapur, Maharashtra;
2. Expansion of existing manufacturing facilities at Unit 1, Unit 2 & Unit 3 at Badlapur, Maharashtra;
3. Meeting Working Capital requirements;
4. General corporate purposes; and
5. 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.

We intend to utilize the proceeds of the Issue, after deducting issue expenses (net proceeds) to finance the above expansion plans.

## Requirement of Funds

The details of proceeds of the Issue are summarized as under:

Sr. No.	Particulars	Amount (` in lakhs)
1.	Setting up of new manufacturing facility at Unit 4 at Badlapur, Maharashtra	3215.74
2.	Expansion of existing manufacturing facilities at Unit 1, Unit 2 & Unit 3 at Badlapur, Maharashtra	1461.58
3.	Meeting Working Capital requirements	1000.00
4.	General corporate purposes	[•]
5.	Issue expenses	[•]
	<b>Total</b>	[•]

## Means of Finance

The above requirement of funds is proposed to be financed as under:

Sr. No.	Particulars	Amount (` in lakhs)
1.	Proceeds of the Issue*	[•]
2.	Internal Accruals**	[•]
	<b>Total</b>	[•]

\* Will be incorporated after finalization of Issue Price.

\*\*As per unconsolidated restated financial statements, As on September 30, 2010 our Company has cash & bank balance of ` 37.51 lakhs and total reserves and surplus of ` 944.37 lakhs which will form part of internal accruals.

The aforesaid requirement of funds is proposed to be entirely financed by the net Issue proceeds and internal accruals as mentioned in the above table. Thus provisions of Regulations (VII)(C)(1) of Schedule VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 in connection with firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed public issue and internal accruals does not apply to our Company as our Company does not proposes to avail any borrowed funds for part financing the Objects of the Issue.

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. 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.



The fund requirements and the intended use of the net proceeds as described herein are based on management estimates and various quotations received by us from different suppliers and have not been appraised by any bank or financial institution or any independent organisation.

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 or revising the planned expenditure 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 the expansion project 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.

We confirm and undertake that we do not intend to utilize the net proceeds of the Issue to procure any second hand equipment.

Also, the Promoters or the Directors or the Promoter Group entities/subsidiaries do not have any interest in the proposed procurement of any equipment as stated above or any of the entities from whom we have obtained quotations.

### **Details of utilization of Issue proceeds**

#### **1. Setting up of new manufacturing facility at Unit 4 at Badlapur, Maharashtra**

Our Company proposes to set up a new manufacturing facility at our Unit 4 located at MIDC, Badlapur, Maharashtra. The new manufacturing facility will be set up with an installed capacity of 1250 MT per annum. We propose to manufacture new molecules in Iodine derivatives and pharma intermediates with new technologies comprising of catalytic high pressure reactions.

The total cost is estimated at ₹ 3215.74 lakhs, details of which are as under:

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount (₹ in lakhs)</b>
a)	Site development	43.45
b)	Building & civil work	793.12
c)	Plant & machinery	2134.11
d)	Laboratory & office equipments	89.70
e)	Furnitures & fixtures	16.02
f)	Utilities	139.34
	<b>Total</b>	<b>3215.74</b>

#### **a) Site development**

Our Company proposes to set up a new manufacturing facility at plot no. F-10/1, MIDC, Badlapur, Maharashtra admeasuring 7135 sq. mt. The said land has already been acquired on lease from MIDC vide lease agreement dated March 31, 2008 for an aggregate amount of ₹ 17.66 lakhs.

As per the quotation received from M/s Plaexe Con Services Private Limited dated June 26, 2010 the cost of site development is estimated at ₹ 41.45 lakhs which includes dressing &

spreading, backfilling, construction of compound wall & road and storm water drainage. In addition to this, our Company also plans to incur a cost of ` 2.00 lakhs towards the compaction of spread soil as estimated by Kiran Vaishnav, Architect & Government Registered Valuers vide their letter dated August 18, 2010.

#### **b) Building & civil work**

As per the quotation received from M/s Plaexe Con Services Private Limited dated June 26, 2010 and estimates received from Kiran Vaishnav, Architect & Government Registered Valuers, vide letter dated August 18, 2010, the cost of building and civil work is estimated at ` 793.12 lakhs. The details of which are as under:

<b>Sr. No.</b>	<b>Particulars</b>	<b>Estimates given by</b>	<b>Quantity</b>	<b>Amount (₹ in lakhs)</b>
1	Construction of:	Plaexe Con Services Private Limited		
	• Process plant		3000 sq. mtr.	502.50
	• Utility, MCC block		1200 sq. mtr.	141.00
	• Underground tank		140000 ltr.	16.80
	• Overhead tank		30000 ltr.	4.50
	• Acid/ alkali proof tiling		2400 sq. mtr.	50.40
	• Various tanks, pumps, foundations		35 cu. mtr.	3.19
2	Machine foundations		30 cu. mtr.	2.73
3	Roofing, wind ventilators and supporting structure		1000 sq. mtr.	21.00
4	Construction of:	Kiran Vaishnav	-	
	• Unloading platform & other area around building			8.00
	• HT yard, DG set platform			7.00
	• Mezzanine floor			7.00
5	Drainage & ETP construction			7.00
6	Architect's/ structural engineer's fees			22.00
	<b>Total</b>			<b>793.12</b>

#### **c) Plant & machinery**

The total cost of plant & machinery for the project aggregates to ` 2134.11 lakhs, the details of which are as under:

<b>Sr. No.</b>	<b>Description</b>	<b>Name of supplier</b>	<b>Date of quotation</b>	<b>Qty (Nos.)</b>	<b>Total amount including duties &amp; taxes (₹ in lakhs)</b>
1	Glass lined reactors	Nile Limited	June 25, 2010	8	118.04
2	SS reactors with column	Prakin Equipments Private Limited	June 25, 2010	12	323.39
3	SS 316 shell & tube heat exchangers	Prakin Equipments Private Limited	June 25, 2010	12	82.25

4	SS 316 receivers	Prakin Equipments Private Limited	June 25, 2010	44	153.51
5	Pressure reducing station	Prakin Equipments Private Limited	June 25, 2010	4	15.79
6	Condensate recovery system	Prakin Equipments Private Limited	June 25, 2010	1	32.36
7	SS autoclaves	Amar Equipments Private Limited	November 29, 2010	16	256.83
8	Pumps – Vacuum pump and Gear pump (of different capacities)	Flodyne Pumps (India)	June 25, 2010	35	49.93
		Vijay Pumps Private Limited	June 26, 2010	11	
		Padmakar Engineering Works	June 26, 2010	4	
		Omkar Industrial Products	June 27, 2010	10	
9	Filter press, vibro sifter & multi mill	Bipin Pharma Steel	June 25, 2010	37	78.34
10	Dryer and Blender	Millennium Equipments Private Limited	June 26, 2010	18	299.48
11	Centrifuges	M. A. Engineering Corporation	June 26, 2010	12	166.77
12	Glass assemblies (including glass parts, distillation units, glass columns and bends)	Silica Ware Private Limited	June 25, 2010	8 sets	215.63
13	Goods lift	Jyotirling Engineers	June 30, 2010	3	24.98
14	Cooling towers	Dew-Pond Engineers (P) Limited	June 25, 2010	5	14.15
15	Electrical motors	Flodyne Pumps (India)	June 26, 2010	49	17.02
16	Power temple 22KV	Snehankit	June 24, 2010	1	5.07
17	DG sets	Kala Genset Private Limited	August 10, 2010	1	41.58
18	Transformer	Nandish Engineering Private Limited	June 24, 2010	1	12.50
19	Boilers	Vishal Engineering	June 26, 2010	4	19.44
20	Electrical control panel	Abak Electrofab Engineering Private Limited	June 28, 2010	1	23.40
21	Brine chilling packages	Systems & Components	December 25, 2010	3	67.71

		(India) Private Limited			
22	Breathing apparatus	MG Engineers	June 28, 2010	4	1.54
23	Scrubber & ETP	Alpha Industrial Engineering Projects Private Limited	June 24, 2010	3	14.24
24	Compressor air system	Shanbhag Engineering Company	June 28, 2010	2	26.28
25	Material handling equipments	Jay Equipment & Systems Private Limited	December 29, 2010	1	13.38
26	Fire hydrant system	Omkar Industrial Products	June 25, 2010	1	42.70
27	Walk-in cold storages	Ultra Cool Systems - Blue Star	June 28, 2010	1	17.80
	<b>Total</b>				<b>2134.11</b>

**d) Laboratory & office equipments**

The total cost of laboratory & office equipments for the project aggregates to ₹ 89.70 lakhs, details of which are as under:

Sr. No.	Description	Name of supplier	Date of quotation	Qty (Nos.)	Amount including duties & taxes (₹ in lakhs)
<b>A.</b>	<b>Laboratory equipments</b>				
1	20 KVA UPS	Network Techlab (I) Private Limited	June 25, 2010	3	13.89
2	Melting point system	Sunjay Biotech Solutions Private Limited	June 25, 2010	2	5.48
3	Shimadzu semi micro dual balance	Amkette Analytics Limited	June 25, 2010	3	3.16
4	Automatic potentiometric titrator, BOD monitor, COD analysis system, Precision water bath, pH meter and ultrasonic cleaning bath	Spectralab Instruments Private Limited	June 25, 2010	13	24.04
5	Gas chromatograph	Spectralab Instruments Private Limited	June 25, 2010	3	17.52
	<b>Total (A)</b>				<b>64.09</b>

<b>B.</b>	<b>Office equipments</b>				
1	CCD, DVR, attendance system	Star Security System	June 25, 2010	-	7.06
2	Tea / coffee vending machine	Revive Enterprises	June 25, 2010	1	0.19
3	EPABX system	Kalyani Enterprises	June 25, 2010	-	1.30
4	Copier machine	Raas Office Automation	June 25, 2010	1	1.24
5	Air conditioners	Shakti Vishwakarma Electrical & A/c Refrigeration	June 26, 2010	28	8.40
6	Computers	Graphica Computers Private Limited	June 25, 2010	26	7.42
	<b>Total (B)</b>				<b>25.61</b>
	<b>Total (A+B)</b>				<b>89.70</b>

#### e) Furniture & fixtures

The total cost of furniture & fixtures for the project aggregates to ₹ 16.02 lakhs, details of which are as under:

<b>Sr. No.</b>	<b>Description</b>	<b>Name of supplier</b>	<b>Date of quotation</b>	<b>Amount (₹ in lakhs)</b>
1	False ceiling, flush doors, double glass view panel	Joshi Manufacturing Company	December 25, 2010	13.52
2	Light fittings	Vega Tradelink Private Limited	August 11, 2010	2.50
	<b>Total</b>			<b>16.02</b>

#### f) Utilities

As per the estimates received from Pranav S. Desai, Chartered Engineer, vide their letter dated August 21, 2010, the total cost of utilities, is estimated at ₹ 139.34 lakhs, details of which are as under:

(₹ in lakhs)

<b>Sr. No.</b>	<b>Description</b>	<b>Amount</b>
1	(a) Erection of various equipments, piping, fittings	11.89
	(b) Piping and installation valves of various material of construction for various reactors, condensers, pumps and other equipments	36.80
2	Fabrication and erection for installation of various equipments	26.63
3	Flame proof electrical fittings, push button stations, lighting distribution boards, accessories, etc. and installation of the same	3.97
4	Power & earthing cables and their installation	28.54
5	Various instruments like temperature, pressure, level indicators, flow indicators, etc. and their installation	8.15
6	Hot, cold and dual insulation of reactors, vessels, utility & process piping, equipments, etc. with metallic sheet covering, etc.	12.81

7	Cost of fire extinguishers, safety apparatuses and miscellaneous equipments, etc.	10.55
	<b>Total</b>	<b>139.34</b>

## 2. Expansion of existing manufacturing facilities at Unit 1, Unit 2 & Unit 3 at Badlapur, Maharashtra

Our Company proposes to expand our existing manufacturing facilities at our Unit 1, Unit 2 & Unit 3 located at MIDC, Badlapur, Maharashtra. This will enable us to increase the capacity of our existing operations and further expand our product range. With this proposed expansion, our Company intends to expand our existing product lines in Selenium, Molybdenum, Cobalt, Bismuth, etc. Further, we intend to create a facility for new products in the field of metal oxides such as Cobalt Oxide, Molybdenum Trioxide, Molybdenum Disulfide, etc.

The total cost of above expansion is estimated at ₹ 1461.58 lakhs, details of which are as under:

Sr. No.	Particulars	Amount (₹ in lakhs)			
		Unit 1	Unit 2	Unit 3	Total
a)	Land & site development	85.57	118.38	38.37	242.32
b)	Building & civil work	109.40	137.85	142.16	389.41
c)	Plant & machinery	145.22	133.71	305.44	584.37
d)	Laboratory & office equipments	25.76	38.60	74.01	138.37
e)	Furniture & fixtures	2.82	-	14.29	17.11
f)	Utilities	29.26	17.81	42.93	90.00
	<b>Total</b>	<b>398.03</b>	<b>446.35</b>	<b>617.20</b>	<b>1461.58</b>

### a) Land & site development

Our Company proposes to acquire the neighbouring plots at our two units viz. Unit 1 & Unit 2 for the proposed expansion. The management has estimated the cost of these lands at ₹ 65 lakhs & ₹ 75 lakhs for Unit 1 & Unit 2 respectively. As regards expansion at Unit 3, we already have sufficient land to carry out expansion activity.

As per the quotations received from M/s Plaex Con Services Private Limited dated June 26, 2010 and estimates received from Kiran Vaishnav, Architect & Government Registered Valuers, vide letter dated August 18, 2010, the cost of site development is estimated at ₹ 102.32 lakhs. The details of which are as under:

(₹ in lakhs)						
Sr. No.	Particulars	Estimates received by	Unit 1	Unit 2	Unit 3	Total
1	Dressing & spreading, Back filling, Compound wall, Construction of road, storm water & drains, etc	Plaex Con Services Private Limited	11.57	39.38	32.37	83.32
2	Compaction of spread soil, Demolition & clearing of	Kiran Vaishnav	9.00	4.00	6.00	19.00

	unwanted area, Providing curb stone to road & other area					
	<b>Total</b>		<b>20.57</b>	<b>43.38</b>	<b>38.37</b>	<b>102.32</b>

#### b) Building & civil work

As per the quotations received from M/s Plaexe Con Services Private Limited dated June 26, 2010 and estimates received from Kiran Vaishnav, Architect & Government Registered Valuers, vide letters dated August 18, 2010, the cost of building and civil work is estimated at ₹ 389.41 lakhs. The details of which are as under:

(₹ in lakhs)

Sr. No.	Particulars	Cost per unit (Rs)	Amount			Total amount
			Unit 1	Unit 2	Unit 3	
Plaexe Con Services Private Limited						
1	Construction of:	15750/sq. mtr.	63.00	-	-	63.00
	• Process plant (Ground+2)					
	• Process plant shed (Ground+1)	12100/sq. mtr.	-	-	108.90	108.90
	• Warehouse	10050/sq. mtr.	-	110.55	-	110.55
	• Underground tank	16/ltr.; 12.5/ltr (for Unit 3)	8.00	6.40	12.50	26.90
	• Overhead tank	15/ltr.	3.75	3.00	3.00	9.75
	• Acid/ alkali proof tiling	2100/sq. mtr.	11.55	-	-	11.55
	• unloading platform & other area around building	2000/sq. mtr.	4.00	-	-	4.00
2	Machine foundations	9100/cu. mtr.	1.82	-	0.36	2.18
3	Roofing, wind ventilators & supporting structure	2100/sq. mtr.	4.20	8.40	8.40	21.00
4	ETP construction	18/ltr.	1.08	-	-	1.08
Kiran Vaishnav						
1	Construction of earth pits, unloading platform & other area around building, drainage, etc.	-	2.00	3.50	3.00	8.50
2	Supporting structure for equipments and other miscellaneous structure	-	7.00	2.00	2.00	11.00
3	Architects fees	-	3.00	4.00	4.00	11.00
	Total		109.40	137.85	142.16	389.41

**c) Plant & machinery**

The total cost of plant & machinery for the project aggregates to ₹ 584.37 lakhs, the details of which are as under:

(₹ in lakhs)

Sr. No.	Description	Name of supplier	Date of quotation	Qty (Nos.)	Amount including duties & taxes
<b>(A) Unit 1</b>					
1	Scrubber & ETP	Alpha Industrial Engineering Projects Private Limited	June 24, 2010	3	14.24
2	Pumps	Flodyne Pumps (India)	June 25, 2010	15	9.93
3	Goods lift	Jyotirling Engineers	June 26, 2010	1	8.33
4	DG set	Kala Genset Private Limited	August 10, 2010	1	11.25
5	Boiler	Vishal Engineering	June 26, 2010	1	4.92
6	Steam pressure reducing station	Prakin Equipments Private Limited	June 25, 2010	1	3.95
7	Double cone blender	Bipin Pharma Engineering	June 25, 2010	1	9.21
8	Tray dryer & spare trays	Bipin Pharma Engineering	June 25, 2010	2	15.39
9	Reactors	S P Chemi Equipments	June 26, 2010	2	23.36
		Nile Limited	June 25, 2010	1	
10	Filter press, vibro sifter & multi mill	Bipin Pharma Steel	June 25, 2010	7	13.89
11	Centrifuges	M. A. Engineering Corporation	June 26, 2010	2	18.77
12	Cooling tower	Dew-Pond Engineers (P) Limited	June 25, 2010	1	1.49
13	Electric control panel	Abak Electrofab Engineering Private Limited	June 28, 2010	1	8.56
14	Electric motors	Flodyne pumps (India)	June 26, 2010	11	1.93
<b>Sub-total (A)</b>					<b>145.22</b>
<b>(B) Unit 2</b>					
1	Fluid bed dryer	Millenium Equipments (P) Limited	June 26, 2010	1	23.68
2	Double cone blender	Bipin Pharma Engineering	June 25, 2010	2	18.43
3	Vibro sifter & multi mill	Bipin Pharma Steel	June 25, 2010	7	10.89
4	Goods lift	Jyotirling Engineers	June 26, 2010	2	16.65
5	Electric control panel	Abak Electrofab Engineering Private Limited	June 28, 2010	1	12.20
6	Air handling	M. K. Precision Metal Parts	June 26, 2010	1 set	51.86



	system	Private Limited			
	<b>Sub-total (B)</b>				<b>133.71</b>
<b>(C)</b>	<b>Unit 3</b>				
1	Pumps	Flodyne pumps (India)	June 25, 2010	12	9.68
2	Electric motors	Flodyne pumps (India)	June 26, 2010	21	3.59
3	Goods lift	Jyotirling Engineers	June 26, 2010	1	8.33
4	Power temple	Snehankit	June 24, 2010	1	5.08
5	Boiler	Vishal Engineering	June 26, 2010	2	10.28
6	Vacuum tray dryer	Cintex Industrial Corporation	November 23, 2010	6	14.80
7	DG set	Kala Genset Private Limited	August 10, 2010	1	28.13
8	Transformer	Nandish Engineering Private Limited	June 24, 2010	1	8.61
9	Double cone blender	Bipin Pharma Engineering	June 25, 2010	1	9.21
10	Glass lined reactor	Nile Limited	June 25, 2010	6	55.79
11	Glass assemblies	Silica Ware Private Limited	June 25, 2010	6 sets	110.68
12	Cooling tower	Dew-Pond Engineers (P) Limited	June 25, 2010	1	1.50
13	Vacuum pumps	Vijay Pumps Private Limited	June 26, 2010	10	15.87
14	Electric control panel	Abak Electrofab Engineering Private Limited	June 28, 2010	1	16.35
15	Scrubber & ETP	Alpha Industrial Engineering Projects Private Limited	June 24, 2010	2	7.54
	<b>Sub-total (C)</b>				<b>305.44</b>
	<b>Total (A+B+C)</b>				<b>584.37</b>

#### d) Laboratory & office equipments

The total cost of laboratory and office equipments for the above expansion at Unit 1, Unit 2 and Unit 3 is estimated at ` 138.37 lakhs. The details of which are as under:

#### A. Laboratory equipments

The total cost of laboratory equipments is estimated at ` 85.66 lakhs, details of which are as under:

( ` in lakhs)					
Sr. No.	Description	Name of supplier	Date of quotation	Qty (Nos)	Amount including duties & taxes
<b>(A)</b>	<b>Unit 1</b>				
1	Melting point system	Sunjay Biotech Solutions Private Limited	June 25, 2010	1	2.74
2	Dual range balance	Amkette Analytics Limited	June 25, 2010	1	1.05

3	Automatic potentiometric titrator	Spectralab Instruments Private Limited	July 9, 2010	1	5.45
4	BOD monitor, COD titrator, Precision water bath, Conductivity/ TDS meter and pH meter		June 25, 2010	5	5.07
Sub-total (A)					14.31
(B) Unit 2					
1	20 KVA UPS	Network Techlab (I) Private Limited	June 25, 2010	1	4.63
2	Melting point system	Sunjay Biotech Solutions Private Limited	June 25, 2010	1	2.74
3	Dual range balance	Amkette Analytics Limited	June 25, 2010	2	2.11
4	Automatic potentiometric titrator, BOD monitor, COD titrator, Precision water bath, Conductivity/ TDS meter, pH meter and Ultrasonic cleaning bath	Spectralab Instruments Private Limited	July 14, 2010	11	13.35
Sub-total (B)					22.83
(C) Unit 3					
1	20 KVA UPS	Network Techlab (I) Private Limited	June 25, 2010	1	4.63
2	Melting point system	Sunjay Biotech Solutions Private Limited	June 25, 2010	1	2.74
3	Dual range balance	Amkette Analytics Limited	June 25, 2010	1	1.05
4	Karl fischer titrator	Spectralab Instruments Private Limited	June 25, 2010	10	9.64
5	COD digestion apparatus, BOD monitor, Precision water bath, Ultrasonic cleaning bath, pH meter and Conductivity/ TDS meter				
Imported machinery					
1	Laser diffraction particle size	Toshvin Analytical Private Limited	August 16, 2010	1	30.46

	analyser#				
	<b>Sub-total (C)</b>				<b>48.52</b>
	<b>Total (A+B+C)</b>				<b>85.66</b>

# Imported machinery costing at ` 30.46 lakhs i.e. 55,32,000 Yens converted at 100 Yen for 55.06 INR as on December 31, 2010.

## B. Office equipments

The total cost of office equipments is estimated at ` 52.71 lakhs, details of which are as under:  
(` in lakhs)

Sr. No.	Description	Name of supplier	Date of quotation	Amount			Amount including duties & taxes
				Unit 1	Unit 2	Unit 3	
1	CCD, DVR, attendance system	Star Security System	June 25, 2010	2.86	5.75	5.15	13.76
2	Tea vending machine	Revive Enterprises	June 25, 2010	0.15	0.15	0.19	0.49
3	EPABX system	Kalyani Enterprises	June 25, 2010	1.30	1.30	1.96	4.56
4	Copier machine	Raas Office Automation	June 25, 2010	1.24	1.24	1.24	3.72
5	Air conditioners	Shakti Vishwakarma Electrical & A/c Refrigeration	June 26, 2010	3.90	3.90	8.10	15.90
6	Computers	Graphica Computers Private Limited	June 25, 2010	2.00	3.43	8.85	14.28
	<b>Total</b>			<b>11.45</b>	<b>15.77</b>	<b>25.49</b>	<b>52.71</b>

## e) Furniture & fixtures

As per the quotations received from M/s Joshi Manufacturing Company dated December 25, 2010 and M/s Vega Tradelink Private Limited dated August 11, 2010, the cost of furniture & fixtures for the above expansion is estimated at ` 17.11 lakhs. The details of which are as under:  
(` in lakhs)

Sr. No.	Description	Amount			Total amount
		Unit 1	Unit 2	Unit 3	
Joshi Manufacturing Company					
1	False ceiling, Partition, Flush doors, Double glass view panel	2.07	-	13.04	15.11
Vega Tradelink Private Limited					
2	Light fittings	0.75	-	1.25	2.00
	Total	2.82	-	14.29	17.11

## f) Utilities

As per the estimates received from Pranav S. Desai, Chartered Engineer, vide their letter dated August 21, 2010, the total cost of utilities, is estimated at ` 90.00 lakhs, details of which are as

under:

(` in lakhs)

Sr. No.	Description	Estimated cost			Total estimated cost*
		Unit 1	Unit 2	Unit 3	
1	(a) Erection of various equipments, piping, fittings	1.20	0.27	2.36	3.83
	(b) Piping and installation valves of various material of construction for various reactors, condensers, pumps and other equipments	4.83	0.71	6.29	11.83
2	Fabrication and erection for installation of various equipments	4.04	2.89	4.86	11.79
3	Flame proof electrical fittings, push button stations, lighting distribution boards, accessories, etc. and installation of the same	8.07	2.18	2.61	12.86
4	Power & earthing cables and their installation	4.94	7.88	18.52	31.34
5	Various instruments like temperature, pressure, level indicators, flow indicators, etc. and their installation	3.39	0.64	3.63	7.66
6	Hot, cold and dual insulation of reactors, vessels, utility & process piping, equipments, etc. with metallic sheet covering, etc.	1.28	0.52	2.15	3.95
7	Cost of fire extinguishers, safety apparatuses and miscellaneous equipments, etc.	1.51	2.72	2.51	6.74
	<b>Total</b>	<b>29.26</b>	<b>17.81</b>	<b>42.93</b>	<b>90.00</b>

### 3. Working capital requirements

Presently, our Company enjoys working capital credit limits to the extent of ` 2600 lakhs as stated in the paragraph "Our indebtedness" appearing on page no. 93 of this Red Herring Prospectus under the section "Our Business". We have estimated our total working capital requirements based on the capacity utilisation for the fiscal year 2011-2012 and is calculated as under:

Particulars	F.Y. 2011-2012 (estimates) (` in lakhs)	March 31, 2010 (Audited) (` in lakhs)
<b>Current assets</b>		
Raw materials	1491.79	629.43
Work in progress	1231.48	1168.37
Finished goods	406.15	150.38
Total inventories	3129.42	1948.18
Receivables	3848.13	1657.71
<b>Total current assets</b>	<b>6977.54</b>	<b>3605.89</b>
Less: Current liabilities	1675.32	1069.84
<b>Net working capital requirements</b>	<b>5302.22</b>	<b>2536.05</b>
<b>Funding pattern</b>		

Estimated bank finance available	2800.00	
Proposed to be funded from Public Issue	1000.00	
Internal accruals	1502.22	
<b>Total</b>	<b>5302.22</b>	

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

<b>Particulars</b>	<b>Period (in months)</b>
Raw materials	1.89
Work in progress	1.50
Finished goods	0.50
Sundry debtors	3.20
Sundry creditors	2.14

The net working capital for 2009-10 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 2009-10.

The projected levels of holdings 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 2011-2012, our total working capital requirement works out to ` 5302.22 lakhs, which we propose to meet from IPO proceeds to the extent of ` 1000 lakhs, ` 2800 lakhs from bank borrowings and the balance from internal accruals.

We confirm the following in terms of Regulation (VII)(A)(4) of Schedule VIII of SEBI (ICDR) Regulations:

1. We are subject to high working capital requirements to purchase the raw materials and for execution of orders before payment is received from the customers. In FY 2009-10, we enjoyed a working capital credit limit to the extent of ` 2000 lakhs as against a working capital requirement of ` 2536.05 lakhs.
2. We have estimated working capital requirement of ` 5302.22 lakhs for FY 2011-12 which is proposed to be met from IPO proceeds to the extent of ` 1000 lakhs, ` 2800 lakhs from bank borrowings and the balance from internal accruals. The additional working capital is required for setting up a new manufacturing facility at Unit 4 and expansion at Unit 1, Unit 2 and Unit 3.
3. The capacity utilization assumptions for the projected working capital requirements are as under:

<b>Particulars</b>	<b>Proposed</b>	
	<b>2011-12</b>	<b>2012-13</b>
Total Installed Capacity	950	3650

Capacity Utilization (%)	98	61*
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\*As the installed capacity increases in September 2012 by 2700 MT, the capacity utilization in this regard will only be for the period September 2012 – March 2013.

#### 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, meeting contingencies for any cost overrun in the expansion project, strategic initiatives, expanding into new geographies, strengthening of infrastructure/market capabilities, future projects and meeting exigencies which we in the ordinary course may not foresee. As on the date of this Red Herring Prospectus, we have not entered into any letter of intent or any other commitment for any joint venture or definitive commitment for any strategic initiatives. Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

#### 5. Issue expenses\*

The expenses for this Issue includes Issue management fees, underwriting & selling commission (including commission to SCSB for ASBA applications) & brokerage, registrars' fee, grading fee, Bankers to the Issue, printing and distribution of issue stationery, advertisement and marketing expenses, legal counsel fees and listing fees payable to the stock exchanges, among others. The total expenses for this Issue are estimated to be ₹ [●] lakhs, details of which are as under:

( ₹ In lakhs)

Sr. No.	Activity	Amount	% of Total Issue size	% of Issue Expenses
1	Issue Management Fees, Underwriting & Selling Commission (including commission to SCSB for ASBA applications) & Brokerage	[●]	[●]	[●]
2	Registrars fees	[●]	[●]	[●]
3	Fees for Legal Counsel to the Issue	[●]	[●]	[●]
4	Fees payable to Grading Agency for grading the Issue	[●]	[●]	[●]
5	Fees payable to Bankers to the Issue	[●]	[●]	[●]
6	Printing and Distribution of Issue Stationery	[●]	[●]	[●]
7	Advertising and Marketing expenses	[●]	[●]	[●]
8	Other expenses (stamp duty, initial listing fees, depository fees, charges for using the book building software of the exchanges and other related expenses)	[●]	[●]	[●]
	<b>Total</b>	<b>[●]</b>	<b>[●]</b>	<b>[●]</b>

\*Will be incorporated after finalization of Issue Price

#### Raw Materials

The raw materials that will be used in manufacturing of the proposed products are Iodine, Selenium, Molybdenum, Tetra Hydro Furon, Toluene, Methanol, Metal Carbonates etc. These raw materials are easily available in indigenous and overseas markets. We propose to procure Iodine, Selenium metal, P Toluic acid, L Tartaric acid, D Tartaric acid from overseas markets

and Methanol, Tetra Hydro Furan, Toluene etc. from indigenous markets. As regards Metal Carbonates, we manufacture at our manufacturing facilities. We do not envisage any difficulty in getting timely and adequate supply of raw materials.

### Infrastructural facilities

#### Power

With the proposed expansion the total power requirement for all 4 units is 1885 KW, the details of which are as under:

Unit	Existing sanctioned load (In KW)	Additional Power requirement (in KW)	Total Power Requirement (in KW)
Unit 1	73	168	241
Unit 2	377	168	545
Unit 3	286	239	525
Unit 4	26.19	547.81	574
<b>Total</b>	<b>762.19</b>	<b>1122.81</b>	<b>1885</b>

We propose to apply to Maharashtra State Electricity Distribution Company Limited for sanction of additional load at these units.

Further, we also propose to install 3 DG sets of capacities 200 KVA, 500 KVA and 750 KVA at Unit 1, Unit 3 and Unit 4 respectively as standby arrangement for our power requirements.

#### Water

Water is required for our manufacturing processes, cooling arrangements, steam generation and general purposes. The total water requirement for the proposed expansion is 100 m<sup>3</sup>/day which will be met by supply from MIDC.

#### Steam & cooling arrangement

With a view to our proposed expansion, we intend to install steam boilers and cooling towers, at our respective units, details of which are as under:

Unit	Steam Boilers		Cooling Towers	
	Nos.	Capacity/boiler	Nos.	Capacity/cooling tower
Unit 1	1	600 kgs/hr	1	1200 Lpm
Unit 3	2	600 kgs/hr	1	1200 Lpm
Unit 4	4	600 kgs/hr	5	2400 Lpm

#### Fuel

We would require Light Diesel Oil (LDO) for furnaces and steam boilers and High Speed Diesel (HSD) for the DG sets. We do not envisage any difficulty in procurement of this fuel as it is easily available.

## Manpower

We require following additional manpower for our proposed expansion:

Sr. No.	Category of Employees	Unit 1	Unit 2	Unit 3	Unit 4	Total
1	Managerial	-	-	3	4	7
2	Officers	-	2	5	11	18
3	Production	6	-	15	48	69
4	Technical	2	2	4	8	16
5	Clerical	2	2	4	6	14
	<b>Total</b>	<b>10</b>	<b>6</b>	<b>31</b>	<b>77</b>	<b>124</b>

Our Company does not envisage any difficulties in sourcing the required manpower.

## Schedule of Implementation

Sr. No	Activity	Expected month of Commencement	Expected month of completion
<b>1. Setting up of new manufacturing facility at Unit 4 at Badlapur, Maharashtra</b>			
1	Site development	February, 2011	March, 2011
2	Building & civil work	April, 2011	May, 2012
3	Plant & machinery, laboratory and office equipments and furnitures & fixtures		
	(i) Placement of orders	February, 2011	March, 2011
	(ii) Delivery	January, 2012	March, 2012
	(iii) Installation	April, 2012	July, 2012
4	Trial runs	August, 2012	September, 2012
5	Commercial production		October, 2012
<b>2. Expansion of existing manufacturing facilities at Unit 1, Unit 2 &amp; Unit 3 at Badlapur, Maharashtra</b>			
1	Site development	February, 2011	September, 2011
2	Building & civil work	April, 2011	March, 2012
3	Plant & machinery, laboratory and office equipments and furnitures & fixtures		
	(i) Placement of orders	February, 2011	March, 2011
	(ii) Delivery	November, 2011	May, 2012
	(iii) Installation	January, 2012	July, 2012
4	Trial runs	March, 2012	September, 2012
5	Commercial production		October, 2012

## Funds deployed till date

The details of the amount spent by our Company as of December 15, 2010 on projects as part of the "Objects of the Issue" and as certified by our Statutory Auditors, M/s Siddharth Sinkar & Associates, Chartered Accountants vide certificate dated December 31, 2010 are provided in the table below:



Particulars	Amount (` In lakhs)
<b>Funds Deployed</b>	
Issue Expenses	55.52
<b>Sources of Funds</b>	
Internal Accruals	55.52

### Proposed deployment of funds in the project

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

Particulars	Already incurred till date	Six months period ended March 31, 2011	Fiscal year 2011-12	Six months period ended September 30, 2012	Total
<b>Setting up of new manufacturing facility at Unit 4 at Badlapur, Maharashtra</b>					
Site development		43.45			<b>43.45</b>
Building & civil work		25.00	700.00	68.12	<b>793.12</b>
Plant & Machinery		800.00	1334.11		<b>2134.11</b>
Equipments, furniture & fixtures and utilities			15.00	230.06	<b>245.06</b>
<b>Expansion of existing manufacturing facilities at Unit 1, Unit 2 &amp; Unit 3 at Badlapur, Maharashtra</b>					
Site development		130.00	112.32		<b>242.32</b>
Building & civil work			389.41		<b>389.41</b>
Plant & Machinery		190.00	328.64	65.73	<b>584.37</b>
Equipments, furniture & fixtures and utilities			94.13	151.35	<b>245.48</b>
Working capital requirements			500.00	500.00	<b>1000.00</b>
General corporate purpose		[•]	[•]	[•]	[•]
Public Issue Expenses	55.52	[•]	[•]	[•]	[•]
<b>Total</b>	<b>55.52</b>	<b>[•]</b>	<b>[•]</b>	<b>[•]</b>	<b>[•]</b>

### Interim use of proceeds

Our Company's management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilisation 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 approved by the Board from time to time. We confirm that pending utilisation of Issue proceeds; we shall not use the funds for any investments in the Equity Markets.

## **Monitoring of Utilisation of funds**

The appointment of monitoring agency is not required in accordance with Regulation 16(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. We have therefore not appointed any Monitoring Agency for the purpose of monitoring the utilization of issue proceeds. We will disclose the utilization of the proceeds under a separate head in our Company's balance sheet for the financial year 2011, 2012 and 2013 clearly specifying the purpose for which such proceeds have been utilized. We, in our balance sheet for the fiscal 2011, 2012 and 2013, 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 a 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 funds utilized for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee. Such disclosure shall be made only until such time that all the proceeds of the Issue have been utilized in full. The statement shall be certified by the statutory auditors of the Company. Furthermore, in accordance with clause 43A of the Listing Agreement the Company shall furnish to the stock exchanges on a quarterly basis, a statement including material deviations if any, in the utilization of the proceeds of the Issue from the objects of the Issue as stated above.

This information will also be published in newspapers simultaneously with the interim or annual financial results, after placing the same before the Audit Committee.

No part of the issue proceeds, will be paid by our Company, as consideration to Promoters, Directors, Promoter Group and key managerial personnel.

### Basic Terms of the Issue

Public Issue of 81,00,000 Equity Shares of Rs 10/- each for cash at a Price of ₹ [•] per Equity Share, aggregating ₹ [•] Lakhs (The "Issue"). The Issue constitutes 41.27% of the fully diluted post-issue paid-up capital of our Company.

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares available for Allocation*	Not more than 40,50,000 Equity Shares or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Not less than 12,15,000 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 28,35,000 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue Size Available for allocation	Not more than 50% of the Issue or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders of which 5% will be available for allocation to Mutual Funds only.	Not less than 15% of Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of Issue or Issue less allocation to QIB Bidders and Non-Institutional Bidders
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 Funds Portion; b. Equity Shares shall be allocated on proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in multiples of 60 Equity Shares so that the Bid Amount exceeds ₹ 2,00,000.	Such number of Equity Shares in multiples of 60 Equity Shares so that the Bid Amount exceeds ₹ 2,00,000.	60 Equity Shares and in multiples of 60 Equity Shares thereafter

Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares whereby the Bid amount does not exceed ₹ 2,00,000
Mode of Allotment	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode
Allotment Lot	60 Equity Shares and in multiples of one Equity Share thereafter	60 Equity Shares and in multiples of one Equity Share thereafter	60 Equity Shares and in multiples of one Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can apply**	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, 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 ₹ 2500 lakhs, pension funds with minimum corpus of ₹ 2500 lakhs, National	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions, societies and trusts and eligible/permitted FII sub-accounts registered with SEBI, which are foreign corporates or foreign individuals bidding under the Non-Institutional Portion.	Individuals including NRIs and HUFs (in the name of the Karta) applying for Equity Shares such that the Bid amount does not exceed ₹ 2,00,000 in value.

	Investment Fund, Insurance funds set up and managed by army, navy or air force of the Union of India and Insurance funds set up and managed by Department of Posts, India in accordance with applicable laws.		
Terms of Payment***	Bid amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Members.	Bid amount shall be payable at the time of submission of Bid-cum-Application Form	Bid amount shall be payable at the time of submission of Bid-cum-Application Form
Margin Amount	Full Bid Amount on bidding	Full Bid Amount on bidding	Full Bid Amount on bidding

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

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

\*\* In case the Bid-cum-Application form / ASBA 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 / ASBA Form.

\*\*\* In case of ASBA Bidders, SCSB shall be authorized to block entire Bid Amount as specified in the ASBA Forms.

### Basis for the 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 ` 10/- and Issue Price is ` [●] per Equity Share and is [●] times the face value.

Investors should read the following summary with the risk factors appearing on page no. 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

For details in respect of our qualitative factors, please refer to the section "Our Strengths" appearing on page no. 90 of this Red Herring Prospectus.

### Quantitative Factors

- Adjusted Earning per Equity Share** (based on unconsolidated restated financial statements)

Period (Financial Year)	Earnings per Equity Share (`)	Weight
April 1, 2010 to September 30, 2010 (6 months) ( <i>un-annualised</i> )	4.38	
2009-10	4.45	3
2008-09	2.72	2
2007-08	2.24	1
<b>Weighted Average</b> (considering last three completed financial years)		3.51

- Price / Earning Ratio (P/E)**

Particulars	At the Lower Band of ` 95 per Equity Share	At the Upper Band of ` 98 per Equity Share
Based on the Adjusted EPS for the year ended March 31, 2010	21.35	22.02
Based on the weighted average EPS	27.07	27.92

### Industry P/E

Sr. No.	Particulars	Industry P/E
<b>CHEMICALS</b>		
(i)	Highest	115.10
(ii)	Lowest	3.80
(iii)	Average	16.00

PHARMACEUTICALS-Indian-Bulk Drugs		
(i)	Highest	39.40
(ii)	Lowest	3.30
(iii)	Average	19.90

(Source: Capital Market dated December 27, 2010 - January 09, 2011)

### 3. Return on Networth (RONW) (based on unconsolidated restated financial statements)

Period (Financial Year)	RONW %	Weight
April 1, 2010 to September 30, 2010 (6 months)	24.68	
2009-10	32.24	3
2008-09	27.34	2
2007-08	31.05	1
<b>Weighted Average</b>	30.41%	

### 4. Minimum Return on increased Net Worth required to maintain pre-issue EPS.

Particulars	At the Lower Band of ` 95 per Equity Share	At the Upper Band of ` 98 per Equity Share
Minimum required RONW for maintaining EPS	8.92	8.75

### 5. Net Asset Value per share (NAV) (based on unconsolidated restated financial statements)

Particulars	Adjusted NAV
a. As on March 31, 2010	13.81
As on September 30, 2010	17.74
c. After Issue	[•]

NAV per share = Paid up share capital + Reserves and surplus – Miscellaneous expenditure not yet written off / Number of Equity Shares of our Company outstanding.

### 6. Comparison with Industry Peers

The comparable ratios of companies, who are in similar line of business and similar size of operations in terms of total income, are given below:

Name of the Company	Face Value (₹)	Sales (₹ in lakhs)	Basic E.P.S. (₹)	P/E	Book Value (₹)	RONW (%)
<b>Peer Group-Chemicals Industry</b>						
Camlin Fine Chemicals Ltd.	10.00	12522.00	7.39	10.63	57.28	12.87%
Transpek Industry Ltd.	10.00	11416.00	7.80	22.88	91.69	8.45%
Alkali Metals Ltd.	10.00	5721.60	6.42	12.21	68.58	9.37%

Name of the Company	Face Value (₹)	Sales (₹ in lakhs)	Basic E.P.S. (₹)	P/E	Book Value (₹)	RONW (%)
Omkar Speciality Chemicals Ltd.	10.00	6834.96	4.45	-	13.81	32.24%
<b>Peer group- Pharmaceuticals-Indian-Bulk Drugs</b>						
Suven Life Sciences Ltd.	1.00	12931.20	0.60	41.67	1.00	60.42%

(Source: [www.bseindia.com](http://www.bseindia.com))

Note: 1. The figures for the peer group are based on the unconsolidated audited results for the year ended March 31, 2010.

2. The figures for our Company are based on restated unconsolidated results for the year ended March 31, 2010.

3. P/E has been calculated considering the closing price of the peer group companies as on January 3, 2011.

4. 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 the shares of our Company is ₹ 10/- per share and the Issue Price of ₹ [●] per share is [●] times of the face value of the Shares of our Company.

The BRLM believes that the Issue price of ₹ [●] is justified in view of the above qualitative and quantitative factors. See the section titled "Risk Factors" and "Financial Statements of the Company" beginning on page no. iii and 122 of this Red Herring Prospectus, including important profitability and return ratios, as set out in the Auditor's Report beginning on page no. 122 for further information.



## **Statement of Tax Benefits**

**The Board of Directors**  
**Omkar Speciality Chemicals Limited**  
B-34, MIDC,  
Badlapur (East), Thane - 421503  
Maharashtra

Dear Sirs,

We hereby certify that the enclosed statement states the possible tax benefits available to Omkar Specialty Chemicals Limited (the Company) and to its shareholders under the provisions of Income Tax Act, 1961 and other direct tax laws, presently in force in India. Several of the benefits outlined in the statement will be dependent upon 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 will be dependent upon such conditions being fulfilled.

The benefits discussed in the Annexure 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.

The Draft Direct Tax Code, Bill 2009 (DTC) has been released by the ministry of Finance on 12 August for public comments. DTC, which is expected to change the tax structure, is open for discussion and after which it will take the form of law. DTC is expected to be implemented from 1 April 2011 and would replace existing Act (s). Any proposals in DTC may alter the tax benefits discussed in the Annexure. However, since, DTC is yet to be introduced; the impacts of provisions contained in the DTC have not been discussed in this statement of tax benefits.

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

- i. the Company is currently availing any of these benefits or will avail these benefits in future; or
- ii. the Company's share holders will avail these benefits in future; or
- iii. the conditions prescribed for availing the benefits 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.

An Investor is advised to consider in his/her/its own case the tax implications of an investment in the Equity Shares.

For **Siddharth Sinkar & Associates**  
**Chartered Accountants**

**Siddharth Sinkar**  
**Proprietor**  
Membership No.: 109229  
Place: Mumbai

## **Annexure to statement of possible tax benefits available to Omkar Specialty Chemicals Limited (the Company) and its shareholders**

### **Special tax benefits**

- (1) There are no special tax benefits available to the Shareholders.
- (2) There are no special tax benefits available to the Company.

- **General Tax benefits available to the Company**

The Income Tax Act, 1961 (provisions of Finance (No.2) Act, 2009), presently in force in India, make available the following general tax benefits to companies. Several of these benefits are dependent on the companies fulfilling the conditions prescribed under the relevant provisions of the statute.

- **Dividends**

Under section 10(34) of the Act, income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after April 1, 2003) received on shares of any domestic company, is exempt from tax. Under section 10(35) of the Act, any income received in respect of units of mutual funds specified under section 10(23D) of the Act is exempt from Tax. However, a domestic company / a mutual fund have to pay Dividend Distribution year 2009-10 onwards, while computing the DDT payable, the domestic company can reduce the amount of dividend received from its subsidiary, which has paid the DDT on such dividend distributed subject to fulfillment of certain conditions prescribed therein.

- **Capital Gains**

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a Company, listed securities or units of UTI or units of Mutual Fund specified under section 10 (23D) or zero coupon bond will be considered as long term capital assets if they are held for period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "Long term capital gains" Capital gains arising on sale of these assets held for 12 months or less are considered as Short term Capital Gains"

Section 48 of the Act, which prescribes the mode of computation of Capital Gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of Capital Gains. However, in respect of long term capital gains, 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 from time to time.

As per the provisions of section 112(1)(b) of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act, would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the proviso to section 112 (1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term capital gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at concessional rate of 10 percent (plus

applicable surcharge, education cess and secondary higher education cess) Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the provisions of section 111A of the Act, short-term capital gains on sale (transfer) of Equity Shares or units of an equity oriented fund on or after October 1, 2004, where the transaction of sale (transfer) is subject to Securities Transaction Tax surcharge, education cess and secondary higher education cess).

Further the tax benefits related to capital gains are subjected to the CBDT Circular No. 4/2007 dated June 15, 2007, and on fulfillment of criteria laid down in the circular, the Company will be able to enjoy the concessional benefits of taxation on capital gains. As per section 74 Short term capital loss suffered during the year is allowed to be set-off against short term as well as long term capital gain of the said year. Balance loss, if any, could be carry forward for eight years for claiming set-off against subsequent year's short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set- off against subsequent year's long term capital gain

#### **Exemption of capital gain from income tax**

- (a) Under section 10(38) of the Act, any long term capital gains arising out of sale of Equity Shares or units of an equity oriented fund on or after October 1, 2004, will be exempt from tax provided that the transaction of sale of such shares or units is chargeable to STT. However, such income shall be taken in to account in computing the book profits under section 115JB.
- (b) According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six month from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007, in the said bonds should not exceed Rupees fifty Lakhs in one financial year.

#### **Income from House Property**

Subject to the fulfillment of conditions prescribed, the company will be eligible, inter-alia, for the following specified deductions in computing its income from house property:-

- (a) Under section 24(a) of the Act, the Company is eligible for deduction of thirty percent of the annual value of the property (i.e. actual rent received or receivable on the property or any part of the property which is let out).
- (b) According to Section 24(b) of the Act, where the property has been acquired, constructed, repaired, renewed, or reconstructed with borrowed capital, the amount of interest payable on such capital shall be allowed as a deduction in computing the income from house

property. As also, in respect of property acquired or constructed with borrowed capital, the amount of interest payable for the period prior to the year in which the property has been acquired or constructed shall be allowed as deduction in computing the income from house property in five equal installments beginning with the year of acquisition or construction.

- (c) Under section 71B of the Act, house property losses can be carried forward for a period of 8 consecutive assessment years, succeeding the assessment year when the loss was first computed and set

### **Business income**

Subject to the fulfillment of conditions prescribed, the company will be eligible, inter-alia, for the following specified deductions in computing its business income:-

- (a) Under Section 35(1)(i) and (iv) of the Act, in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.
- (b) Under Section 35(1) (ii) and (iii) of the Act, in respect of any sum paid to a scientific research association which has as its object the undertaking of scientific research, or to any approved university, College or other institution to be used for scientific research or for research in social sciences or statistical scientific research to the extent of a sum equal to one and one fourth times the sum so paid. Under Section 35 (1) (iia) of the Act, any sum paid to a company, which is registered in India and which has its main object the conduct of scientific research and development, to be used by it for scientific research, shall also qualify for a deduction of one and one fourth times the amount so paid.
- (c) Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions entered in the course of its business, if income arising from shall be allowable as a deduction against such Business Income.
- (d) Subject to compliance with certain conditions laid down in section 32 of the Act, the Company will be entitled to deduction for depreciation in respect of tangible assets (being buildings, machinery, plant or furniture, etc.) and intangible assets (being knowhow, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998) at the rates prescribed under the Income Tax Rules, 1962;
- (e) Under Section 35D of the Act, the Company is eligible to claim amortization of defined preliminary expenses, subject to limits specified in sub section (3) of said section.
- (f) The corporate tax rate shall be 30% (plus applicable surcharge, education cess and secondary and higher education cess).
- (g) In accordance with and subject to the conditions specified under Section 80-IB(10) of the Act, the Company is eligible for hundred per cent deduction of the profits derived from development and building of housing projects approved before 31 March, 2008, by a local authority subject to fulfillment of conditions mentioned therein.

- (h) Under section 80IA of the Act, 100 percent of profits is deductible for 10 years commencing from the initial assessment year in case of an undertaking which develops, develops and operates or develops, operates and maintains any infrastructure facility, subject to conditions specified therein.
- (i) Under Section 80G of the Act, the deductions will be available to the Company in respect of amount contributed as donations to various charitable institutions/funds covered under that section, subject to fulfillment of conditions specified therein.

### **Computation of tax on book profit**

Under section 115JB of the Act, the company is liable to pay income tax at the rate of 15% (plus applicable surcharge, education cess and secondary and higher education cess) on the Book Profit as computed in accordance with the provisions of section 115JB of the Act, if the total tax payable as computed under the Act is less than 15% of the Book Profit as computed under the said section.

As per section 115 JAA (1A) of the Act, tax credit shall be allowed of any tax paid under section 115JB of the Act (MAT). Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set off beyond 10 years succeeding the year in which the MAT becomes allowable.

MAT credit, thus carried forward, in the year in which it is required to pay the tax. The Company shall be eligible to set-off the under the regular provisions of the Income-tax Act. The amount which can be set-off is restricted to the difference between the tax payable under the regular provisions of the Act and tax payable under the provision of section 115JB in that year.

### **Tax rebates/Tax credits**

As per the provisions of section 90, for taxes on income paid in Foreign Countries with which India has entered into Double Taxation Avoidance Agreements (Tax Treaties from projects/activities undertaken thereat), the Company will be entitled to the deduction from the India, Income-tax of a sum calculated on such doubly taxed income to the extent of taxes paid in Foreign Countries. Further, the company as a tax resident of India would be entitled to the benefits of such Tax Treaties in respect of income derived by it in foreign countries. In such cases the provisions of the Income tax shall apply to the extent they are more beneficial to the company.

Section 91 provides for unilateral relief in respect of taxes paid in foreign countries.

### **(1) General Benefits available to Resident Shareholders:**

- **Dividends exempt under section 10(34)**

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

- **Income of minor**

As per Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act will be exempted from tax to the extent of ₹ 1, 500 per minor child.

- **Computation of capital gains**

Capital assets may be categorized into short term capital asset and long term capital assets based on the period of holding. Shares in a Company, listed securities or units of UTI or units of mutual fund specified under section 10 (23D) of the Act or zero coupon bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months arising on sales of these assets held for 12 months

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, 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 from time to time.

As per provisions of section 112 (1) (a) of the Act, long term gains as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus education cess and secondary higher education cess). However, as per the proviso to the said section 112 (1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term capital gains computed @ 10 percent without indexation benefit, then such gains are chargeable to tax at concessional rate of 10 percent (plus applicable education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax as calculated under the normal provisions of Income Tax Act, 1961. However, as per the provisions of section 111A of the Act, short term capital gains on sale of Equity Shares or units of mutual funds on or after October 1, 2004, where the transaction of sale is chargeable to Securities Transaction Tax (plus applicable education cess and secondary higher education cess).

Further the tax benefits related to capital gains are subjected to the CBDT Circular No. 4/2007 dated June 15, 2007, and on fulfillment of criteria laid down in the circular, the individual will be able to enjoy the concessional benefits of taxation on capital gains.

As per section 74 Short term capital loss suffered during the year is allowed to be set-off against short term as well as long term capital gain of the said year. Balance loss, if any, can be carried forward for eight years for claiming set-off against subsequent years short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, can be carried forward for eight years for claiming set-

**Exemption of capital gain from income tax**

- (a) Under section 10(38) of the Act, long term capital gains arising out of sale of Equity Shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such Equity Shares or unit is chargeable to Securities Transaction
- (b) According to the provisions of sections 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from date of transfer. If only the part of capital gain is so reinvested, the exemption shall be allowed proportionately. In such a case, the cost of such long term specified assets will not qualify for deduction under section 80C of the Act. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gain exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after April 1, 2007, in the said bonds should not exceed Rupees fifty lacs in one financial year.
- (c) According to the provisions of section 54F of the Act and subject to the conditions specified arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house provided that the individual does not own more than one residential house, other than the new asset, on the date of transfer of the original asset. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. . Further thereto, if the individual purchases within a period of two years or constructs within a period of three years after the date of transfer of the original long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.

**Deduction of Security Transaction Tax (STT)**

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions entered into course of its business, if income arising from such taxable securities transactions is offered to tax against such Business Income.

**(a) Benefits Available To Non Resident Shareholders Other Than Foreign Institutional Investors And Foreign venture Capital Investors:**

- **Dividends exempt under section 10(34)**

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

- **Income of minor**

As per provisions of 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act will be exempted from tax to the extent of ₹ 1, 500 per minor child.

- **Computation of capital gains**

Capital assets may be categorized into short term capital asset and long term capital assets based on the period of holding. Shares in a Company, listed securities or units of UTI or units of mutual fund specified under section 10 (23D) of the Act or zero coupon bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as long term capital gains. Capital gains arising on sale of such assets held for 12 months or less are considered as short term capital gains.

Section 48 of the Act contains provisions in relation to computation of capital gains on transfer of shares of an Indian Company by a non-resident where the investment in such shares was made in foreign currency (as per exchange control regulations). Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted in to Indian Rupees at the prevailing rate of exchange. Benefit of indexation of costs is not available in above case.

According to the provisions of section 112 of the Act, long term capital gains as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus applicable education cess and secondary higher education cess). In case investment is made in Indian Rupees, the long-term capital gains that are not exempt u/s. 10(38) of the Act are to be computed after indexing the cost.

However, as per the proviso to section 112 (1) (c), if the tax on long term gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax as calculated under the normal provisions of Income Tax Act, 1961. However, as per the provisions of section 111A of the Act, short term capital gains of Equity Shares on or after October 1, 2004, where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus applicable education cess and secondary higher education cess)

Further the tax benefits related to capital gains are subjected to the CBDT Circular No. 4/2007 dated June 15, 2007, and on fulfillment of criteria laid down in the circular, the individual will be able to enjoy the concessional benefits of taxation on capital gains.



## **Capital gains tax - Options available under the Act**

### **Where shares have been subscribed in convertible foreign exchange**

#### **Option of taxation under chapter XII-A of the Act:**

Non-resident Indians [as defined in section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which inter-alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange:

According to the provisions of section 115D read with section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of shares in an Indian Company not exempt under section 10 (38), will be subject to tax at the rate of 10 percent (plus applicable education cess and secondary higher education cess) without indexation benefit.

According to the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (in cases not covered u/s. 10(38) of Income Tax Act, 1961), being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset, if part of such net consideration is invested within the prescribed period of six months in any specified asset, the exemption will be allowed on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the specified asset in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

As per the provisions of section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their source of income is only investment income and / or long term capital gains defined in section 115C of the Act, provided tax has been deducted at source from such income as per the provisions of chapter XVII-B of the Act.

Under section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the assessing officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of the chapter XII-A shall continue to apply to him in relation to such investment income derived from any foreign exchange asset being asset of the nature referred to in sub clause (ii), (iii), (iv) and (v) of section 115C(f) for that year and subsequent assessment years until such assets are converted into money.

As per the provisions of section 115-I of the Act, a non-resident Indian may elect not to be governed by the provisions of chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the 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 Act.

### **Where the shares have been subscribed in Indian Rupees**

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred 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, in respect of long term capital gains, 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 time to time.

As per the provisions of section 112(1) (c) of the Act, long term capital gains that are not exempt u/s. 10 (38) of the Act as computed above would be subject to tax at a rate of 20 percent (plus applicable education cess and secondary higher education cess).

However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable education cess and secondary higher education cess).

- **Exemption of capital gain from income tax**

Under section 10(38) of the Act, long term capital gains arising out of sale of Equity Shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such Equity Shares or unit is chargeable to STT.

According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. Provided that investments made on or after April 1, 2007, in the said bonds should not exceed Rupees fifty Lakhs in one financial year.

In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house provided that the individual does not own more than one residential house, other than the new asset, on the date of transfer of the original asset.. If only a part of such net consideration is invested within the

prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the individual purchases within a period of two years or constructs within a period of three years after the date of transfer of the original long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.

As per section 74 Short term capital loss suffered during the year is allowed to be set-off against short term as well as long term capital gain of the said year. Balance loss, if any, could be carry forward for eight years for claiming set-off against subs short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years long term capital gains

- **Deduction in respect of Securities Transaction Tax (STT)**

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as Profit and gains of Business or Profession shall be allowable as a deduction against such Business income .

- **Provisions of the Act vis-a-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non resident. Thus a non-resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

**(b) Benefits Available To Other Individual Non-Resident Shareholders (Other Than FIIS And Foreign Venture Capital Investors)**

- **Dividends exempt under section 10(34)**

Under section 10(34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

- **Income of a minor exempt up to certain limit**

Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act will be exempted from tax to the extent of ₹ 1, 500 per minor child.

- **Computation of capital gains**

Capital assets may be categorized into short term capital asset and long term capital assets based on the period of holding. Shares in a Company, listed securities or units of UTI or unit of mutual fund specified under section 10 (23D) of the Act or zero coupon bond will be considered

as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains” Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

Section 48 of the Act contains provisions in relation to computation of capital gains on transfer of shares of an Indian Company by a non-resident. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency which has to be acquired to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

According to the provisions of section 112 of the Act, long term gain as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). In case investment is made in Indian Rupees, the long-term capital gain is to be computed after indexing the cost.

However, as per the proviso to section 112 (1) (c), if the tax on long term gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax as calculated under normal provisions of Income Tax Act, 1961, (plus applicable education cess and secondary higher education cess). However, as per the provisions of section 111A of the Act, short term capital gains of Equity Shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus applicable education cess and secondary higher education cess).

Further the tax benefits related to capital gains are subjected to the CBDT Circular No. 4/2007 dated June 15, 2007, and on fulfillment of criteria laid down in the circular, the individual will be able to enjoy the concessional benefits of taxation on capital gains.

As per section 74 Short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gain of the said year. Balance loss, if any, could be carry forward for eight years for claiming set- short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-

- **Exemption of capital gain from income tax**

Under section 10(38) of the Act, long term capital gains arising out of sale of equity Shares or units of equity oriented fund will be exempt from tax provided that the transaction of sale of such Equity Shares or units is chargeable to STT.

Accordingly to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent

such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. Provided that investments made on or after April 1, 2007, in the said bonds should not exceed Rupees fifty lacs (in one financial year) in such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act.

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempt earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the individual purchases within a period of two years or constructs within a period of three years after the date of transfer of the original long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.

### **Deduction in respect of Securities Transaction Tax (STT)**

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions entered into the course of its business, if income arising from such taxable securities transactions, is offered to tax as deduction against such Business Income.

### **Provisions of the Act vis-a-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non resident. Thus a non-resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

## **(c) Benefits Available To Foreign Institutional Investors("FIIs")**

- **Dividends exempt under section 10 (34)**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the share holders.

However, in view of the provisions of Section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the Act provides that losses arising from the sale/transfer of shares or units purchased within a period of three months prior to the record date and sold/transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units is claimed as tax exempt.

- **Taxability of capital gains**

Under section 10 (38) of the Act, long term capital gains arising out of sale of Equity Shares or units of equity oriented fund will be exempt from tax provided that the transaction of sale of such Equity Shares or units is chargeable to STT. However, such income shall be taken into account in computing the book profits under section 115JB.

The income by way of short term capital gains or long term capital gains [long term capital gains not covered under section 10(38) of the act realized by "FII" on the sale of shares of the Company would be taxed at the following rates as per section 115AD of the Act.

- (a) Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable surcharge, education cess and secondary higher education cess).
- (b) Short term capital gains, referred to under section 111A of the Act shall be taxed @ 15% (plus applicable surcharge, education cess and secondary higher education cess).
- (c) Long term capital gains @10% (plus applicable surcharge, education cess and secondary higher education cess) (without cost indexation).

It may be noted that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

According to provisions of section 54EC of the Act and subject to the condition specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. Provided that investments made on or after April 1, 2007, in the said bonds should not exceed Rupees fifty Lacs (in one financial year).

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempt earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Further the tax benefits related to capital gains are subjected to the CBDT Circular No. 4/2007 dated June 15 , 2007, and on fulfillment of criteria laid down in the circular, the institution will be able to enjoy the concessional benefits of taxation on capital gains.

### **Provisions of the Act vis-a-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non resident. Thus a non-resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

### **Special tax benefits**

There are no special tax benefits available to the Foreign Institutional Investors (FIIs)

#### **1. Benefits available to Mutual Funds**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the share holders.

As per the provisions of section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India, would be exempt from income tax subject to the conditions as the Central Government may notify. However, the mutual funds shall be liable to pay tax on distributed income to unit holders under section 115R of the Act.

#### **2. Benefits available to venture Capital Companies/Funds**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the share holders.

As per the provisions of section 10 (23FB) of the Act, any income of Venture Capital Companies/ Funds (set up to raise funds for investment in a venture capital undertaking registered and notified in this behalf) registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified therein. However, the exemption is restricted to the Venture Capital Company and Venture Capital Fund set up to raise funds for investment in a Venture Capital Undertaking, which is engaged in the business As specified under section 10(23FB)(c). However, the Income distributed by the Venture Capital Companies/ Funds to its investors would be taxable in the hands of the recipients.

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2 (ea) of Wealth Tax Act, 1957. Hence, no wealth tax will be payable on the market value of shares of the company held by the shareholder of the company.

Notes:

1. The surcharge is not applicable in case of an Individual, HUF, AOP and a partnership firm from the assessment year 2010-11
2. All of the above benefits are as per the current tax law as amended by the Finance (No.2) Act, 2009.
3. All the above benefits are as per the current tax law and will be available only to the

sole/first named holder in case the shares are held by the joint holders.

4. In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Taxation Avoidance Agreement (DTAA), if any, between India and the country in which the non-resident has fiscal domicile.
5. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

**For Siddharth Sinkar & Associates**  
**Chartered Accountants**

**Siddharth Sinkar**  
**Proprietor**

Membership No.: 109229

Place: Mumbai

Date: October 29, 2010



## **SECTION IV – ABOUT THE COMPANY**

### **Industry Overview**

#### **Overview of Indian Chemicals Industry**

The chemical industry in India is one of the most diversified and matured of all industrial sectors with thousands of commercial products. It contributes significantly towards industrial and economic growth of the nation, contributing approximately 3% to the GDP. The industry primarily consists of basic chemicals and its products, petrochemicals, agrochemicals, speciality chemicals, pharmaceuticals & biotech, paints & varnishes, dyestuff & inks, alco-chemicals, etc.

From January 2005, Research & Development (R&D) was given increased thrust when product patent regime came into enforcement and was backed by a large pool of trained engineers and scientists. Moreover, with increased globalization and domestic competition, Indian chemical players have to be more innovative by developing newer molecules by setting up cutting-edge R&D units. Based on inherent advantages like low cost labour and abundance of basic raw materials, Indian chemical players produce a large number of fine and speciality chemicals which have specific applications and find wide usage as food additives, pharmaceutical intermediates, toiletries, derivative products and anti-oxidants which can have multiple applications.

The overall chemical exports market from India grew at a CAGR of 21% from FY2004 to FY2009 while the overall chemical import market grew at a CAGR of 24.3% during the same period. The export growth over the period was quite impressive on the backdrop of global economic slowdown and depreciation of the Indian Rupee vis-à-vis the USD.

Going forward, growth in international chemical industry and speciality chemicals in particular is expected to be driven by growth in Asian region. Consequently, based on new geographic location of its customer, global production of chemicals is expected to move to Asia, with growth in speciality chemicals expected to be faster than overall chemicals globally.

*(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)*

#### **Overview of Speciality Chemicals Industry**

Speciality chemicals is generally described as a group of relatively high value, low volume chemicals known for their end use applications and catalysing properties. In India, the industry is recording a rapid growth of approximate 15% y-o-y which includes fine chemicals, organic chemicals and pharmaceutical intermediates. The usage of speciality chemicals is found in multitude of industries like textiles, paints, inks, plastics, adhesives, flavours/fragrances and also in paper industry. Extensive applications are also found in construction, automotive, electronics and water treatments whereas Active Pharmaceutical Ingredients (API) constitutes the largest segment of the speciality chemical industry. The industry size is about US\$15 bn and this growth momentum is backed by cost efficiency and a large pool of engineers & scientists whose emphasis and expertise on R&D is leading to new discoveries. Major drivers for speciality chemicals are favourable macroeconomic factors in India and growing export market

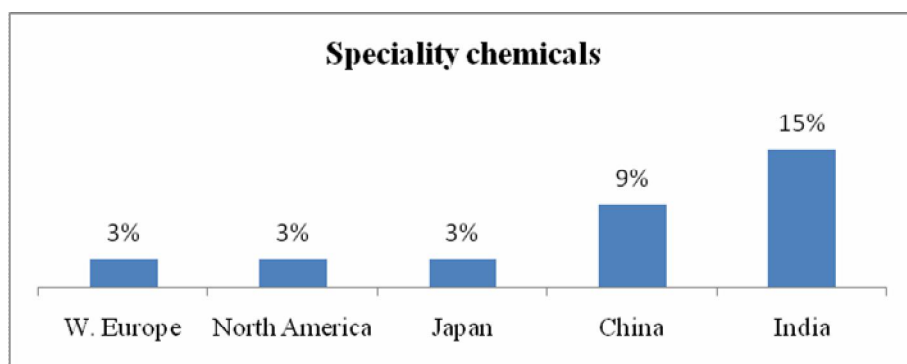
with scope for import substitution. Moreover, there is a great potential of chemical demand in India as per capita chemical consumption is relatively low compared to global and Asian countries.

API's are the key ingredients for making drugs and India's emergence as a hub for manufacturing of pharmaceuticals (APIs) has been the key driver for the growth in the speciality chemicals market. Approximately 90% of the total APIs produced in India is exported to Europe, the US and Japan. With the increase in outsourcing to India by MNCs, the exports market is expected to be the key growth driver of the Indian API market. In FY2007, the Indian API market was worth US\$4.1 bn and had recorded a CAGR growth of 21% from FY2002-07 and is expected to grow to approximately US\$12.75 bn by FY2012.

In the past, markets like Western Europe, North America and Japan constituted a majority of global speciality chemicals but this status is expected to change in the near future. Emerging countries such as China and India are expected to grow at significantly higher rates than developed countries.

*(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)*

#### **Global Growth rates (FY2007-12)**



*(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)*

#### **Key Characteristics**

Speciality chemicals are primarily a group of high value and low volume chemicals that have a specific end use application and/ or catalyzing properties. The key characteristics are:

- High levels of customization of products are required due to very specific applications.
- Speciality chemicals industry is highly knowledge driven and continuous efforts are required to enhance product, process and application development to stay ahead in the industry.
- There needs to be flexibility and adaptability in manufacturing process as quick turnaround maybe required depending on different product orders or cost considerations.
- Price sensitivity in speciality chemicals industry is limited since it constitutes only a small portion of the customers total costs compared to the performance delivered.

*(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)*

## **Indian Pharmaceutical Industry**

The Indian Pharmaceutical Industry (IPI) is one of the largest in the world and has grown to a US\$20 bn (~ Rs 95,000 crore) industry backed by robust growth in terms of infrastructure development, technology base and a wide range of products. It is now the 3rd largest in the world in terms of volume and 14th largest in terms of value thereby accounting for around 10% of world's production by volume and 2% by value due to lower prices. The industry now produces about 400 bulk drugs (APIs) and almost entire range of formulations belonging to all major therapeutic groups requiring complex manufacturing technologies.

The industry has been growing at a healthy rate of 11-12% y-o-y over the last few years with growth in exports outstripping steady growth in the domestic market. Export market which constitutes 41% of the total IPI/ API sales in FY2009 has shown a robust growth rate of nearly 22% y-o-y over the five year period ending FY2009. Approximately 55% of the total exports constitute of formulations and the other 45% comprises of bulk drugs. Indian exports are destined to more than 200 countries around the globe including highly regulated markets of US (21% export share), Europe (24% export share), Japan and Australia.

*(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)*

## **Pharmaceutical Intermediates Market**

A pharmaceutical intermediate is defined as a substance produced during the steps in the synthesis of an API which undergoes further molecular change(s) or purification before it becomes an API. Every reaction step may give rise to one or more intermediates, which may or may not be isolated at that stage. Pharmaceutical intermediates include both basic intermediates (building block chemicals for the pharma industry) and advanced intermediates (those that are 2 to 3 steps away from the bulk drug). Pharmaceutical speciality chemicals typically constitute both API's and intermediates. Some of the key drivers for the increase in demand of pharma intermediates are:

- Growth in outsourcing of pharma intermediates production to India
- Large number of patent expiries leading to advent of generic drugs
- Higher spending on R&D leading to new demand
- Several new drug development in pipeline in different therapeutic areas
- Constant demand for innovative therapies and manufacturing technologies

*(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)*

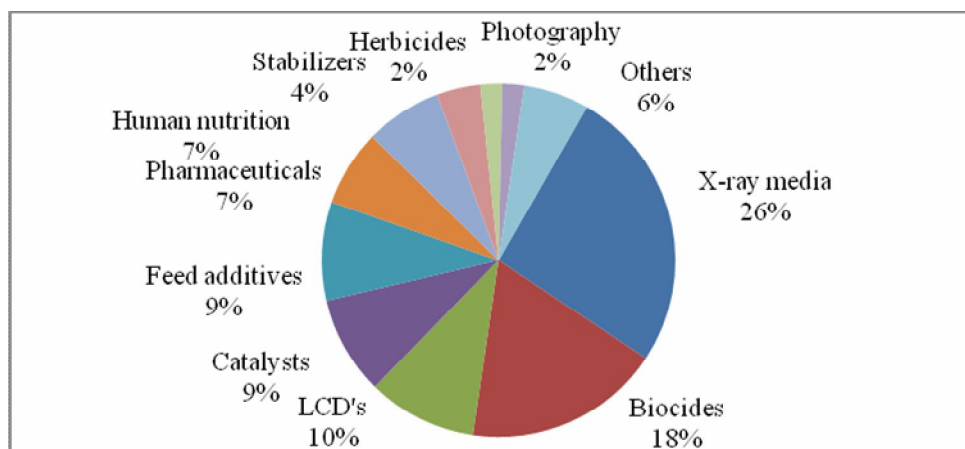
## **Iodine and Iodine Derivatives**

Some of the crucial pharma intermediates that are typically used in the pharma industry are Iodine derivatives, Selenium derivatives, Bismuth derivatives and Tungsten derivatives apart from many others. Iodine is essential to many forms of life and is found in the thyroid gland in humans. Lack of iodine leads to enlargement of the thyroid gland and in order to assure an adequate amount of iodine in the diet, table salt is routinely iodized. Due to its high reactivity, iodine forms numerous compounds which have a variety of medical and industrial uses. Some

of the pharmaceuticals and crop protecting agents have iodine as the substituent.

(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)

#### Forecasted Worldwide Demand for Iodine Market (2010)

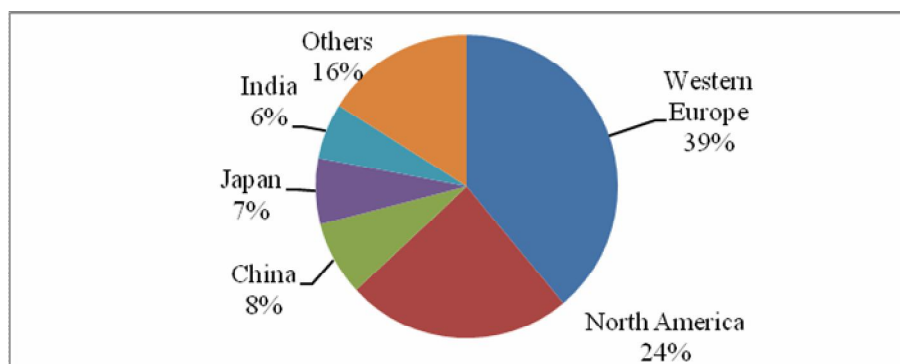


(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)

Iodine is currently produced in 9 countries including Chile, US, Japan. Chilean companies control more than half of world's nominal capacity and around 66% of global production while Japan produces around 29% and the US produces the remaining 5%. The supply of iodine has been and continues to be extremely limited. The global iodine derivatives market is US\$2.5-3.0 bn annually. The current world market is approximately 30,300 tonne per annum and is growing 6% y-o-y given strong demand in emerging markets and continual demand of new uses.

(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)

#### Worldwide estimated Consumption of Iodine by Region and Country



(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)

## Export-Import Statistics of IPI

The Indian Pharmaceutical sector is one of the major export revenue earners of Indian economy. For the five year period ending FY2009 the Indian Pharma exports have grown at a CAGR of 20.36% in rupee terms. India currently exports drug intermediates, APIs, Finished Dosage Formulations (FDFs), bio-Pharmaceuticals, Clinical Services to various parts of the world. The top 5 destinations of Indian pharmaceutical products during the year 2007-08 are USA, Germany, Russia, UK and China.

*(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)*

### Export figures of pharmaceuticals

(Rs. in crore)

Year	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Exports	12,826	15,213	17,857	22,216	26,895	30,759	38,433

*(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)*

### Import of Medicinal and Pharmaceuticals

(Rs. in crore)

Year	FY2006	FY2007	FY2008	FY2009E
Imports	4,515.2	5,866.37	6,734.15	8,552

*(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)*

## Government initiatives, regulatory framework and concessions

The government has introduced several development programmes to improve access and quality of healthcare services in the country. The National Rural Health Mission (NRHM) introduced by the government to provide basic healthcare amenities in rural areas is expected to increase access to essential drugs. Other initiatives introduced by the GoI are as follows:

- For the pharmaceuticals sector 100% FDI is allowed under the automatic route in the drugs including those involving use of recombinant technology.
- Planned reduction in interest rates under Duty Entitlement Passbook Scheme (DEPB)
- Tax and other incentives to companies set up in Biotech Parks (BTPs) and push to increase the number of BTPs in the country.
- Fiscal incentives to R&D units in pharmaceutical sector: Units are eligible for weighted tax deduction at 150% for R&D expenditure incurred under the I.T. Act.
- Steps have been taken to streamline procedures covering development of new drug molecules, clinical research, etc.
- Launch of two new schemes—New Millennium Indian Technology Leadership Initiative (NMITLI) and the Drugs and Pharmaceuticals Research Programme (DPRP) - especially targeted at drugs and pharmaceutical research.
- Reduction in customs duty from 10% to 5% on select life-saving drugs.

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

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

*(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)*

### **Outlook**

The Indian pharmaceuticals sector has come a long way post liberalization to attain the current size of ~US\$20 billion. India is now not only self-sufficient in terms of pharmaceutical products, but has also achieved global recognition as a manufacturer and supplier of cost-effective, high-quality bulk drugs and formulations by exporting to over 200 countries. With India having the largest number of United States Food & Drug Administration (USFDA) approved manufacturing facilities outside the US; the number of drug master filings (DMF) by Indian companies is increasing year-on-year and is expected to remain way ahead of China in the near to midterm.

Pharmaceutical intermediates will account for over 2/3rd of the speciality chemicals market by the year 2012 (CARE Research). Indian speciality chemical manufacturers have the technical expertise and R&D capabilities to produce niche, complex and high-quality intermediates belonging to the pharma sector. Going forward, Indian pharma-associated companies can demonstrate considerable potential for collaborative and outsourced R&D projects in new drug development, biotechnology and chemicals.

Competencies of domestic companies in terms of their product-mix, distribution and turnaround time will determine their performance in a post product-patent scenario. Indian companies will have to look at strategic alliances, be proactive about M&A or divestitures of either their divisions or products in order to improvise on their product offering, intensify R&D or improve their distribution to fortify their market share.

*(Source: CARE's research report on Indian Speciality Chemical Industry, July 2010)*

## Our Business

Our Company was originally incorporated as Omkar Speciality Chemicals Private Limited on February 24, 2005 and was converted into a public limited company on March 18, 2010. Our Company is mainly engaged in the manufacture and sale of speciality chemicals viz. selenium compounds, iodine compounds, molybdenum compounds etc. and pharma intermediates viz. Potassium Iodate, Bismuth Ammonium Citrate, Bromoform etc.

Our Company has four units at MIDC, Badlapur (E), Thane, Maharashtra. At present, we carry out our manufacturing activities at our two units viz. Unit 1 & Unit 2.

We took over the business of Omkar Chemicals, a proprietary concern (proprietor Mr. Pravin Herlekar) in June, 2005. Omkar Chemicals was formed in the year 1983 with capacity of 6 MT per annum for manufacture of molybdenum derivatives. At the time of takeover in June, 2005, the installed capacity was 318 MT and the product range was cobalt, selenium & iodine derivatives in addition to molybdenum derivatives. During the year 2006-07, our Company expanded the total installed capacity to 325 MT which was further increased to 375 MT during the year 2007-08. In March, 2009, we set up a new manufacturing facility at plot no. F-24, MIDC, Badlapur (E), Thane, Maharashtra viz. Unit 2 with an installed capacity of 375 MT. With the setting up of Unit 2, our total installed capacity increased to 750 MT. Our Company has recently set up a new manufacturing facility at B-34, MIDC, Badlapur, Thane, Maharashtra viz. Unit 3 with an installed capacity of 200 MT. The commercial production at Unit 3 is likely to start in the month of March, 2011. With the set up of Unit 3, our total installed capacity stands increased to 950 MT.

Our Company is primarily involved in the production of speciality chemicals and pharma intermediates. We manufacture a range of organic, inorganic and organo inorganic intermediates. The inorganic intermediates include Molybdenum derivatives, Selenium derivatives, Iodine derivatives, Cobalt derivatives, Bismuth & Tungsten derivatives and the organic intermediates include Tartaric acid derivatives and other intermediates. These products find applications in various industries like pharmaceutical industry, chemical industry, glass industry, cosmetics, ceramic pigments and cattle & poultry feeds. Iodine & Selenium derivatives are our key category of products contributing 88.23% to our gross sales during the year 2009-10.

Our total income has increased from ` 3731.85 lakhs during FY 2007 to ` 4329.21 lakhs during FY 2008, ` 5064.64 lakhs during FY 2009 and ` 6891.92 lakhs during FY 2010 showing an increase of 16.01%, 16.99% and 36.08% during FY 2008, FY 2009 and FY 2010 respectively.

We are exporting our products to Europe, North America, Asia, South America & Australia. The total exports constituted 8.69%, 12.35% and 7.97% of gross sales during FY 2008, FY 2009 and FY 2010 respectively.

Our Company carries out research & development activities at Badlapur, Maharashtra. The research is carried out for improving the quality of existing products and development of new processes for the existing products.

## Details of existing facilities

### Location:

Our Company has following facilities, the details of which are as under:

Unit	Type of facility	Location	Plot Area (in sq. mtr.)	Products manufactured
Unit 1	Manufacturing unit	Plot no. W-92 (A), MIDC, Badlapur (E), Thane- 421503, Maharashtra	720	Iodine, Selenium, Molybdenum compounds & other derivatives
Unit 2	Manufacturing unit	Plot no. F-24, MIDC, Badlapur (E), Thane- 421503, Maharashtra	1352	Iodine, Selenium, Molybdenum compounds & other derivatives
Unit 3	Registered office and manufacturing unit (commercial production likely to start in March, 2011)	Plot no. B-34, MIDC, Badlapur (E), Thane- 421503, Maharashtra	4802	Selenium Sulphide*
Unit 4	Warehouse and proposed manufacturing unit	Plot no. F-10/1, MIDC, Badlapur (E), Thane- 421503, Maharashtra	7135	-

\* Selenium Sulphide will be manufactured in our Unit 3 after its commission in March, 2011.

### Plant & Machinery

Our manufacturing facilities have plant & machinery, which includes stainless steel reactors, glass lined reactors, stainless steel centrifuges, glassline centrifuges, nutsche filters, agitated filter nutsches, tray dryers, fluid bed dryers, blenders and support equipments like boilers, chilling plants, cooling tower, etc.

### Our product portfolio

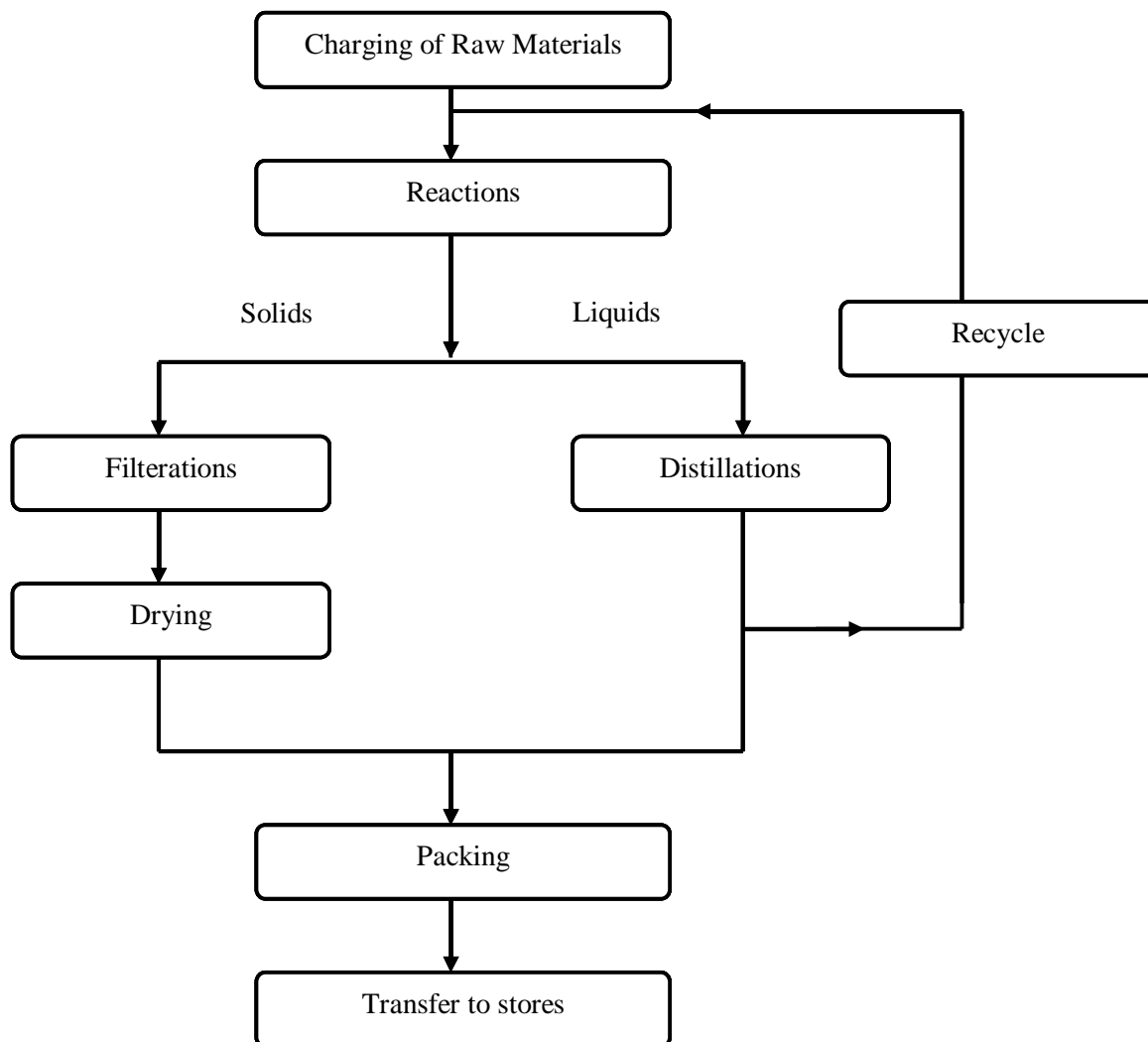
Our Company manufactures a range of organic, inorganic and organo inorganic intermediates. Organic intermediates are compounds rich in carbon molecules. Inorganic intermediates are compounds rich in metallic molecules. Organo inorganic intermediates are combination of carbon and metal molecules. The various products manufactured by our Company in various categories are as follows:

Category	Applications
<b>Inorganic intermediates</b>	
Molybdenum Derivatives	Electroplating, Lubricant, Water treatment chemicals
Selenium Derivatives	Fluorocloronide, Shampoo, Pharma Intermediates, Tinted float glass, Glass industry



Iodine Derivatives	Photographic chemicals, 2- Methoxyestradiol, Nylon tyre yarn, Binfloxacin, Zaleplon, Hexestrol, Etiroxate, Idoxuridine, Rizatriptan, Adapalene, Dabelotine, Fluticasone Propionate, Pharma Intermediates, Terfenadine, Metalaxyl, Lamivudine, Alprazolam
Cobalt Derivatives	Electroplating & synthetic fibres, Ceramic pigment, Refining industry, Silica gel, Ceramic industry, Batteries, Electroplating, Cattle & Poultry feeds
Bismuth Derivatives	Pharma Intermediates, Auto paints, Soft Ferrites, Electronic, Cosmetics, Pharma & Anti ulcer drug
Tungsten Derivatives	Pharma industry
<b>Organic intermediates</b>	
Tartaric Acid Derivatives	Resolving agent
Other Intermediates	Dolasetron Mesylate, Terbinafine, Pioglitazone, Rosiglitazone, Azoxystrobin, Seldinafen, Pharma Intermediates
<b>Organo inorganic intermediates</b>	Idoxifene, Benodanil, Etofenamate, Closentel, Rafoxanide, Pharma Intermediates, OPC, Electronic, Lamivudine, Orlistat, Anti Diabetic Drug, Finasteride, Rimexolone, Montelukast, Cerivastatin Sodium, Tocapone, Fluconazole, Nebirolol, Lansoprazole, Rabeprazole

## Brief Manufacturing Process of our existing products



### Charging of raw materials

The liquid raw materials are charged through pipes by pumping and solid raw materials are charged manually through a hopper.

### Reactions

Reactions are carried out between  $-20^{\circ}\text{C}$  to  $160^{\circ}\text{C}$  and from atmospheric pressure to  $5\text{ kg/cm}^2$  pressure in SS reactors and Glasslined reactors.

### Filtrations

Filtrations are carried out in centrifuges, nutsche filters and agitated filter nutsches.

### Drying

Drying is carried out under vacuum in agitated filter driers or rotary vacuum driers. It is also carried out in fluid bed driers at atmospheric pressure.

## **Distillations**

Distillations are carried out at atmospheric pressure and under vacuum from 760 mm Hg to 1 mm Hg. The fractionating columns have 10-40 theoretical plates.

## **Process for handling raw material, finished products, handling and storage**

For the purpose of storage of raw materials and finished goods our Company follows first in first out system. The raw materials are received as per the purchase order and a Goods Receipt Note (GRN) is prepared, the raw materials are then weighed and pasted with “under test” labels and sent to the quarantine area. The quality control department samples the raw material for analysis and testing. The approved and rejected materials are sent to raw material store/rejection areas. The approved materials in the raw material store are labeled as “approved” and issued to production as and when they require the material.

After product is manufactured, the quality control department samples the product and carries out detailed analysis of the product. If it is approved, the product is delivered to stores along with suitable labels and Certificate of Analysis (COA).

The finished products are generally packed in HMHDPE containers. Solid Powdered products are packed in wide mouth containers of 25 kgs. or 50 kgs. capacity. The powder is packed in LDPE Liners and placed in the container. The liquid products are packed in 35 ltrs. or 50 ltrs. HDPE jerry cans.

While packing the material for exports, we have to ensure the classification of material i.e. whether Hazardous or Non-Hazardous category. Hazardous materials are required to be packed in UN Approved containers. This certification for UN Approved is normally obtained from Indian Institute of Packaging (IIP).

The materials and products are handled as per the safety norms and adequate precautions are taken for safety measures. Material Safety Data Sheet (MSDS) is prepared for each item. Safety appliances like hand-gloves, goggles, boots, helmets, etc. are used while handling the materials/ goods. Fire fighting systems like fire extinguishers are in place wherever necessary. All manufacturing and storage areas are fitted with flameproof electrical fittings and precautions are taken to ensure that no sparking occurs. Eye-wash and showers are also provided at specific locations.

## **Infrastructural facilities and Utilities**

### **Raw materials**

The major raw materials used in manufacturing of our products are Crude Iodine, Selenium Metal Powder, Molybore, Tetra Hydro Furon, Toluene, Caustic Soda Flakes, Methanol etc. These raw materials are procured as per the production planning and are easily available in indigenous and overseas markets. We procure Crude Iodine, Selenium Metal Powder, P Toluic acid, L Tartaric acid, D Tartaric acid from overseas markets and Methanol, Tetra Hydro Furon, Toluene etc. from indigenous sources. The ratio of imported and indigenous raw materials

consumed in value terms was 41.78% and 58.22% respectively for the FY 2009-10.

The raw materials are being sourced from our suppliers on a regular basis. We do not envisage any difficulty in getting timely and adequate supply of raw materials.

## Utilities

### Power

The sanctioned load of our Company is 762.19 KW, break up of which is as under:

Unit	Existing sanctioned load
Unit 1	73 KW (LT)
Unit 2	377 KW (HT)
Unit 3	286 KW (HT)
Unit 4	26.19 KW (LT)
<b>Total</b>	<b>762.19 KW</b>

We also have 2 DG sets of capacities 50 KVA and 500 KVA at Unit 1 and Unit 2 respectively as standby arrangement for our power requirement.

### Water

Our current water consumption is about 2014 m<sup>3</sup>/month which is sourced from MIDC. It is used for our manufacturing processes, for cooling arrangements, for steam generation and other general purposes.

### Steam & cooling arrangement

Utilities like boilers, chilling plants and cooling towers are required to maintain the designed process conditions during the reactions. We currently have three steam boilers for heating at our units at Badlapur, one of 600 kgs of capacity in Unit 1 and two of 800 kgs of capacity each in Unit 2.

At present, we have four cooling towers at our two units at Badlapur, one at Unit 1 of capacity 40 TR and three at Unit 2 of capacity 75 TR each.

### Fuel

We use Light Diesel Oil (LDO) for furnaces and steam boilers at our Units. We have not faced any problem in procurement of this fuel as it is easily available. Apart from this High Speed Diesel (HSD) is required for the DG sets at Unit 1 and Unit 2.

### Manpower

As on December 31, 2010, our Company has 73 employees. The details of our employees are as under:

Sr. No.	Category	Unit 1	Unit 2	Unit 3	Unit 4	Total
1	Managerial	3	3	5	-	<b>11</b>
2	Officers	3	1	9	-	<b>13</b>
3	Production	9	19	-	-	<b>28</b>
4	Technical	3	6	-	-	<b>9</b>
5	Clerical	2	1	8	1	<b>12</b>

	<b>Total</b>	<b>20</b>	<b>30</b>	<b>22</b>	<b>1</b>	<b>73</b>
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In addition to the above, we have contractual manpower required for executing various activities. They are hired as per our production planning. As on December 31, 2010, we have 44 unskilled workers in production division and 4 unskilled workers in technical division.

Till date we have not experienced any strike, lockout or go-slow at any of our units.

### **Effluent Treatment**

The manufacture of intermediates involves generation of residues and discharges which may lead to pollution of air, water or soil if not treated and disposed in an appropriate manner. We have in place management controls and systems, which control and prevent processes, residues and discharges from polluting the air, ground or water.

The primary treatment of the liquid wastes is carried out in-house. The secondary and tertiary treatment is carried out at the local Common Effluent Treatment Plant (CETP). All of our manufacturing units are registered with CETP, Badlapur. The liquid waste is the water from the processes, boiler blow-down, cooling tower blow-down etc. This water has impurities like suspended solids, oil & grease etc. This water is treated prior to discharge out of the factory and the primary treatment involves neutralization, flocculation etc. The neutralized effluent is drained into underground pipelines laid by CETP and this effluent gets collected in the Common Effluent Sump at CETP.

Airborne emissions are scrubbed in scrubbers and are discharged after removal of hazardous soluble gases and insoluble particles like dust.

All of our manufacturing units are registered with Mumbai Waste Management Limited at Taloja. The Solid wastes generated at each Unit is collected periodically and treated before further disposal. The processes are optimized to focus on minimizing the generation of waste and thereby preventing pollution at source.

### **Quality control and assurance**

Quality control has two aspects: one is maintaining the quality of raw materials, which we procure for captive consumption and another is maintaining the quality of the products we manufacture. Keeping in mind this objective, we have quality control departments at our Unit 1 and Unit 2 each, the activities of which comprise of collection and preparation of samples, testing of raw materials and other process inputs inspection, testing and quality certification of finished products, preparation of technical information sheet and issue of certificate of analysis.

Our Unit 2 has been granted ISO 9001:2008 for its quality management systems. Our quality control laboratory is equipped with various equipments such as High Performance Liquid Chromatographs (HPLC), Gas Chromatographs (GCs), vacuum dryer, sonicator, Atomic Absorption Spectroscopy (AAS), spectrophotometer, etc.

### Research & Development

Our Company carries out research & development activities at Badlapur, Maharashtra. The research is carried out for improving the quality of existing products and development of new processes for the existing products.

With a view to strengthen our research and development, our Company has taken 99.82% stake in Rishichem Research Limited on May 14, 2010 whereby it becomes our wholly owned Subsidiary. It is engaged in manufacturing and R&D of speciality chemicals and pharma intermediates. We propose to concentrate our specialized research and development activities in Rishichem Research Limited.

### Our existing and proposed marketing setup

Marketing is an important function of our Company. We sell our products in domestic as well as overseas markets viz. Europe, North America, Asia, South America and Australia.

Our marketing team directly approaches the large end users. As we deal directly with our customers and respond quickly to their requirements, we are able to build long term relationships with them. We already have established a client network from various industries like pharmaceutical, chemical, glass, cosmetics, ceramic pigments, cattle & poultry feeds etc.

In addition to the above, our website provides details of the range of products manufactured by us alongwith their detailed specifications, which enables the prospective customers to place their orders without much inconvenience. Also, we regularly participate in trade exhibitions viz. Chemspec, India and CPhI, Europe.

The geographical distribution of our Sales during the last two financial years is as under:  
(` in lakhs)

Sr. No.	Particulars	FY 2009-10		FY 2008-09	
		Value of total sales	% of total sales	Value of total sales	% of total sales
1	Europe	281.05	3.89	401.17	7.38
2	North America	192.48	2.66	158.40	2.91
3	Asia	35.65	0.49	48.03	0.88
4	South America	-	-	1.53	0.03
5	Australia	1.74	0.02	-	-
6	Merchant Exports	65.03	0.90	62.50	1.15
7	Domestic	6654.63	92.03	4764.83	87.65
	<b>Total</b>	<b>7230.59</b>	<b>100.00</b>	<b>5436.46</b>	<b>100.00</b>

We intend to cater to the increasing demand of our existing customers and also to increase our existing customer base by enhancing distribution reach of our products in different regions. We propose to increase our marketing and sales team which can focus in different regions and also maintain and establish relationship with customers.

### Competition

We operate in chemical and pharmaceutical industry, which faces competition from domestic as well as international players. Competition emerges not only from the organized and

unorganized sector but also from small and big players. Our competitiveness depends on several factors which includes quality, price and customer services.

We face competition from Satyam Pharmachem Private Limited, Rajesh Enterprises, BMS Chemie, Multi Organics Private Limited, Maharashtra Organo Metallic Chemicals Private Limited, Eskey Fine Chemicals Private Limited, etc. At the international level, our Company faces competition from Chinese producers like Jinan Haohua Industries, Shanghai Mintchem Development Co. Ltd., Fairsky Industrial Co. Ltd., Simagchem Corporation etc. and others like C&S Speciality Inc., Argenmex S.A. & Desynth S.A., Synthon-Chemicals GmbH & Co. KG, Delfino Pharma & Chemie SA, Ajay SQM, etc.

Further, there are no entry barriers in this industry, and any expansion in capacity of the existing manufacturers would further intensify competition. To counter further competition, we are proposing expansion of our business activity so as to achieve diverse product portfolio, economies of scale and cost competitiveness.

### Our major customers

We supply our products domestically as well as to approximately 21 countries, including regulated markets. Some of the countries to which we supply our products include Canada, France, Germany, China, Italy etc.

Based on unconsolidated restated financial statements, the percentage of sales derived from top customers in recent periods are given below:

Sr. No.	Particulars	September 30, 2010	2009-10	2008-09	2007-08
1	Sales to top customer	10.60%	21.26%	16.89%	31.45%
2	Sales to top 10 customers	58.28%	57.51%	61.51%	64.76%

### Export obligation

Our Company has 3 outstanding advance licenses aggregating an outstanding export obligation of 12,475 kgs as on December 31, 2010. The details of advance licenses are as under:

License no. & date of license	Export item	Export as per license (kgs)	Export made as on December 31, 2010 (kgs)	Export obligation fulfilled (%)	Balance Export Obligation (kgs)	Outstanding export obligation (In lakhs)	Export obligation due to be fulfilled by
0310495980 December 1, 2008	Sodium Metaperiodate	9000	4850	53.89	4150	46.17	November 30, 2010*
0310498550 December 17, 2008	Methyl Iodide	6000	900	15.00	5100	81.60	December 16, 2010*
0310581615 July 1, 2010	Selenium Sulphide	5000	1775	35.5	3225	93.53	June 30, 2013
<b>TOTAL</b>		<b>20,000</b>	<b>7,525</b>		<b>12,475</b>	<b>221.30</b>	

\*In accordance with the Circular no. 80(RE:20008)/2004-09 dated April 13, 2009 issued by the Joint Director General of Foreign Trade regarding extension of Export Obligation Period (EOP) against advance authorisation, we have applied vide application dated December 27, 2010 for extension of export obligation period for further 12 months .

### **Registrations**

Our Company exports some of its organic, inorganic and organo inorganic products to European countries. As per the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation, the manufacturers and importers of substances have a general obligation to submit a registration to the European Chemicals Agency for each substance manufactured or imported in quantities of 1 tonne or more per year per company. This obligation applies to substances as such and in preparations. Thus, our Company has pre-registered 30 products under REACH and has been allotted pre-registration number for these products.

### **Our Strategy**

#### ***Expansion of our existing manufacturing facilities and setting up a new unit***

Our Company proposes to expand our existing manufacturing capacities at Unit 1, Unit 2 and Unit 3. This expansion will increase our capacity by 1450 MT per annum.

We intend to set up a new manufacturing facility with an installed capacity of 1250 MT per annum at our Unit 4 to produce new molecules in the Iodine derivatives and other pharma intermediates with innovative technologies like catalytic high pressure reactions.

After the proposed expansion and setting up of new facility, our total installed capacity will be 3650 MT per annum from existing 950 MT per annum.

#### ***Increase our product range***

At present our product portfolio comprises of more than 90 products in organic, inorganic and organo inorganic intermediates. The implementation of the proposed expansion will enable us to increase our product range and cater to the needs of customers from various industry segments viz. pharmaceutical, chemical, glass, cosmetics, ceramic pigments, etc. With the proposed expansion, we will be able to expand our product lines in Selenium, Molybdenum, Cobalt, Bismuth etc. Further, a new range of products in Metal oxides such as Cobalt Oxide, Molybdenum Trioxide, Molybdenum Disulfide, etc. will be added to our product portfolio after the proposed expansion of our manufacturing facilities.

#### ***Enhancing focus on Research & Development***

Our Company has a research & development department at Badlapur, Maharashtra. With a view to strengthen our research and development, our Company has taken 99.82% stake in Rishichem Research Limited on May 14, 2010 whereby it becomes our wholly owned Subsidiary. It is engaged in manufacturing and R&D of speciality chemicals and pharma intermediates. We propose to concentrate our specialized research and development activities in Rishichem Research Limited by developing CRAMS business model wherein initial testing and trial of small quantities of product would be undertaken by Rishichem Research Limited



and if the product is successful, it will be commercialized and we shall procure their commercial rights in this regard thereof.

### ***Increase in Exports***

Our Company exports its products to Europe, Asia, North America, South America and Australia. The exports constituted 12.35% of the total sales for FY 2008-09 and 7.97% of the total sales for FY 2009-10. With the proposed expansion, our installed capacity will increase to 3650 MT per annum and it will enable us to increase our geographical presence in the international markets and scale up our exports.

### **Present & future capacity and capacity utilization**

(in Metric Tonnes)

Particulars	Existing			Proposed		
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total Installed Capacity	375	750*	750	950	950	3650
Capacity Utilization (%)	94	96**	64	71	98	61***

\*The installed capacity was increased due to setting up of Unit 2 in March 2009. The commercial production of Unit 2 started in April 2009.

\*\* Since the commercial production of Unit 2 started in April 2009, the capacity utilization is related only to Unit 1.

\*\*\* As the installed capacity increases in September 2012 by 2700 MT, the capacity utilization in this regard will only be for the period September 2012 – March 2013.

### **Our Strengths**

#### ***Multi product capability***

Our Company has a diverse product range comprising a mix of organic, inorganic and organo inorganic intermediates. Our Company's product portfolio comprises of more than 90 products in these segments. The products include inorganic intermediates like derivatives of Molybdenum, Selenium, Iodine, Cobalt, Bismuth and Tungsten; organic intermediates like Tartaric acid derivatives and various other organo inorganic intermediates like Iodobenzene Diacetate, Dess Martin Periodinane, Vanadyl Sulphate etc. We have manufacturing facilities which can produce multiple products using a combination of processes. The manufacturing infrastructure helps us change our product mix in response to changes in market demand. The diverse product mix enables us to address a larger base of potential new customers in addition to our existing customers.

#### ***Customer base***

We have a diverse customer base from different industry segments like pharmaceutical, chemical, glass, cosmetics, ceramic pigments, etc. Further, we export our products to various countries in Europe, Asia, North America, South America and Australia. We focus on expanding our customer base by catering to the requirements of customers from various industry segments.

#### ***Existing Client Relationship***

We constantly try to address customer needs around a spectrum of products. We believe that our production and research facilities help us to get repeat business from our customers. We

have existing client relationships 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.

### ***Cost advantage***

We believe that we have developed processes for manufacture of products in a cost effective manner. Our R&D team is continuously working on the processes for our existing products in order to improve the production with optimum utilization of resources and cost saving. This provides us a competitive edge over others and helps us to widen our customer base.

### ***Our quality control***

We have quality control departments at our Unit 1 and Unit 2 each, the activities of which comprise of collection and preparation of samples, testing of raw materials and other process inputs inspection, testing and quality certification of finished products, preparation of technical information sheet and issue of certificate of analysis. Our quality control laboratory is equipped with various equipments such as High Performance Liquid Chromatographs (HPLC), Gas Chromatographs (GCs), vacuum dryer, sonicator, Atomic Absorption Spectroscopy (AAS), spectrophotometer, etc. Our Unit 2 has been granted ISO 9001:2008 for its quality management systems.

### ***Experienced management team***

Our Company is managed by a team of experienced and professional personnel with exposure in various aspects of speciality chemicals and pharma intermediates including production, research & development, marketing and finance. Mr. Pravin Herlekar, Chairman & Managing Director of our Company, is a chemical engineer from Indian Institute of Technology, Bombay and is a post graduate in management studies from Mumbai University. He has 27 years of experience in various fields of manufacturing, product development and management. Mr. Prafulla Bhise, Head (Technical) is a chemical engineer from Indian Institute of Technology, Bombay and holds a Diploma in Financial Management from University of Bombay. He has around 37 years of experience in chemical industry.

### ***Our Property***

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

<b>Sr. No.</b>	<b>Location and purpose</b>	<b>Nature of arrangement</b>	<b>Term</b>	<b>Area (in sq. meters)</b>
1	Plot no. W-92(A), MIDC, Badlapur Industrial Area, Badlapur (E), District- Thane- 421503  <b>Purpose:</b> manufacturing unit	Leasehold	95 years from October 1, 1984	720
2	Plot no. F-24, MIDC, Badlapur Industrial Area, Badlapur (E), District- Thane- 421503  <b>Purpose:</b> manufacturing unit	Leasehold	95 years from March 1, 1981	1352

3	Plot no. B-34, MIDC, Badlapur Industrial Area, Badlapur (E), District- Thane- 421503  <b>Purpose:</b> Registered Office and manufacturing unit	Leasehold	95 years from May 31, 1974	4802
4	Plot no. F-10/1, MIDC, Badlapur Industrial Area, Badlapur (E), District- Thane- 421503  <b>Purpose:</b> Warehouse and proposed manufacturing unit	Leasehold	95 years from December 1, 1990	7135

The above mentioned properties have a clear title and are free from all encumbrances except for the equitable mortgage created in favour of banks that have extended loan facilities in the normal course of business.

### Purchase of Property

Except as stated in section titled "Objects of the Issue" in this Red Herring Prospectus, on page no. 32 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.

Our 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 through various insurance policies, details of which are as under:

Sr. No.	Description	Policy type	Sum insured	Premium	Period	
					From	To
1.	Building, plant & machinery, furnitures, fixtures & fittings, stock of goods at our Unit 1 situated at W-92(A), MIDC, Badlapur (E), Thane-421503	Standard Fire & Special Perils Policy, including earthquake	887.44	1.10	October 6, 2010	October 5, 2011
2.	Building, plant/ machinery & accessories, stock of raw	Standard Fire & Special Perils	1556.86	1.92	July 24, 2010	July 23, 2011

(` In lakhs)



Bank of Baroda	Term Loan	740.00	5.00% above base rate i.e. presently 13.00%	16 equal quarterly instalments of ` 46.25 lakhs commencing after one year from the date of disbursement	<ol style="list-style-type: none"> <li>1. First charge on Plot no. W-92(A), Badlapur comprising of land, building and plant and machinery valuing approx. ` 245 lakhs.</li> <li>2. First charge on Plot no. F-24, Badlapur comprising of land, building and plant and machinery valuing approx. ` 1029 lakhs.</li> <li>3. First charge on Plot no. F-10, Badlapur comprising of land, building and plant and machinery valuing approx. ` 344 lakhs.</li> <li>4. First charge on plant and machinery of the Company.</li> <li>5. First charge over Plot No. B-34, MIDC, Badlapur (E), Dist. Thane, Maharashtra comprising of land, building and Plant &amp; machinery valuing approximately ` 1002 lakhs</li> </ol> <p><b>Collateral Security</b> Personal guarantee of Mr. Pravin Herlekar, Mr. Shivdas Herlekar, Ms. Anjali Herlekar and Mr. Omkar Herlekar.</p>
	Cash Credit (including sub-limit of ` 500.00 lakhs for PC/ PCFC/ FBP/ UFBP/ FCBD)	2600.00	5.00% above base rate i.e. presently 13.00%	-	<p><b>Primary Security</b> Hypothecation of stocks of raw materials, stock in process, finished goods, stocks and spares and book debts.</p> <p><b>Collateral Security</b> Personal guarantee of Mr. Pravin Herlekar, Mr. Shivdas Herlekar, Ms. Anjali Herlekar and Mr. Omkar Herlekar.</p>

#### Restrictive covenants in loan agreements


Our Company is subject to certain restrictive covenants of loan agreement entered into with our Banker. These restrictive covenants require our Company to seek the prior consent of the bank for various activities, including amongst others, effect/ permit withdrawals of deposits or

withdrawals by family members, friends or directors, declare dividend, payment of any consideration in whatever form by the Company to the guaranteeing directors either directly or indirectly for guaranteeing of credit limits sanctioned by the bank, undertake new project/ any further expansion, invest in shares and debentures of other companies, extend finance to associate concerns, acquire or sell any fixed assets, etc.

Pursuant to the aforesaid we have received no objection certificate from Bank of Baroda vide letter FUB/ADV/2010/445 dated August 4, 2010.

### Intellectual Property Rights

Our Company uses the below mentioned logo:

Mark	Particulars
	Our Company has applied for registration of its logo under class 1 to the Registrar of Trade Marks, Mumbai by an application dated June 16, 2010.

Further we have applied to Office of Controller General of Patents, Designs and Trade Marks for registration of two patents, the details of which are as under:

Title of invention	Application Number	Date of application	Party Name	Status of application
Process and composition for 5-Iodo-2-Methylbenzoic Acid	2307/MUM/2010	August 17, 2010	Omkar Speciality Chemicals Limited	Advertised and published in Journal no. 40/2010 on October 1, 2010
Process and composition for Benzeneseleninic Anhydride	2308/MUM/2010	August 17, 2010	Omkar Speciality Chemicals Limited	Advertised and published in Journal no. 40/2010 on October 1, 2010

Other than the Intellectual Property Rights mentioned above there are no other Intellectual Property Rights owned and/ or used by our Company.

## **Regulations and Policies**

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India and other regulatory bodies that are applicable to our business. The information detailed below has been obtained from the various legislations, including rules and regulations promulgated by regulatory bodies, and the bye laws of the respective local authorities that are available in the public domain.

The regulations set out below are not exhaustive and are only intended to provide general information to the investors.

### **Factories Act, 1948**

Every factory wherein 10 or more workers are working on any day of the preceding twelve months and manufacturing process is being carried on with the aid of power or wherein 20 or more workers are working on any day of the preceding twelve months and manufacturing process is being carried on without the aid of power is required to be registered under Factories Act, 1948.

According to Section 7(1) of the Factories Act, 1948, the occupier shall at least 15 days before he begins to occupy or use any premises as a factory, send to the Chief Inspector, a written notice containing particulars of the factory, its occupier, owner of premises, nature of manufacturing process, number of workers and such other information.

According to section 7A, every occupier is required to ensure, so far as is reasonably practicable, the health, safety and welfare of all workers while they are at work in the factory. Every occupier shall prepare, and, as often may be appropriate, revise, a written statement of his general policy with respect to the health and safety of the workers at work and the organization and arrangements for the time being in force for carrying out that policy, and to bring the statement and any revision thereof to the notice of all the workers in such manner as may be prescribed.

### **The Explosives Act, 1884**

This is a comprehensive law which regulates by licensing for the manufacturing possession, sale, transportation, export and import 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 Central Government may, for any part of India, make rules consistent with this Act to regulate or prohibit, except under and in accordance with the conditions of a licence granted as provided by those rules, the manufacture, possession, use sale, transport, import and export of explosives, or any specified class of explosives. Extensive penalty provisions have been provided for manufacture, import or export, possession, usage, selling or transportation of explosives in contravention of the Act.

### **The Manufacture, Storage & Import of Hazardous Chemicals Rules, 1989**

The rules are applicable to every industrial activity which involves or is likely to involve one or

more of hazardous chemicals as laid down in the Schedules and includes on-site storage or on-site transport which is associated with that operation or process or isolated storage or pipeline and accordingly the Rules are applicable to our Company.

As per the said rules, an occupier of the industry shall undertake to identify the major accident hazards and also specify the steps initiated to prevent such major accidents and limit their consequences to persons and the environment and provide to the persons working on the site with the information, training and equipment including antidotes necessary to ensure their safety.

When a major accident has occurred on a site or in a pipeline, the occupier shall forthwith notify the concerned authority and thereafter furnish to the concerned authority, a report relating to the accident.

Under the rules, an occupier shall before commencing any industrial activity, submit a report to the concerned authority containing such particulars as mentioned therein.

#### **The Environmental Protection Act, 1986**

The Environmental Protection Act, 1986 is an “umbrella” legislation designed to provide a framework for co-ordination of the activities of various central and state authorities established under various laws. The potential scope of the Act is broad, with “environment” defined to include water, air and land and the inter-relationships which exist among water, air and land, and human beings and other living creatures, plants, micro-organisms and property.

#### **The Air (Prevention & Control of Pollution) Act, 1981**

According to Section 21 of the of the Air (Prevention & Control of Pollution) Act, 1981, no person shall, without the previous consent of the State Pollution Control Board, establish or operate any industrial plant in an air pollution control area. Further as per the provisions of Section 22 of the said act, no person operating any industrial plant, in any air pollution control area shall discharge or cause or permit to be discharged the emission of any air pollution in excess of the standards laid down by the State Board under Clause 17(1)(g).

#### **The Water (Prevention & Control of Pollution) Act, 1974**

According to Section 25(1) of the Water (Prevention & Control of Pollution) Act, 1974, no person shall without the previous consent of the State Pollution Control Board, establish or take any steps to establish any industry, operation or process or any treatment and disposal system for any extension or addition thereto, which is likely to discharge sewage or trade effluent into a stream or well or sewer or on land (“discharge of sewage”) or bring into use any new or altered outlet for the discharge of sewage or begin to make any new discharge of sewage. Under Section 25(4), the State Pollution Control Board may grant its consent subject to certain conditions relating to the point, nature, composition, temperature, volume, rate, etc. of discharge of sewage, or refuse and for a specified period.

#### **Hazardous Waste (Management and Handling) Rules, 1989**

Every occupier and the operator who is involved in handling of hazardous waste shall be responsible for proper collection, reception, treatment, storage and disposal of hazardous waste. The occupier, who intends to get his hazardous waste treated by the operator of a facility, shall



give, to the operator, such information as may be specified by the State Pollution Control Board.

It shall be the responsibility of the occupier and the operator of a facility, to take all steps to ensure that the waste are properly handled and disposed of without any adverse effects to the environment.

These Environmental Legislations are regulated by only one government body i.e. State Pollution Control Board.

#### **Basic Chemicals, Pharmaceuticals & Cosmetics Promotion Council**

Basic Chemicals, Pharmaceuticals & Cosmetics Promotion Council (CHEMEXCIL) was established in the year 1963 with the objective of making concerted efforts to promote exports of basic organic and inorganic chemicals, dyes, pesticides, soaps, detergents, cosmetics, toiletries, and other products.

**Apart from the above, other laws and regulations that may be applicable to the Company include the following:**

- Contract Labour (Regulation and Abolition) Act, 1970
- Employees' Provident Fund and Miscellaneous Provisions Act, 1952
- Employees' State Insurance Act, 1948
- Industrial Development and Regulation Act, 1951
- Payment of Bonus Act, 1965
- Payment of Gratuity Act, 1972
- The Industrial Dispute Act, 1947 and Industrial Disputes (Central) Rules, 1957
- Payment of Wages Act, 1936

## History and Certain Corporate Matters

Our Company was originally incorporated as Omkar Speciality Chemicals Private Limited on February 24, 2005 and was registered with the Registrar of Companies, Maharashtra. It was converted into a public limited company under the name Omkar Speciality Chemicals Limited on March 18, 2010.

We took over the business of Omkar Chemicals, a proprietary concern (proprietor Mr. Pravin Herlekar) in June, 2005. Omkar Chemicals was formed in the year 1983 with capacity of 6 MT per annum for manufacture of molybdenum derivatives. At the time of takeover in June, 2005, the installed capacity was 318 MT and the product range was cobalt, selenium & iodine derivatives in addition to molybdenum derivatives. During the year 2006-07, our Company expanded the total installed capacity to 325 MT which was further increased to 375 MT during the year 2007-08. In March, 2009, we set up a new manufacturing facility at plot no. F-24, MIDC, Badlapur (E), Thane, Maharashtra viz. Unit 2 with an installed capacity of 375 MT. With the setting up of Unit 2, our total installed capacity increased to 750 MT. Our Company has recently set up a new manufacturing facility at B-34, MIDC, Badlapur, Thane, Maharashtra viz. Unit 3 with an installed capacity of 200 MT through internal accruals. The commercial production at Unit 3 is likely to start in the month of March, 2011. With the set up of Unit 3, our total installed capacity stands increased to 950 MT.

Pursuant to a Share Purchase Agreement dated May 14, 2010 between our Company and the shareholders of Rishichem Research Limited, we have purchased 1078 Equity Shares of Rishichem Research Limited thereby holding 99.82% and making it our wholly owned Subsidiary.

### Major events of our Company

Period	Events
February, 2005	Incorporation of Omkar Speciality Chemicals Private Limited
June, 2005	Took over the entire business (all assets and liabilities) of Omkar Chemicals, a proprietary concern of Mr. Pravin Herlekar. The installed capacity after the takeover stood at 318 MT
January, 2006	Installed capacity increased to 325 MT
March, 2007	Installed capacity increased to 375 MT
April, 2009	Commenced commercial production of Unit 2, located at F-24, MIDC, Badlapur (E), Thane with an installed capacity of 375 MT
February, 2010	Construction activity started for Unit 3 with an installed capacity of 200 MT, the commercial production of which is likely to start in March, 2011
March, 2010	Converted into a public limited company
May, 2010	Rishichem Research Limited became our wholly owned Subsidiary
August, 2010	Received ISO-9001-2008 certification for our Unit 2 in respect of quality management systems.

## Main objects of our Company

The main objects of our Company as mentioned in the Memorandum and Articles of Association of our Company are reproduced herein below:

"To carry on the business of manufacturing, processing, formulating, producing, refining, fermenting, converting, distilling, purifying, blending, buying, importing, stocking, supplying, selling, distributing, trading, exporting and dealing in all kinds and varieties of chemicals of various specifications, purities, nature including speciality chemicals, organic and inorganic chemicals and compounds thereof, bio-chemicals, petro-chemicals, insecticides, cleaning chemicals, chemical compounds, laboratory chemicals, scientific chemicals, agricultural chemicals, preservative chemicals, industrial chemicals, heavy chemicals, pharmaceutical chemicals, fine chemicals, photographic chemicals, water purification chemicals and all or any of the by-product resulted there from, whether used presently or to be invented in future, for industrial, medical, pharmaceutical, agricultural, domestic, household, waste treatment purposes."

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 Registered Office of our Company

Period	Address
Since Incorporation till June 21, 2007	23, Vrindavan, Four Bungalows, Andheri (W), Mumbai- 400058, Maharashtra
From June 22, 2007 to March 18, 2010	W-92(A), MIDC, Badlapur (E), Thane - 421503, Maharashtra
From March 19, 2010 till date	B-34, MIDC, Badlapur (E), Thane - 421503, Maharashtra

The above changes in the Registered Office were carried out to enable greater operational efficiencies.

## Changes in Memorandum of Association of our Company

Date of change	Nature of Amendment
February 23, 2009	Increase in authorised share capital
June 12, 2009	Increase in authorised share capital
February 19, 2010	Change in the object clause of the Memorandum of Association
	Increase in authorised share capital
March 18, 2010	Conversion of company into public limited company
May 19, 2010	Sub-division in face value of Equity Shares from ` 100/- per Equity Share to ` 10/- per Equity Share

## Our Subsidiary

### Rishichem Research Limited

<b>Nature of Activity</b>	Manufacturing, selling and R&D related to speciality chemicals and pharma intermediates		
<b>Date of Incorporation</b>	May 30, 1995		
<b>Registered Office address</b>	W-83 (C), MIDC, Badlapur (E), Thane, Post-Kulgaon - 421503, Maharashtra		
<b>Name of the Directors</b>	1. Mr. Shivdas Herlekar 2. Mr. Pravin Herlekar 3. Ms. Anjali Herlekar 4. Mr. Dattatraya Deshpande		
<b>Shareholding Pattern</b>	<b>Name of the Shareholder</b>	<b>No. of Shares (Face Value of ` 10*/- each)</b>	<b>% of Shareholding</b>
	Omkar Speciality Chemicals Limited	53900	99.82
	Mr. Pravin Herlekar	50	0.09
	Mr. Dattatraya Deshpande	10	0.02
	Mr. Shivdas Herlekar	10	0.02
	Ms. Anjali Herlekar	10	0.02
	Mr. Omkar Herlekar	10	0.02
	Mr. Rishikesh Herlekar	10	0.02
	<b>Total</b>	<b>54000</b>	<b>100.00</b>
<b>Audited Financial Information</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>(` In lakhs)</b>		
Income	43.50	109.39	95.99
Other Income	5.04	0.26	7.68
Profit after Tax	11.96	17.54	16.31
Equity Capital	1.08	1.08	1.08
Share Application Money	3.52	3.52	3.52
Face Value of Equity Share (`)	100	100	100
Reserve & Surplus	32.03	20.08	2.53
Earning per Share (EPS) (`)	1107.41	1624.07	1510.18
Net Asset Value (NAV) (`)**	3065.74	1959.26	334.26

\* The Equity Share capital of Rishichem Research Limited constituting of 5400 Equity Shares of face value ` 100/- each was sub-divided into 54,000 Equity Shares of face value ` 10/- each pursuant to the resolution passed by the shareholders at the Extra Ordinary General Meeting held on May 19, 2010.

\*\*NAV has been calculated as NAV= ((share capital + reserves & surplus) – Miscellaneous

expenditure)/ No. of Equity Shares. NAV has been calculated excluding Share Application money.

Rishichem Research Limited is neither listed at any Stock Exchange nor does it have any subsidiary. Rishichem Research Limited 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.

#### **Accumulated profits or losses of Subsidiary not accounted for**

Our Company has accounted for ` 2.64 lakhs of revenue profits of our Subsidiary for the period ended September 30, 2010.

#### **Shareholders Agreement**

There are no subsisting shareholders agreements among our shareholders in relation to our Company, to which our Company is a party or otherwise has notice of the same.

#### **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. Share Purchase Agreement between Mr. Pravin Herlekar and Omkar Speciality Chemicals Limited***

Pursuant to the Share Purchase Agreement dated May 14, 2010 entered by our Company, hereinafter referred to as the "Purchaser" with Mr. Pravin Herlekar, shareholder of Rishichem Research Limited, hereinafter referred to as the "Seller", our Company has agreed to purchase 1069 fully paid up Equity Shares of ` 100 each from the seller, constituting 98.98% of the issued, subscribed and paid up share capital of Rishichem Research Limited aggregating to ` 129.00 lakhs. S. P. Phadke, Chartered Accountant, Mumbai had submitted their valuation report dated April 30, 2010 for valuing the business of Rishichem Research Limited.

##### ***2. Share Purchase Agreement between Mr. Dattatraya Deshpande and Omkar Speciality Chemicals Limited***

Pursuant to the Share Purchase Agreement dated May 14, 2010 entered by our Company, hereinafter referred to as the "Purchaser" with Mr. Dattatraya Deshpande, shareholder of Rishichem Research Limited, hereinafter referred to as the "Seller", our Company has agreed to purchase 9 (nine) fully paid up equity shares of ` 100 each from the sellers, constituting 0.83% of the issued, subscribed and paid up share capital of Rishichem Research Limited aggregating to ` 1.10 lakh. S. P. Phadke, Chartered Accountant, Mumbai had submitted their valuation report dated April 30, 2010 for valuing the business of Rishichem Research Limited.

## Our Management

In accordance with Article 113 of the Articles of Association of our Company, we cannot have less than three (3) and more than twelve (12) Directors. At present, we have eight (8) Directors on our Board out of which four (4) are Independent Directors.

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

<b>Name, Father's / Husband's Name, Designation, Address, Director Identification Number, Occupation &amp; Nationality</b>	<b>Age (years)</b>	<b>Date of Appointment and Term</b>	<b>Other Directorships/ Interests</b>
<b>Mr. Pravin Herlekar</b> <i>(S/o Mr. Shivdas Herlekar)</i> <i>Chairman &amp; Managing Director</i>  <i>Address:</i> Sitaram, Ganesh Chowk Manjarli, Badlapur (W) Thane- 421503 <i>DIN – 00525610</i> <i>Occupation:</i> Business <i>Nationality:</i> Indian	61	February 24, 2005   Appointed as Managing Director from April 1, 2010 for a period of 5 years	Rishichem Research Limited
<b>Mr. Shivdas Herlekar</b> <i>(S/o Late Shri Ramrao Herlekar)</i> <i>Executive Director</i>  <i>Address:</i> 23, Vrindavan, Plot No. 158, Four Bunglow Road, Andheri (West), Mumbai <i>DIN – 01685159</i> <i>Occupation:</i> Business <i>Nationality:</i> Indian	87	February 24, 2005   Liable to retire by rotation	Rishichem Research Limited
<b>Mr. Omkar Herlekar</b> <i>(S/o Mr. Pravin Herlekar)</i> <i>Whole Time Director</i>  <i>Address:</i> Sitaram, Ganesh Chowk Manjarli, Badlapur (W) Thane- 421503 <i>DIN – 01587154</i> <i>Occupation:</i> Business <i>Nationality:</i> Indian	29	June 1, 2007   Appointed as Whole Time Director from April 1, 2010 for a period of 5 years	Nil
<b>Ms. Anjali Herlekar</b> <i>(W/o Mr. Pravin Herlekar)</i> <i>Executive Director</i>	50	February 24, 2005	Rishichem Research Limited

<p>Address: Sitaram, Ganesh Chowk Manjarli, Badlapur (W) Thane- 421503 DIN – 00527420 Occupation: Business Nationality: Indian</p>		<p>Liabile to retire by rotation</p>	
<p><b>Mr. Amit Pandit</b> (S/o Mr. Anil Pandit) <i>Independent Director</i></p> <p>Address: D/201-202, Satellite Park, Caves Road, Jogeshwari (E) Mumbai- 400060 DIN – 02437092 Occupation: Professional Nationality: Indian</p>	39	<p>March 25, 2010</p> <p>Not liable to retire by rotation</p>	<p><b><u>Directorship</u></b> 1. Saraswat Cooperative Bank Limited 2. Saraswat Infotech Limited</p> <p><b><u>Partnership</u></b> Contractor, Nayak &amp; Kishnadwala, Chartered Accountants</p>
<p><b>Dr. Vikas Telvekar</b> (S/o Mr. Narendra Telvekar) <i>Independent Director</i></p> <p>Address: 21/836, D. N. Nagar, Andheri (W) Mumbai- 400053 DIN – 03123785 Occupation: Service Nationality: Indian</p>	40	<p>March 25, 2010</p> <p>Liabile to retire by rotation</p>	Nil
<p><b>Mr. Suhas Rane</b> (S/o Mr. Maruti Rane) <i>Independent Director</i></p> <p>Address: 15, Vihar Darshan Siddharth Nagar Goregaon (W) Mumbai- 400062 DIN – 03126514 Occupation: Service Nationality: Indian</p>	59	<p>March 25, 2010</p> <p>Liabile to retire by rotation</p>	Suhas M. Rane HUF
<p><b>Mr. Subhash Mali</b> (S/o Mr. Pandurang Mali) <i>Independent Director</i></p> <p>Address: 601/604, F-Wing Building-11, Neelam Nagar Phase II Mulund (E)</p>	57	<p>March 25, 2010</p> <p>Liabile to retire by rotation</p>	Arch Pharmalabs Limited

Mumbai- 400081 DIN – 00034769 Occupation: Service Nationality: Indian			
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None of our Directors were Directors of any company at the time when the shares of such company were either (a) suspended from trading by the Stock Exchange(s) for period of more than three months during the last five years or; (b) delisted.

#### **Relationship between Directors**

None of our Directors are related to each other, except for the following who are related to our Chairman & Managing Director, Mr. Pravin Herlekar:

<b>Name of the Director</b>	<b>Relation</b>
Mr. Shivdas Herlekar	Father
Ms. Anjali Herlekar	Wife
Mr. Omkar Herlekar	Son

#### **Brief details of our Directors**

##### **Mr. Pravin Herlekar**

Mr. Pravin Herlekar, aged 61 years, is the Chairman and Managing Director of our Company. He is one of the Promoters of our Company. He is a Bachelor of Technology in Chemical Engineering from Indian Institute of Technology, Bombay and is a post graduate in management studies from Mumbai University. He has an overall experience of 27 years in the field of Product Development, Marketing and Administration. In the year 1983, he started a proprietary concern in the name of Omkar Chemicals. The firm was engaged in the manufacturing speciality chemicals. In 2005, he promoted our Company in the name of Omkar Speciality Chemicals Private Limited. He is on our board since incorporation. He has been actively involved in the business of our Company and has played a key role in the growth of our Company with his inputs in strategic planning and business development. Over the years he has been successful in expanding our customer base especially in Europe, North America, Asia, South America & Australia.

##### **Mr. Shivdas Herlekar**

Mr. Shivdas Herlekar, aged 87 years, is the Executive Director of our Company. He is a Bachelor of Arts from University of Bombay. He has an overall experience of about 62 years in the field of accounts, finance, policy matters & administration. He worked with Mumbai Post Trust for over 35 years and was responsible for accounts and finance related activities. He handled various assignments related to rationalization of duty structures, wage revisions, administrative and establishment set-ups, audits of various departments, valuations etc. He joined Omkar Chemicals in the year 1983 where he was involved in accounts and audit related functions. He is on our board since incorporation and is responsible for strategic planning and administration of the Company.

##### **Mr. Omkar Herlekar**

Mr. Omkar Herlekar, aged 29 years, is the Whole Time Director of our Company. He is one of



the Promoters of our Company. He is a Bachelor of Science and Master of Science (By Research) in Chemistry from the University of Mumbai. He has an overall experience of 3 years. He joined our Company in June 2007 as a Director. He looks after the Research & Development activities of our Company and supervises the entire factory operations. He is actively involved in the setting up and implementation of our new manufacturing units.

**Ms. Anjali Herlekar**

Ms. Anjali Herlekar, aged 50 years, is an Executive Director of our Company. She is a Bachelor of Science (Physics) and Master of Education from University of Bombay. She has an overall experience of about 15 years in the field of policy matters & HR administration in addition to her teaching experience. She joined Omkar Chemicals in the year 1995 and was responsible for activities related to human resource development. She is also a Director in our Subsidiary, Rishichem Research Limited. At present, she is responsible for forming policies relating to Human Resource and Administration of our Company. She is on our board since incorporation.

**Mr. Amit Pandit**

Mr. Amit Pandit, aged 39 years, is an Independent Director of our Company. He is a Fellow member of the Institute of Chartered Accountants of India (ICAI), holds a Diploma in Business Finance (DBF) from The Institute of Chartered Financial Analysts of India (ICFAI) and is a commerce graduate from University of Bombay. He has an overall experience of more than 20 years in the field of business valuations, business restructuring, investment banking, auditing, banking & finance and corporate advisory services. He has worked with BON Consultants, Mafatlal Finance Co. Ltd., Global Tele Systems Ltd. and Darashaw & Co. Pvt. Ltd. He was also in independent practice for few years. He joined Contractor, Nayak & Kishnadwala, Chartered Accountants in the year 2004 as Head of Internal Audit and became a partner in 2007. He is currently incharge of the Risk Assurance Practice of the firm. In addition to this, he is on the Board of Saraswat Co-operative Bank Ltd. and Saraswat Infotech Ltd. He is a member of the Audit Committee of Saraswat Co-operative Bank Ltd. He is also the Chairman of the Audit Committee & the Acquisition Committee of Saraswat Infotech Ltd. He is also a visiting faculty at various management institutes for corporate finance & other finance related subjects. He is on our board since March 25, 2010.

**Dr. Vikas Telvekar**

Dr. Vikas Telvekar, aged 40 years, is an Independent Director of our Company. He holds two bachelors degrees in Science - one for Chemistry and one for Technology from University of Bombay. He has done Master of Science (Technology) and Doctor of Philosophy (Technology) in pharmaceutical and fine chemicals from Mumbai University Institute of Chemical Technology. He has an overall experience of 8 years in the areas of pharmaceutical chemistry and research & development. From August 2002 to April 2003 he was working as a group leader in the research & development department of Gharda Chemicals Limited, Mumbai. Since 2003, he is associated with Mumbai University Institute of Chemical Technology, Department of Pharmaceutical Sciences and Technology as a permanent faculty. The subjects taught by him are pharmaceutical chemistry, medicinal chemistry, process technology and pharmaceutical engineering. His articles have been published in various International Publications viz. Tetrahedron Letters, Synthetic Communication, QSAR Combinatorial Science, Medical Chemistry Research etc. He is on our board since March 25, 2010.

**Mr. Suhas Rane**

Mr. Suhas Rane, aged 59 years, is an Independent Director of our Company. He is a Bachelor of Engineering (Mechanical) from University of Bombay. He has also done Diploma in Management Studies and Master of Financial Management from University of Bombay. He has an overall experience of 37 years. During his work tenure he has worked with Mahindra & Mahindra Ltd. as Junior Engineer, TELCO as Deputy Materials Manager, Pidilite Industries Ltd. as Senior Manager, Soji Group of Companies as Vice President and PROCONS as Senior Consultant. During the years 2002 to 2008, he was associated with The Institute of Chartered Financial Analysts of India (ICFAI) as Associate Dean and Narsee Monjee College as Director-Planning. Presently, he is a visiting faculty with Narsee Monjee Institute of Management Studies (NMIMS), S.P. Jain Institute of Management & Research, Singapore & Dubai Centres, Indo-German Chamber, ICFAI and Mumbai Educational Trust (MET). He is registered as a Chartered Engineer with Institute of Engineers, India. He is on our board since March 25, 2010.

**Mr. Subhash Mali**

Mr. Subhash Mali, aged 57 years, is an Independent Director of our Company. He is a Bachelor of Chemical Engineering from University of Bombay. He has an overall experience of about 34 years. During his tenure he has worked with Asian paints Limited as Project Engineer, Ranbaxy Laboratories Limited as Manager-Process Engineering, Unichem Laboratories Limited as Senior Manager- Development and Kopran Limited as Director Technical. Since 2002, he is working with Arch Pharmalabs Limited, Mumbai as Technical Director. He is on our board since March 25, 2010.

**Details of Borrowing Powers of Directors**

The borrowing powers of our Directors are regulated by Articles 75 of the Articles of Association of our Company. For further details, kindly refer section titled "Main Provisions of Articles of Association of the Company" beginning on page no. 249 of this Red Herring Prospectus.

The shareholders at the Extra Ordinary General Meeting held on March 6, 2010 have passed the resolution under section 293(1)(d) and other applicable provisions, if any of the Companies Act, 1956, authorising the Board of Directors to borrow money from time to time at their discretion, any sum or sums of money on such terms and conditions with or without security as the Board may deem fit, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Banker in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount of money/ moneys so borrowed by the Board shall not exceed the limit of ` 7500 lakhs.

**Compensation of Managing Director/ Whole Time Director**

Pursuant to the Extra Ordinary General Meeting held on July 15, 2010, Mr. Pravin Herlekar is appointed as a Managing Director and Mr. Omkar Herlekar is appointed as a Whole Time Director w.e.f. April 1, 2010. The details of their compensation are as follows:

Sr. No.	Name of the Director	Proposed Remuneration
1.	Mr. Pravin Herlekar*	` 5.00 Lakhs per month

2.	Mr. Omkar Herlekar	₹ 1.00 Lakh per month
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\*The remuneration is revised with effect from October 1, 2010 in the AGM dated September 9, 2010 subject to Central Government approval.

Our Company pays all our Non Executive Independent Directors, a sitting fee of ₹ 5,000 per meeting.

### **Corporate Governance**

The provisions of the listing agreement to be entered into with the Stock Exchanges will be applicable to our Company at the time of seeking in-principle approval of the Stock Exchanges. Our Company has complied with the corporate governance code in accordance with Clause 49 of the listing agreement (as applicable), including in relation to appointment of Independent Directors to our Board and constitution of the audit committee, remuneration committee and shareholders'/investor's grievance committee. Our Company undertakes to take all necessary steps to continue to comply with all the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges.

Currently, our Board has 8 Directors, of which the Chairman is the Executive Director, and in compliance with the requirements of Clause 49 of the listing agreement, our Company has four independent and four non-independent Directors on its Board.

We have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

### **Audit Committee**

An Audit Committee has been constituted at our Board meeting held on March 25, 2010 which comprises of the following members:

<b>Name of Director</b>	<b>Status in committee</b>	<b>Nature of Directorship</b>
Mr. Amit Pandit	Chairman	Non Executive Independent Director
Mr. Pravin Herlekar	Member	Chairman & Managing Director
Mr. Suhas Rane	Member	Non Executive Independent Director

The role of the Audit Committee includes:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient & credible.
2. Recommending to the Board the fixation of audit fees.
3. Approval of payment to statutory Auditors for any other services rendered by the statutory auditors.
4. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to :
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - Changes, if any, in accounting policies and practices and reasons for the same.

- Major accounting entries involving estimates based on the exercise of judgment by management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and legal requirements relating to financial statement.
  - Disclosure of any related party transactions
  - Qualifications in the draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the board for approval
  - 5A. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) the statement of funds utilized for purposes other than those stated in the offer documents/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

### **Remuneration Committee**

A Remuneration Committee has been constituted at our Board meeting held on March 25, 2010 which comprises of the following members:

<b>Name of Director</b>	<b>Status in committee</b>	<b>Nature of Directorship</b>
Mr. Suhas Rane	Chairman	Non Executive Independent Director
Mr. Subhash Mali	Member	Non Executive Independent Director
Dr. Vikas Telvekar	Member	Non Executive Independent Director

The Remuneration committee shall decide the remuneration policy of the Company taking into the existing industry practice and also with the provisions of the Companies Act, 1956 in regard thereto. The role of the Remuneration Committee includes:

1. Establish a formal & transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors.
2. Oversight over remuneration of senior management and other key personnel and ensuring that the compensation is constituent with the Corporation's culture, strategy and control environment.
3. Payment of commission and sitting fees to Non-executive Directors.
4. Formulation & implementation of various Employees Stock Option Schemes (ESOP) in the Company

### **Shareholders'/ Investors' Grievance Committee**

A Shareholders'/ Investors' Grievance Committee has been constituted at our Board meeting held on March 25, 2010 which comprises of the following members:

<b>Name of Director</b>	<b>Status in committee</b>	<b>Nature of Directorship</b>
Mr. Suhas Rane	Chairman	Non Executive Independent Director
Mr. Amit Pandit	Member	Non Executive Independent Director
Mr. Omkar Herlekar	Member	Whole Time Director

The Shareholders' / Investors' Grievance Committee will deal with the redressal of shareholder and investors complaints/grievances relating to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. The role of Shareholders' / Investors' Grievance Committee includes reviewing various reports related to investors, transfer and transmission of shares, statutory compliance regarding share and debenture holders & investors, dematerialization of shares, consolidation of share certificates, etc.

### **IPO Committee**

An IPO Committee has been constituted at our Board meeting held on May 12, 2010 which comprises of the following members:

<b>Name of Director</b>	<b>Status in committee</b>	<b>Nature of Directorship</b>
Mr. Pravin Herlekar	Chairman	Chairman and Managing Director
Mr. Omkar Herlekar	Member	Whole Time Director
Mr. Amit Pandit	Member	Non Executive Independent Director

The IPO Committee shall be responsible for taking all decisions relating to the Issue, and to finalize along with the legal advisor and the Book Running Lead Manager, the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus and other related documents and do all requisite filings with SEBI, the Stock Exchanges, Registrar of Companies and other appropriate government and regulatory authorities, institutions or bodies. The committee shall also execute all documents and contracts for the Issue including the Memorandum of Understanding with the Book Running Lead Manager, Escrow Agreement, Syndicate Agreement, Registrar's Memorandum of Understanding and Underwriting Agreement, to determine and finalise the floor price/price band for the Issue, approve the basis for the allocation and confirm allocation of the equity shares to various categories of persons as disclosed in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, in consultation with the Book Running Lead Manager and do all such acts and things as may be necessary and expedient for, and incidental and ancillary to, the Issue.

### **Shareholding of the Directors**

As per the Articles of Association of our Company, the Directors are not required to hold any qualification shares in our Company. Details of the shareholding of our Directors in our Company as on the date of filing this Red Herring Prospectus are given in the following table:

<b>Name of Directors</b>	<b>Number of Equity Shares held</b>	<b>% of pre-issue shareholding</b>
Mr. Pravin Herlekar	91,44,480	79.32
Ms. Anjali Herlekar	12,08,240	10.48
Mr. Omkar Herlekar	5,76,410	5.00
Mr. Shivdas Herlekar	22,440	0.20
Mr. Amit Pandit	NIL	NIL
Dr. Vikas Telvekar	NIL	NIL
Mr. Suhas Rane	NIL	NIL
Mr. Subhash Mali	NIL	NIL

### Interest of the Directors

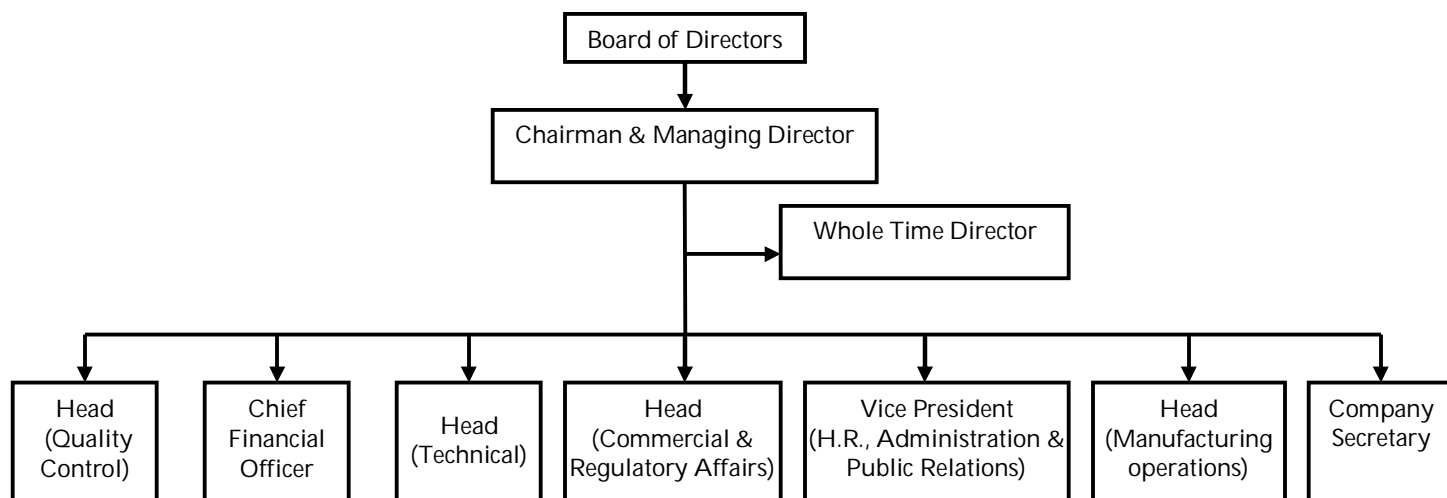
Each of our Directors may be deemed to be interested to the extent of fees payable to them for attending committee meetings to the extent of ` 5000 as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as Directors, members, partners, trustees and Promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other benefits arising out of the ownership of the said Equity Shares. Our Directors have no other interest in any property acquired by us two years prior to the date of this Red Herring Prospectus. Except as stated in the section titled "Related Party Transactions" on page no. 143 and 163, and as disclosed above, our Directors do not have any other interest in our business.

### Change, if any, in the Directors in last three years and reasons thereof, wherever applicable

Name	Date of Appointment	Date of Cessation	Reason for change
Mr. Amit Pandit	March 25, 2010	-	Appointment
Dr. Vikas Telvekar	March 25, 2010	-	Appointment
Mr. Suhas Rane	March 25, 2010	-	Appointment
Mr. Subhash Mali	March 25, 2010	-	Appointment
Mr. Dattatraya Deshpande	-	April 1, 2010	Resignation
Mr. Girish Deshpande	-	April 1, 2010	Resignation

### Management Organisation Structure



### Key management personnel

Name	Designation	Age (in years)	Date of joining	Qualification	Previous Employment	Total Experience (Years)	Remuneration during FY 2009-10 (in Lakhs)
Mr. Prafulla Bhise	Head (Technical)	60	June 8, 2008	Bachelor of Technology (Chemical) & Diploma in Financial Management	Raptakos Brett & Co. Limited	37	4.80
Mr. Girish Deshpande	Head (Manufacturing Operations)	46	June 1, 2005	Bachelor of Science (Chemistry)	Omkar Chemicals	24	4.01
Mr. Santosh Kekre	Head (Quality Control)	54	May 1, 2008	Bachelor of Science (Chemistry)	Rishichem Research Limited	31	2.78
Mr. Dattatraya Deshpande	Head (Commercial & Regulatory Affairs)	61	June 1, 2005	Bachelor of Science (Chemistry)	Omkar Chemicals	38	4.59
Mr. Prakash Rao	Vice President (Human Resource, Administration and Public Relations)	50	December 1, 2007	Bachelor of Commerce (Financial Accounting & Auditing)	Shree Paramhans Processing Works Private Limited	27	3.34
Mr. Ratanlal Ranasaria	Chief Financial Officer	50	June 1, 2010	Bachelor of Commerce, Chartered Accountant	Tarun Shipping & Industries Limited	26	NIL
Ms. Nikita Mehta	Company Secretary	30	July 15, 2010	Associate Company Secretary & Master of Commerce	Astec LifeSciences Limited	6	NIL

- 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 except for Mr. Girish Deshpande who is brother of Mr. Dattatraya Deshpande.

### Brief profile of the Key Managerial Personnel

#### Mr. Prafulla Bhise

Mr. Prafulla Bhise, aged 60 years, is the Head (Technical) of our Company. He holds a bachelors

degree in Chemical Engineering from Indian Institute of Technology, Bombay and a Diploma in Financial Management from University of Bombay. He has an overall experience of 37 years in chemical industry. He started his career in May 1973 as Chemical Engineer with R. L Chemicals and later joined Swastik House-hold & Detergents Limited in December 1973. In 1975, he joined Alta Laboratories Private Limited as General Manager and was responsible for all technical related activities. He worked with Raptakos, Brett & Co. Limited as General Manager (Engineering) from March 1980 till May 2008. He joined our Company on June 8, 2008 as Head (Technical) and is responsible for overall technical matters relating to pre and post production activities of our Company. He was paid a remuneration of ` 4.80 lakhs for FY 2009-10.

**Mr. Girish Deshpande**

Mr. Girish Deshpande, aged 46 years, is the Head (Manufacturing Operations) of our Company. He completed his Bachelor of Science (Chemistry) from Karnatak University in the year 1985. He has an overall experience of 24 years in chemical industry. He started his career as Assistant Manager (Manufacturing Operations) in the year 1986 by joining Omkar Chemicals. He joined our Company on June 1, 2005 as Senior Manager (Manufacturing Operations) and at present is holding the position of Head (Manufacturing Operations). He was also holding directorship in our Company from August 10, 2007 till April 1, 2010. He is responsible for overall manufacturing operations viz. planning, co-ordination, supervision and maintenance of production. He was paid a remuneration of ` 4.01 lakhs for FY 2009-10.

**Mr. Santosh Kekre**

Mr. Santosh Kekre, aged 54 years, is the Head (Quality Control) of our Company. He completed his Bachelor of Science (Chemistry) from University of Bombay in the year 1979. He has an overall experience of 31 years in the field of Quality Control, supervision of production activities and documentation related to production etc and Research & Development. He started his career in the year 1979 with Zenith Limited as Assistant Production Manager. In 2002, He joined Omkar Chemicals as Manager. Later in 2005, he joined Rishichem Research Limited as Production Manager. He joined our company on May 1, 2008 and is responsible for Quality assurance, quality control, testing and approving raw materials and finished goods. He was paid a remuneration of ` 2.78 lakhs in FY 2009-10.

**Mr. Dattatraya Deshpande**

Mr. Dattatraya Deshpande, aged 61 years, is the Head (Commercial & Regulatory Affairs) of our Company. He holds Bachelor of Science (Chemistry) from Karnataka University. He has an overall experience of 38 years. He started his career with ION Exchange (India) Limited in the year 1972 as Senior Chemist. He joined Henke Chemicals as Marketing Manager in 1984 and later joined Doshi ION Exchange (India) Limited as Deputy General Manager ( Marketing ) in 1992. He joined Omkar Chemicals as Assistant General Manager in 1995. Later he joined our Company on June 1, 2005 as General Manager and at present is holding the position of Head (Commercial & Regulatory Affairs). He was also holding directorship in our Company from June 1, 2007 till April 1, 2010. He is responsible for all commercial and regulatory related matters of our company. He was paid a remuneration of ` 4.59 lakhs for FY 2009-10.

**Mr. Prakash Rao**

Mr. Prakash Rao, aged 50 years, is the Vice President (Human Resource, Administration and Public Relations) of our Company. He is a commerce graduate from University of Bombay



specializing in Financial Accounting & Auditing. He has an overall experience of 27 years in the field Administration, Human Resource Management and Public Relations. He started his career with Shree Om Textile Mill Private Limited as Administrative Officer in 1983. He joined Matushree Textiles Limited in 1989 as Administrative Officer and later in 1990 he joined Shree Paramhans Processing Works Private Limited as General Manager. He joined our Company on December 1, 2007 as Vice President (Human Resource, Administration and Public Relations) and is responsible for overall administration of the Company, handling public relations and activities related to recruitment, workforce, induction, compensation. He was paid a remuneration of ₹ 3.34 lakhs in FY 2009-10.

#### **Mr. Ratanlal Ranasaria**

Mr. Ratanlal Ranasaria, aged 50 years, is the Chief Financial Officer of our Company. He is a commerce graduate from University of Bombay and is a qualified Chartered Accountant. He has an overall experience of 26 years in the field of accounts, financial planning & budgetary control, taxation and funds management. He started his career in 1984 as Manager – Finance & Accounts with R.V. Syntex Industries. He has also worked with Gujarat Sidhee Cement Ltd., Saurashtra Cement Ltd., V.K. Industries Ltd., Radiant Shipping Company Ltd. and Tarun Shipping & Industries Ltd. He joined our Company on June 1, 2010 and is responsible for audit, finance, working capital management, finalisation of accounts and taxation. He was not paid any remuneration during FY 2009-10 since he joined in June 2010.

#### **Ms. Nikita Mehta**

Ms. Nikita Mehta, aged 30 years, is a qualified Company Secretary and a post graduate in commerce from Devi Ahilya Vishwa Vidyalaya University, Indore. She has an experience of almost 6 years. She has worked with Sita Shree Food Products Limited as a Company Secretary, with Arihant Capital Markets Limited as Manager and with Astec LifeSciences Limited as Company Secretary. She joined our Company as Company Secretary on July 15, 2010 and is responsible for all the legal compliances and secretarial work. She has not been paid any remuneration during FY 2009-10 since she has joined in July 2010.

#### **Changes in the Key Managerial Personnel in last three years**

There have been no changes in the Key Managerial Personnel in our Company in the last three years except as stated below:

<b>Name</b>	<b>Designation</b>	<b>Date of Change</b>	<b>Reasons</b>
Mr. Ratanlal Ranasaria	Chief Financial Officer	June 1, 2010	Appointment
Ms. Nikita Mehta	Company Secretary	July 15, 2010	Appointment
Mr. Prafulla Bhise	Head (Technical)	June 8, 2008	Appointment
Mr. Santosh Kekre	Head (Quality Control)	May 1, 2008	Appointment

#### **Interest of Key Managerial Personnel**

The Key Managerial Personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the equity shares held by them.

Except as stated otherwise in this Red Herring Prospectus, we have not entered into any contracts, agreement or arrangement during the preceding two years from the date of this Red Herring Prospectus in which the Key Managerial Personnel are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

#### **Details of Shareholding of our Key Managerial Personnel in our Company**

None of the Key Managerial Personnel are holding any equity shares in our Company except as mentioned below:

<b>Name of Key Managerial Personnel</b>	<b>Number of shares</b>
Mr. Girish Deshpande	10
Mr. Dattatraya Deshpande	10

#### **Bonus or Profit sharing plan for the Key Managerial Personnel**

Our Company does not have any bonus/profit sharing plan for any of the Key Managerial Personnel.

#### **Employees Share Purchase Scheme/Employee Stock Option Scheme to Employees**

The Company does not have any stock option scheme or stock purchase scheme for its employees

#### **Other benefits to our Key Managerial Personnel**

There has been no other benefit or payment given to the employees/Key Managerial Personnel of the Company other than salary.

## Our Promoters

The present Promoters of our Company are:

- 1) Mr. Pravin Herlekar
- 2) Mr. Omkar Herlekar

The brief profile of our Promoters is as follows:

### Mr. Pravin Herlekar



Permanent Account Number	AAAPH2923H
Driving License Number	Not applicable as he does not have driving license
Voter ID Number	MT/10/056/1009270
Passport Number	A9901794

For details of the profile of Mr. Pravin Herlekar, please refer to section titled “Our Management” beginning on page no. 103 of this Red Herring Prospectus.

### Mr. Omkar Herlekar



Permanent Account Number	ACCPH0802P
Driving License Number	MH05/907/C/4012
Voter ID Number	Not applicable as he does not have voter ID
Passport Number	E0389847

For details of the profile of Mr. Omkar Herlekar, please refer to section titled “Our Management” beginning on page no. 103 of this Red Herring Prospectus.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of all the above Individual Promoters have been submitted to Bombay Stock Exchange Limited and National Stock Exchange of India Limited at the time of filing this Red Herring Prospectus with them.

### Interest of Promoters

Our Promoters viz. Mr. Pravin Herlekar and Mr. Omkar Herlekar are interested to the extent of their shareholding in our Company. Further, Mr. Pravin Herlekar is also the Chairman & Managing Director of our Company, may be deemed to be interested to the extent of remuneration and reimbursement of expenses payable to him.

Our Promoters do not have any interest in any property acquired by our Company during a period of two years before filing of this Red Herring Prospectus or proposed to be acquired by us as on the date of filing of this Red Herring Prospectus.

Except as stated in “Related Party Transactions” beginning on page nos. 143 and 163 of this Red Herring Prospectus, our Promoters or any of our Promoter Group do not have any other interest in our business.

**Payment or benefit to Promoters of our Company**

For details of payments or benefits paid to our Promoters, please refer to the paragraph “Compensation to Managing Director/ Whole Time Director” in the chapter titled ‘Our Management’ on page no. 107. Also refer paragraph on “Related Parties Transactions” on page nos. 143 and 163 of the Red Herring Prospectus forming part of “Financial Information”.

### Our Promoter Group

In addition to the Promoters named in the section titled "Our Promoters", the following natural persons are part of our Promoter Group.

As per Regulation 2 (1)(zb)(ii) of SEBI (ICDR) Regulations, 2009, the following natural persons form part of our Promoter Group:

Name of the Person	Relationship
<b><i>Relatives of Mr. Pravin Herlekar</i></b>	
Mr. Shivdas Herlekar	Father
Ms. Kamla Herlekar	Mother
Ms. Anjali Herlekar	Wife
Ms. Pratibha Deshpande	Sister
Ms. Preeti Kasbekar	Sister
Mr. Rishikesh Herlekar	Son
Mr. Omkar Herlekar	Son
Mr. Shantaram Wagle	Father of Spouse
Ms. Padma Wagle	Mother of Spouse
Ms. Smruti Naik	Sister of Spouse
<b><i>Relatives of Mr. Omkar Herlekar</i></b>	
Mr. Pravin Herlekar	Father
Ms. Anjali Herlekar	Mother
Ms. Anusuya Herlekar	Wife
Mr. Rishikesh Herlekar	Brother
Mr. Animesh O. Herlekar	Son
Mr. Atmaram G. Khanolkar	Father of Spouse
Ms. Rekha A. Khanolkar	Mother of Spouse
Mr. Amit A. Khanolkar	Brother of Spouse

### Companies / entities forming part of our Promoter Group

There are no companies/ entities forming part of our Promoter Group.

### Details of companies / firms from which Promoters have disassociated

During preceding three years, our Promoters have not disassociated themselves from any companies/firm(s).

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

There are no companies/entities that form part of our Promoter Group, whose names have been struck off from Registrar of Companies.

### Undertaking / confirmations

Our Promoters and Promoter Group companies/ subsidiaries/firms have confirmed that they have not been detained as willful 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/Subsidiary have been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities.

Further none of our Promoters or Promoter Group Companies/ Subsidiaries have become sick companies within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and none of them is under winding up. There are no BIFR proceedings against any Subsidiary(ies) of our Company/ any company promoted by our Promoters. None of our Promoter Group/ Subsidiary(ies) are listed on any stock exchange. Further, none of our Group Companies has made any public or right issue in preceding three years.

#### **Common Pursuits / Conflict of Interest**

There are no companies/ entities that form part of our Promoter Group. Further, the object clause of our Subsidiary, Rishichem Research Limited permits it to undertake similar business activities to our business. At present Rishichem Research Limited is engaged in manufacturing and research & development of speciality chemicals and pharma intermediates. Thus, there exists a conflict of interest to that extent. The complete details of our Subsidiary are given in the chapter "History and Certain Corporate Matters" appearing on page no. 101 of this Red Herring Prospectus.

There are no transactions relating to sales or purchases between our Company and our Promoter Group/Subsidiary exceeding 10% of the sales or purchases of our Company.

### **Related Party Transactions**

For details of the related party transactions, please refer to page number 143 and 163 of this Red Herring Prospectus appearing as Annexure – 18 of Auditor's Report on Unconsolidated Restated Financial Information and Auditor's Report on Consolidated Restated Financial Information respectively under section titled "Financial Information".

### Dividend Policy

The declaration and payment of dividend if any, will be recommended by the Board of Directors and declared by the shareholders of our Company, at their discretion, and will depend on a number of factors, including but not limited to the results of operations, capital requirements and overall financial condition.

The dividends declared by us in respect of the five accounting year ended March 31, 2010, 2009, 2008, 2007 and 2006 are as under:

(` in lakhs)

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06
Rate of Dividend (%)	5.00	Nil	Nil	Nil	Nil
Amount of Dividend	57.64*	Nil	Nil	Nil	Nil

\*excluding Dividend Distribution Tax



## **SECTION V –FINANCIAL INFORMATION OF THE COMPANY**

### **FINANCIAL STATEMENTS OF THE COMPANY**

#### **Auditor's Report on Unconsolidated Restated Financial Information**

Board of Directors

**Omkar Speciality Chemicals Limited**

B -34, MIDC, Badlapur (E),

Dist: Thane -421503

Maharashtra

Dear Sirs,

- 1) We have examined the attached unconsolidated financial information of Omkar Speciality Chemicals Limited (hereinafter referred to as 'the Company') as approved by Board of Directors of the Company, prepared in term of the requirements of Paragraph B(1) of Part II of the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (SEBI ICDR Regulations) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated October 10, 2010 in connection with the proposed Initial Public Offer of equity shares of the Company.
- 2) This information have been extracted by the Management of the Company from the audited financial statements of the Company for the financial year ended on 31st March 2006 audited by P.V. Kamat & Co. and for the financial year ended on 31st March 2007, 31st March 2008, 31st March 2009, 31st March 2010 and period ended 30th September 2010 audited by us. Accordingly reliance has been placed on the audited financial statements for the said years for the purpose of the restated financial information.
- 3) We have also examined the restated unconsolidated financial information of the Company for the above years prepared and approved by the Board of Directors for the purpose of disclosure in the offer document of the Company. The financial information for the above years was examined to the extent practicable, for the purpose of audit of financial information in accordance with the Auditing and Assurance Standards issued by the Institute of Chartered Accountants of India. Those Standards required that we plan and perform our audit to obtain reasonable assurance, whether the financial information under examination is free of material misstatement.
- 4) We report that:
  - a) The Restated Unconsolidated Statement of Assets and Liabilities of the Company for the year ended on 31st March 2006, 31st March 2007, 31st March 2008, 31st March 2009, 31st March 2010 and period ended 30th September 2010 are as set out in Annexure-1 to this report are after making adjustments/restatements and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes to Restated Financial Information as set out in Annexure-5 to this report.

- b) The Restated unconsolidated Statement of Profits and Losses of the Company for the year ended on 31st March 2006, 31st March 2007, 31st March 2008, 31st March 2009, 31st March 2010 and period ended 30th September 2010 are as set out in Annexure-2 to this report are after making adjustments/restatements and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies, Notes to the Restated Financial Information as set out in Annexure-5 to this report.
- 5) We have examined the following unconsolidated financial information relating to the Company for the year ended on 31st March 2006, 31st March 2007, 31st March 2008, 31st March 2009, 31st March 2010 and period ended 30th September 2010 proposed to be included in the offer document, as prepared and approved by the Board of Directors and annexed to this report:
    - a. Statement of restated Cash flow as appearing in Annexure 3 to this report;
    - b. Statement of Accounting Policies as appearing in Annexure 4 to this report;
    - c. Statement of Significant notes to restated financial statements as appearing in Annexure 5 to this report;
    - d. Statement of changes in Accounting Policies as appearing in Annexure 6 to this report;
    - e. Details of contingent liabilities as appearing in Annexure 7 to this report;
    - f. Statement of Dividend declared/distributed as Annexure 8 to this report.
    - g. Statement of Break-up of Other income as appearing in Annexure 9 to this report;
    - h. Statement of Accounting Ratios as appearing in Annexure 10 to this Report;
    - i. Capitalization Statement as appearing in Annexure 11 to this report;
    - j. Statement showing age wise analysis of Sundry Debtors enclosed as Annexure 12 to this report;
    - k. Statement of Loans and Advances as appearing in Annexure 13 to this report;
    - l. Statement of Secured and Unsecured Loans as appearing in Annexure 14 to this report;
    - m. Statement of Reserves and Surplus in Annexure 15 to this report;
    - n. Statement of Fixed Assets in Annexure 16 to this report;
    - o. Statement of tax shelter as appearing in Annexure 17 to this report; and
    - p. Statement of Related Party transactions enclosed as Annexure 18 to this report;
  - 6) In our opinion the Restated Unconsolidated Statement of Assets and Liabilities, Restated Unconsolidated Statement of Profits and Losses and the financial information as stated above read along with the Significant Accounting Policies and Notes to restated financial statements as set out in Annexure-5 have been prepared in accordance with Paragraph B(1) of Part II of Schedule II of the Companies Act, 1956 and the SEBI (ICDR) Regulations.
  - 7) We further state that:
    - i. There are no incorrect accounting practices or failures to make provisions or other adjustments to restated accounts which resulted in audit qualifications for which adjustment or rectification was required.

- ii. There have been no material amounts relating to adjustments for previous years in arriving at the profits of the years to which they relate irrespective of the period in which the event triggering the profit or loss occurred except for adjustments related to previous year which for the purpose of restated accounts has been adjusted in the respective years as stated in Annexure 5 i.e Notes to Restated Financial Statements.
- iii. There has been no change in accounting policy in the profits or losses of the years under the restated accounts.
- iv. There has been no incorrect accounting policy which needs re computation in the financial information.
- 8) This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us nor should it be construed as a new opinion on any of the financial statements referred to therein.
- 9) This report is intended solely for use of the management and for inclusion in the offer document in connection with the Proposed Initial Public Offer of the Company and should not be used or referred to or distributed for any other purpose without our prior consent in writing.

For **Siddharth Sinkar & Associates**

**Chartered Accountants**

**Firm Registration No: 124931W**

**Siddharth Sinkar**

Proprietor

M. No. 109229

Place: Mumbai

Date: 27.10.2010

## Restated Unconsolidated Statement of Assets &amp; Liabilities

(Rs. In Lakhs)

Year/Period ended on	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	30.09.10
<b>Fixed Assets (A)</b>						
Gross Block	90.68	155.34	265.26	1,588.79	1,838.80	1896.10
Less : Depreciation	4.73	19.76	46.20	97.42	278.52	367.45
Add: Capital Work In Process	-	92.00	451.07	-	57.93	388.02
<b>Net Block</b>	<b>85.95</b>	<b>227.58</b>	<b>670.13</b>	<b>1,491.37</b>	<b>1,618.21</b>	<b>1916.67</b>
<b>Investments (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130.10</b>
<b>Current Assets Loans and Advances (C)</b>						
Inventories	463.29	824.47	792.56	1,524.31	1,948.18	2720.68
Receivables / Sundry Debtors	705.23	500.27	792.22	1,496.59	1,657.71	2447.42
Cash and Bank Balances	5.45	40.05	33.82	20.70	41.93	37.51
Loans and Advances	194.32	553.38	493.01	505.41	858.32	925.63
<b>Total (C)</b>	<b>1,368.29</b>	<b>1,918.17</b>	<b>2,111.61</b>	<b>3,547.01</b>	<b>4,506.14</b>	<b>6131.24</b>
<b>Total Assets (A+B+C)</b>	<b>1,454.24</b>	<b>2,145.75</b>	<b>2,781.74</b>	<b>5,038.38</b>	<b>6,124.35</b>	<b>8178.01</b>
<b>Liabilities and Provisions (D)</b>						
Secured Loans	722.07	779.86	1,010.15	1,991.63	2,519.01	2471.14
Unsecured Loans	44.44	327.44	396.30	616.57	157.55	862.40
Current Liabilities and provisions	309.81	467.99	545.46	1,269.82	1,812.47	2746.57
Deferred Tax Liability/Asset	(1.46)	(2.76)	(1.94)	15.28	42.94	52.94
<b>Total (D)</b>	<b>1,074.86</b>	<b>1,572.53</b>	<b>1,949.97</b>	<b>3,893.30</b>	<b>4,531.97</b>	<b>6133.05</b>
<b>Net Worth (A+B+C-D) = (E)</b>	<b>379.38</b>	<b>573.22</b>	<b>831.77</b>	<b>1,145.08</b>	<b>1,592.38</b>	<b>2044.96</b>
<b>Represented by</b>						
Share Capital	26.20	26.20	26.20	26.20	1,152.80	1152.80
Reserve & Surplus	354.25	547.83	806.11	1,119.15	439.58	944.37
Less : Miscellaneous Expenditure Not Written Off	1.07	0.81	0.54	0.27	-	52.21
<b>Net Worth</b>	<b>379.38</b>	<b>573.22</b>	<b>831.77</b>	<b>1,145.08</b>	<b>1592.38</b>	<b>2044.96</b>

## Annexure - 2

## Restated Unconsolidated Statement of Profits &amp; Losses

(Rs. In Lakhs)

Year/Period ended on	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	30.09.10
<b>Income</b>						
<b>Sales :</b>						
Products manufactured by the company	2,617.33	3,870.93	4,212.10	5,207.46	6,933.86	4722.41
Products traded by the company	27.66	228.34	359.34	229.00	296.73	739.55
<b>Gross Sales</b>	<b>2,644.99</b>	<b>4,099.27</b>	<b>4,571.44</b>	<b>5,436.46</b>	<b>7,230.59</b>	<b>5461.96</b>
Less : Excise Duty	247.54	394.85	425.73	335.45	395.63	351.46
<b>Net Sales</b>	<b>2,397.45</b>	<b>3,704.42</b>	<b>4,145.71</b>	<b>5,101.01</b>	<b>6,834.96</b>	<b>5110.50</b>
Other Income	5.70	27.43	24.90	2.27	26.54	4.39
Increase/ (Decrease) stock of Finished Goods	-	-	158.60	(38.64)	30.42	40.94
<b>Total Income</b>	<b>2,403.15</b>	<b>3,731.85</b>	<b>4329.21</b>	<b>5064.64</b>	<b>6891.92</b>	<b>5155.83</b>
<b>Expenditure</b>						
Materials Consumed	1737.63	2576.85	2713.93	3166.48	4402.14	2940.10
Other Manufacturing Overheads	161.95	262.66	328.33	381.07	402.77	246.60
Employee Costs	130.92	137.02	253.48	279.37	340.62	142.18
Cost of Goods Traded	22.73	185.29	299.70	168.53	217.15	682.32
Administrative, Selling & Distribution Costs	58.44	93.31	103.51	171.43	220.62	129.22
Interest / Financial Charges	81.53	156.76	209.77	359.59	374.40	192.72
Depreciation and Amortization	4.75	15.03	26.45	51.21	181.11	88.93
<b>Total Expenditure</b>	<b>2,197.95</b>	<b>3,426.92</b>	<b>3935.17</b>	<b>4577.68</b>	<b>6138.81</b>	<b>4422.07</b>
<b>Net Profit before tax and extraordinary items</b>	<b>205.20</b>	<b>304.93</b>	<b>394.04</b>	<b>486.96</b>	<b>753.11</b>	<b>733.76</b>
Provision for Taxation	68.99	111.70	133.75	155.00	212.00	219.00
Provision for Fringe Benefit Tax	0.70	0.94	1.18	1.70	-	-
Provision for Deferred Tax	(1.46)	(1.29)	0.81	17.22	27.66	9.97
<b>Net Profit after tax but before extraordinary items, as restated</b>	<b>136.97</b>	<b>193.58</b>	<b>258.30</b>	<b>313.04</b>	<b>513.45</b>	<b>504.79</b>
<b>Extra Ordinary Items</b>	-	-	-	-	-	-
<b>Net Profit after tax and extraordinary items, as restated</b>	<b>136.97</b>	<b>193.58</b>	<b>258.30</b>	<b>313.04</b>	<b>513.45</b>	<b>504.79</b>

**Annexure – 3**  
**Restated Unconsolidated Statement of Cash Flow**

(Rs. In Lakhs)

	Year/Period ended on	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	30.09.10
<b>A</b>	<b>Cash Flow from Operating Activities</b>						
	Net Profit before Tax as restated	205.20	304.93	394.04	486.96	753.11	733.76
	<b>Adjustment for :</b>						
	Depreciation and amortization	4.75	15.03	26.45	51.21	181.11	88.93
	Preliminary Expenditure written off	0.27	0.27	0.27	0.27	0.27	-
	Interest Income	-	-	(0.67)	(1.09)	(7.34)	(4.39)
	Interest/Finance Charges	81.53	156.76	209.77	359.59	374.40	192.72
	Profit on sale of asset	(0.01)	-	-	-	-	
	Unrealized Foreign Exchange (Gain) /Loss	(1.03)	0.06	(6.90)	(17.93)	(0.93)	14.40
	<b>Operating Profit Before Working Capital Changes</b>	290.71	477.05	622.96	879.01	1,300.62	1025.42
	<b>Adjustment for Working Capital Changes</b>						
	Decrease / (Increase) in Sundry Debtors	(704.92)	204.91	(285.06)	(698.89)	(160.19)	(796.27)
	Decrease / (Increase) in Inventories	(463.29)	(361.18)	31.91	(731.75)	(423.87)	(772.50)
	Decrease / (Increase) in Loans & Advances	(195.68)	(230.85)	250.01	124.85	(132.20)	(5.21)
	Increase / (Decrease) in Trade and other Payables	232.22	45.53	(57.46)	580.11	264.22	707.29
	<b>Cash Generated from Operations</b>	(840.96)	135.46	562.36	153.33	848.58	158.73
	Income Tax Paid		(128.22)	(189.64)	(137.25)	(220.71)	(62.10)
	<b>Net Cash Used in Operating Activities (A)</b>	(840.96)	7.24	372.72	16.08	627.87	96.63
<b>B</b>	<b>Cash Flow from Investing Activities</b>						
	Purchase of Fixed Assets/ Capital work in progress	(91.43)	(156.66)	(468.99)	(872.46)	(307.94)	(387.39)
	Proceeds from sale of assets	0.76	-	-	-	-	-
	Investments in Shares of subsidiary company						(130.10)
	Interest Income	-	-	0.67	1.09	7.34	4.39
	<b>Net Cash used in Investing Activities</b>	(90.67)	(156.66)	(468.32)	(871.37)	(300.60)	(513.10)
<b>C</b>	<b>Cash Flow from Financing Activities</b>						
	Secured Loans (Net)	722.07	57.79	230.29	981.48	527.38	(47.87)
	Unsecured Loans Taken /Repaid (Net)	44.24	283.00	68.86	220.27	(459.02)	704.85
	Proceeds from issue of Equity Shares	26.20	-	-	-	-	-
	Securities Premium	225.90	-	-	-	-	-
	Public Issue Expenses	-	-	-	-	-	(52.21)
	Interest / Finance Charges	(81.53)	(156.76)	(209.77)	(359.59)	(374.40)	(192.72)
	<b>Net Cash used in Financing Activities</b>	937.08	184.03	89.38	842.16	(306.04)	412.05
	<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	5.45	34.60	(6.23)	(13.12)	21.23	(4.42)
	<b>Cash &amp; Cash Equivalent at the beginning of the Year/Period</b>	-	5.45	40.05	33.82	20.70	41.93
	<b>Cash &amp; Cash Equivalent at the end of the Year/Period</b>	5.45	40.05	33.82	20.70	41.93	37.51

## BACKGROUND

The Company was originally incorporated as Omkar Speciality Chemicals Private Limited on February 24, 2005 and was registered with the Registrar of Companies, Maharashtra. It was converted into a public limited company under the name Omkar Speciality Chemicals Limited on March 18, 2010. The first audited balance sheet of the Company was prepared as on March 31, 2006.

### Annexure - 4

#### (A) SIGNIFICANT ACCOUNTING POLICIES:

##### a) Basis of preparation of financial statements:

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, the provisions of the companies Act, 1956 and the applicable accounting standards. The company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

##### b) Use of estimates:

The preparation of financial statements requires estimates and assumptions that affect the reported amount of Assets and Liabilities on the date of the financial statements and the reported amount of Revenues and Expenses during the reporting period. Difference between the actual results and the estimates are recognized in the period in which the same are known/materialized.

##### c) Fixed Assets:

Fixed Assets are recorded and stated at cost, net of excise duty (CENVAT) and VAT less accumulated depreciation and impairment loss, if any. Cost includes all direct and indirect costs relating to the acquisition and installation of fixed assets, interest on borrowed funds, if any, used to finance/construction of fixed assets ready for commercial use. Leasehold land is amortised over the period of lease.

##### d) Foreign currency transactions:

Foreign currency transactions denominated in foreign currencies are recorded at the rate of exchange prevailing on the date of transaction. Exchange differences, if any, arising out transactions settled during the year are recognized in the profit & loss account.

Monetary items denominated in foreign currency as at the balance sheet date are translated at the closing exchange rate on that date. The Exchange differences, if any, are recognized in the profit & loss account. Non monetary foreign currency items are carried at cost.

The premium in respect of forward exchange contract is amortized over the life of the contract. The net gain or loss on account of any exchange difference, cancellation or renewal of such forward exchange contracts is recognized in the Profit & Loss Account in the reporting period.

**e) Inventories :**

1) The company is valuing Raw material stock by taking costs of purchase consist of the purchase price including duties and taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), freight inwards and other expenditure directly attributable to the acquisition. Trade discounts, rebates, duty drawbacks, finance cost and other similar items are deducted in determining value of the stock of Raw materials. In determining the cost the First In First Out (FIFO) method is used.

2) Finished Goods & WIP are valued taking into consideration Material cost plus share of labour and manufacturing overheads. Finished goods are valued at cost or net realizable value whichever is lower.

**f) Revenue recognition:**

- i) Revenue from sale of goods is recognized when the significant risks and rewards in respect of ownership of products are transferred by the company.
- ii) Revenue from product sale is stated net of returns, sales tax/VAT and applicable trade discounts and allowances.
- iii) Interest income is recognized on time accrual basis.

**g) Investments:**

Investments that are readily realisable and intended to be held for not more than one year from the date of investment are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at the lower of cost and realisable value, determined on an individual investment basis. Long-term investments are carried at cost less any other-than-temporary diminution in value, determined separately in respect of each category of investment.

**h) Export Benefits:**

Export benefits available under prevalent schemes are accrued in the year in which the goods are exported and are accounted to the extent considered receivable.

**i) Excise Duty/Custom Duty:**

Excise duty / Customs duty has been accounted on the basis of payments made in respect of goods cleared. Modvat credit on raw materials and capital goods has been accounted for, by reducing the purchase cost of raw materials and capital goods respectively.

**j) Depreciation:**

Depreciation on all fixed assets is provided as per the provisions of Companies Act, 1956 on Written Down Value Method.

**k) Employee benefits:**

**a) Short Term Employee Benefits:**

All short-term employee benefits such as salaries, wages, bonus, special awards, medical benefits which fall due within twelve months of the period in which the employee renders the related services which entitles him to avail such benefits and non-accumulating compensated absences are recognized on an undiscounted basis



charged to the profit and loss account.

- b) Provision for Gratuity is made and provided on actuarial valuation basis. Other retirement benefits are accounted as per company's policy.

**l) Taxes on Income:**

Income Taxes are accounted for in accordance with Accounting Standard 22 (AS 22) "Accounting for Taxes on Income". Tax expense comprises of Current Tax and Deferred Tax:

- a) Current Tax is determined as the amount of tax payable in respect of taxable income for the year.
- b) "Deferred tax assets and liabilities are recognised for the future tax consequences attributable to Timing Differences, between the taxable income and accounting income, that originate in one period and are capable of reversal in one or more periods. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in the future, however when there is unabsorbed depreciation or carry forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised."

**m) Impairment of Assets:**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**n) Provisions, Contingent Liabilities and Contingent Assets:**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the Notes to Accounts. Contingent Assets are neither recognized nor disclosed in the financial statements.

**o) Borrowing cost:**

Borrowing cost attributable to acquisitions and construction of capital goods are capitalized as a part of cost of such assets up to the date when such assets are ready for its intended use and all other borrowing costs are charged to profit & loss Account.

**(B) SIGNIFICANT NOTES TO RESTATED FINANCIAL STATEMENTS:**

- (1) The value of the closing stock of raw materials, work in process and finished goods has been arrived at on the basis of the records maintained and certified by the Management.
- (2) In the opinion of the board, the current assets (except stock of raw material, work in process and finished goods), loans and advances are approximately of the value stated, if realized, in the ordinary course of business.
- (3) **Segment reporting:**  
The Principal business of the company is manufacturing and sale of chemicals. All other activities of the company revolve around its main business. Hence, there is only one primary reportable business segment as defined by Accounting Standard -17 as notified by the Companies (Accounting Standards) Rules, 2006.

**(4) Statement of adjustments in Profit and Loss Accounts**

	<b>(Rs. In Lakhs)</b>					
<b>Year/Period ended on</b>	<b>31.03.06</b>	<b>31.03.07</b>	<b>31.03.08</b>	<b>31.03.09</b>	<b>31.03.10</b>	<b>30.09.10</b>
<b>Profit after Tax &amp; Extraordinary items (As per audited accounts)</b>	129.20	201.70	260.14	313.42	518.37	504.79
1. Provision for Tax	6.01	(6.70)	(0.04)	6.70	(2.52)	-
2. Provision for Deferred Tax	3.39	0.59	0.50	2.18	(6.63)	-
3. Provision for gratuity	(1.49)	(1.73)	(1.40)	(6.35)	-	-
4. Amortisation of Lease on Leasehold Land	(0.14)	(0.28)	(0.90)	(2.91)	4.23	-
<b>Net Total (Decrease) / Increase due to adjustments</b>	7.77	(8.12)	(1.84)	(0.38)	(4.92)	-
<b>Net Profit as per Restated Profit and Loss</b>	136.97	193.58	258.30	313.04	513.45	504.79

**Notes to above adjustments:****a) Tax of earlier years:**

The profit and loss account of certain years includes amount paid / provided for or refunded, in respect of short / excess income tax arising out of assessments and on account of short / excess provision of tax of earlier years. The impact on account of such short / excess income tax has been adjusted in respective years.

**b) Provision for Gratuity:**

No provision for the gratuity has been made in audited accounts upto the Year ended March 31,

2009. In the Restated Financial Statements, the Provision for Gratuity has been made in the years 2005-06 to 2008-09.

**c) Amortisation of Leasehold Land:**

The company has capitalized the leasehold land in the year of acquisition. The said land has a lease period of 95 years. No amortization in this regard has been done in the audited accounts up to the year March 31, 2009. In the restated financial statements, the effect of amortization has been given in the years 2005-06 to 2008-09.

**(5) Material Re-groupings:**

In the audited accounts for the year 2009-10, the company reported material consumed, other manufacturing overheads, salary & wages, cost of goods traded, excise duty on sales and change in stock of finished goods in the profit & loss statement but for earlier years i.e 2005-06 to 2008-09, the same were included under the head "Cost of Goods Sold" in the Profit & Loss Statement. In the restated financial statements, the same are re-grouped as under for the years 2005-06 to 2008-09 for meaningful comparison and better understanding:

(Rs. In Lakhs)						
Year /Period ended on	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10**	30.09.10**
<b>Cost of Goods Sold (As per audited accounts)</b>	2199.28	3484.14	3688.09	4163.86	-	-
<b>*Re-grouped as under in the restated profit and loss statement:</b>						
Material Consumed	1737.63	2576.85	2713.93	3166.48	4402.14	2940.10
Other Manufacturing Overheads	161.95	262.66	328.33	381.07	402.77	246.70
Factory Salaries & Wages	29.43	64.49	79.00	73.69	122.08	117.51
Cost of Goods Traded	22.73	185.29	299.70	168.53	217.15	682.33
Excise Duty on Sales	247.54	394.85	425.73	335.45	395.63	351.45
Change in stock of finished goods	-	-	(158.60)	38.64	(30.42)	(40.94)
<b>Total</b>	<b>2199.28</b>	<b>3484.14</b>	<b>3688.09</b>	<b>4163.86</b>		

\*Re-grouping done for the years 2005-06 to 2008-09

\*\* Figures for the year 2009-10 and for the period ended 30<sup>th</sup> September 2010 are as per Audited accounts

**(6) Deferred Tax (Assets)/ Liability****(Rs. In Lakhs)**

<b>Year/Period ended on</b>	<b>31.03.06</b>	<b>31.03.07</b>	<b>31.03.08</b>	<b>31.03.09</b>	<b>31.03.10</b>	<b>30.09.10</b>
<b>Deferred tax Liabilities:</b>						
On Account of difference in book and Tax depreciation	5.77	3.72	7.53	64.56	151.96	191.94
<b>Deferred Tax Assets:</b>						
On Account of Gratuity	(10.11)	(11.84)	(13.24)	(19.60)	(25.63)	(36.20)
Net Difference	(4.34)	(8.12)	(5.71)	44.96	126.33	155.74
Tax Rate in %	33.66	33.99	33.99	33.99	33.99	33.99%
<b>Net Deferred Tax (Assets) / Liabilities</b>	<b>(1.46)</b>	<b>(2.76)</b>	<b>(1.94)</b>	<b>15.28</b>	<b>42.94</b>	<b>52.94</b>

**Annexure – 6****Statement of Changes in Accounting Policies:**

There have been no changes in accounting policies during the reported period.

**Annexure - 7****Details of Contingent Liabilities****(Rs. In Lakhs)**

<b>Year/Period ended on</b>	<b>31.03.06</b>	<b>31.03.07</b>	<b>31.03.08</b>	<b>31.03.09</b>	<b>31.03.10</b>	<b>30.09.10</b>
Letter of Credit	Nil	Nil	Nil	Nil	125.52	539.00
Estimated Amount of Contracts remaining to be executed on capital account	Nil	Nil	Nil	Nil	492.08	228.48
<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>617.60</b>	<b>767.48</b>

**Note :**

We have examined all the contracts, claims and litigations against the Company and have analyzed the likely impact of the same as indicated above. We certify that apart from the contingent liabilities indicated above, the Company does not have any other contingent liabilities.

**Annexure - 8****Statement of Dividend****(Rs. in Lakhs)**

<b>Year /Period ended on</b>	<b>31.03.06</b>	<b>31.03.07</b>	<b>31.03.08</b>	<b>31.03.09</b>	<b>31.03.10</b>	<b>30.09.10</b>
Dividend on Equity Shares	Nil	Nil	Nil	Nil	57.64	Nil
<b>Total Dividend</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>57.64*</b>	<b>Nil</b>

<b>Dividend (%)</b>	Nil	Nil	Nil	Nil	5.00%	Nil
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\* excluding corporate tax on dividend

## Annexure -9

### Statement of Other Income

(Rs. in Lakhs)

Year/Period ended on	Recurring / Non Recurring	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	30.09.10
<b>Profit Before Tax &amp; extra ordinary items</b>		<b>205.20</b>	<b>304.93</b>	<b>394.04</b>	<b>486.96</b>	<b>753.11</b>	<b>733.76</b>
20% of Net Profit Before Tax		41.04	60.99	78.81	97.39	150.62	146.75
Other Income for the Year		5.71	27.43	24.90	2.26	26.53	4.39
<b>Other Income Details</b>							
Exchange Difference	Recurring	0.08	1.48	10.47	Nil	8.63	Nil
Duty Draw Back	Recurring	5.62	25.95	13.74	0.73	8.94	Nil
Interest Income	Recurring	Nil	Nil	0.67	1.09	7.34	4.39
Others	Non - Recurring	0.01	Nil	0.02	0.44	1.62	Nil
<b>Total</b>		<b>5.71</b>	<b>27.43</b>	<b>24.90</b>	<b>2.26</b>	<b>26.53</b>	<b>4.39</b>

## Annexure - 10

### Statement of Accounting Ratios

(Rs. in Lakhs)

Except per share data

Particulars	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	30.09.10
Net Profit After Tax	136.97	193.58	258.30	313.04	513.45	504.79
Net Worth	379.38	573.22	831.77	1145.08	1592.38	2044.96
<b>Return on Net Worth (RONW) (%)</b>	<b>36.10</b>	<b>33.77</b>	<b>31.05</b>	<b>27.34</b>	<b>32.24</b>	<b>24.68</b>
No. of Shares outstanding at the end of the year/period	262000	262000	262000	262000	11528000	11528000
<b>Net Asset Value per Share (NAV)</b>	<b>144.80</b>	<b>218.79</b>	<b>317.47</b>	<b>437.05</b>	<b>13.81</b>	<b>17.74</b>
Weighted average number of Equity Shares (without considering Bonus Issue in previous years)	200026	262000	262000	262000	11528000	11528000
<b>Basic Earnings per Share (EPS)</b>	<b>68.48</b>	<b>73.88</b>	<b>98.59</b>	<b>119.48</b>	<b>4.45</b>	<b>4.38*</b>
Weighted average number of Equity Shares (Considering Bonus Issue in all previous years)	11466026	11528000	11528000	11528000	11528000	11528000

<b>Adjusted Earnings per Share(EPS) (considering Bonus Issue in all previous years)</b>	<b>1.19</b>	<b>1.68</b>	<b>2.24</b>	<b>2.72</b>	<b>4.45</b>	<b>4.38*</b>
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\*Un- annualized

Basic Earning per Share (Rs.) = Net Profit after tax/Weighted average number of Equity Shares outstanding during the year /period(without considering Bonus Issue in previous years)

Adjusted Earning per Share (Rs.) = Net Profit after tax/Weighted average number of Equity Shares outstanding during the year/period (considering Bonus Issue in previous years)

Net Asset Value per Share (in Rs.) = Net Worth/Number of Equity Shares outstanding at the end of the year/period

Return on Net Worth (%) = Net Profit after tax X 100/Net Worth

**Notes:**

1. The above ratios have been computed on the basis of the Restated Unconsolidated Financial Information for the respective year/period.
2. Earnings per Share is computed in accordance with Accounting Standard (AS) 20 "Earning Per Share" issued by the Institute of Chartered Accountants of India.

**Annexure- 11**

**Statement of Capitalization**

<b>Particulars</b>	<b>Pre Issue as at September 30, 2010</b>	<b>Post Issue</b>
<b>Borrowing</b>		
Short Term Debt	2973.24	[•]
Long Term Debt	360.30	[•]
<b>Total Debt</b>	<b>3333.54</b>	<b>[•]</b>
<b>Shareholders' funds</b>		
Share Capital -Equity	1152.80	[•]
Reserves & Surplus	944.37	[•]
Less:- Miscellaneous expenditure not written off	52.21	[•]
<b>Total Shareholders' Funds</b>	<b>2044.96</b>	<b>[•]</b>
<b>Long Term debt/equity ratio</b>	<b>0.18</b>	<b>[•]</b>

**Note:**

1. Short Term Debt represents amount repayable within one year from 30.09.2010
2. Information pertaining to post issue [•] can be calculated on the conclusion of the Book Building Process.

## Annexure - 12

## Statement showing age-wise analysis of Sundry Debtors

(Rs. in Lakhs)

Year/Period ended on	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	30.09.10
<b>Debts outstanding exceeding six months</b>						
- Considered Good	41.31	47.76	37.50	86.68	93.16	112.59
- Considered Bad	Nil	Nil	Nil	Nil	Nil	Nil
<b>Other Debts</b>						
- Considered Good	663.92	452.51	754.72	1409.91	1564.55	2334.83
- Considered Bad	Nil	Nil	Nil	Nil	Nil	Nil
<b>TOTAL</b>	<b>705.23</b>	<b>500.27</b>	<b>792.22</b>	<b>1496.59</b>	<b>1657.71</b>	<b>2447.42</b>

There are no amounts recoverable from promoters, promoter group, group companies, associate companies and directors of the company.

## Annexure - 13

## Statement of loans and advances

(Rs. in Lakhs)

Particulars	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	30.09.10
Sundry Deposits	4.19	4.19	14.62	67.88	191.24	271.05
Advance to Suppliers	129.94	216.44	44.60	48.02	68.59	109.37
Advance for Expenses	3.37	10.88	2.74	4.53	5.97	8.99
TDS / Advance Tax / FBT	0.56	128.22	242.20	266.95	484.17	412.88
Balance With Excise Customs / Service Tax	55.56	191.95	179.94	89.32	71.90	86.62
Balance With Sales Tax	Nil	0.98	8.12	27.87	35.61	35.61
Other Advances (Recoverable in Cash or kind or for value to be received )	0.70	0.72	0.79	0.84	0.84	1.11
<b>Total</b>	<b>194.32</b>	<b>553.38</b>	<b>493.01</b>	<b>505.41</b>	<b>858.32</b>	<b>925.63</b>

## The above includes the following receivable from related parties

(Rs. In Lakhs)

Particulars	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	30.09.10
Rishichem Research Limited	8.02	46.81	Nil	Nil	Nil	Nil
<b>Total</b>	<b>8.02</b>	<b>46.81</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

## Statement of Secured and Unsecured Loans

<b>(A) Secured Loans</b>						
<b>(Rs. in Lakhs)</b>						
<b>Year/Period ended on</b>	<b>31.03.06</b>	<b>31.03.07</b>	<b>31.03.08</b>	<b>31.03.09</b>	<b>31.03.10</b>	<b>30.09.10</b>
Term Loans from Bank /Financial Institutions	Nil	205.04	107.50	810.00	607.50	562.82
Working Capital from Bank /FCNR Loan/Bills Discounting	722.07	574.82	902.65	1181.63	1911.51	1908.32
<b>Total</b>	<b>722.07</b>	<b>779.86</b>	<b>1010.15</b>	<b>1991.63</b>	<b>2519.01</b>	<b>2471.14</b>

**Details of securities**

The following is the details of our fund based limits:

<b>Name of the Bank</b>	<b>Type of the Loan Facility</b>	<b>Sanctioned Amount (In Rs. Lakhs)</b>	<b>Amount outstanding as on September 30, 2010 (Rs. In lakhs)</b>	<b>Interest</b>	<b>Repayment</b>	<b>Security</b>
Bank of Baroda	Term Loan-1	375.00	378.69	5.00% above base rate i.e. presently 13%	16 equal quarterly instalments commencing from June, 2009	<b>Primary Security</b> <b>1.</b> First charge on Plot no. W-92(A), Badlapur comprising of land, building and plant and machinery valuing approx. Rs. 245 lakhs. <b>2.</b> First charge on Plot no. F-24, Badlapur comprising of land, building and plant and machinery valuing
	Term Loan -2	182.00	184.13	5.00% above Base rate i.e. presently 13%	16 equal quarterly instalments commencing from June, 2009	



						<p>approx. Rs. 1029 lakhs.</p> <p><b>3.</b> First charge on Plot no. F-10, Badlapur comprising of land, building and plant and machinery valuing approx. Rs. 344 lakhs.</p> <p><b>4.</b> First charge on plant and machinery of the Company.</p> <p><b>Collateral Security</b> Personal guarantee of Mr. Pravin Herlekar, Mr. Shivdas Herlekar, Ms. Anjali Herlekar, Mr. Omkar Herlekar.</p>
	Term Loan -3	740.00	Amount sanctioned but not yet availed	5.00% above Base rate i.e. presently 13%	16 equal quarterly instalments of Rs. 46.25 Lakhs commencing after one year from the date of disbursement	<p><b>Primary Security</b></p> <p><b>1.</b> First charge on Plot no. W-92(A), Badlapur comprising of land, building and plant and machinery valuing approx. Rs. 245 lakhs.</p> <p><b>2.</b> First charge</p>

						<p>on Plot no. F-24, Badlapur comprising of land, building and plant and machinery valuing approx. Rs. 1029 lakhs.</p> <p>3. First charge on Plot no. F-10, Badlapur comprising of land, building and plant and machinery valuing approx. Rs. 344 lakhs.</p> <p>4. First charge on plant and machinery of the Company.</p> <p>5. First charge over Plot No. B-34, MIDC, Badlapur (E), Dist. Thane, Maharashtra comprising of land, building and Plant &amp; machinery valuing approximately Rs. 1002 lakhs</p> <p><b>Collateral Security</b> Personal guarantee of Mr. Pravin</p>
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						Herlekar, Mr. Shivdas Herlekar, Ms. Anjali Herlekar and Mr. Omkar Herlekar.
	Cash Credit* (including sub-limit of Rs. 500.00 lakhs for PC/ PCFC/ FBP/ UFBP/ FCBD)	2600.00	1908.32	5.00% above base rate i.e. presently 13%	-	<b>Primary Security</b> Hypothecation of stocks of raw materials, stock in process, finished goods stocks and spares and book debts.  <b>Collateral Security</b> Personal guarantee of Mr. Pravin Herlekar, Mr. Shivdas Herlekar, Ms. Anjali Herlekar, Mr Omkar Herlekar.

<b>(B) Unsecured Loans</b>						
	<b>(Rs. in Lakhs)</b>					
<b>Particulars</b>	<b>31.03.06</b>	<b>31.03.07</b>	<b>31.03.08</b>	<b>31.03.09</b>	<b>31.03.10</b>	<b>30.09.10</b>
From Directors	5.21	5.21	5.21	30.21	5.21	237.32
From Relatives of Directors	1.98	1.98	-	-	-	1.10
From Inter Corporate Deposits	Nil	Nil	246.42	283.14	59.80	498.71
Others	37.25	320.25	144.67	303.22	92.54	125.27
<b>TOTAL</b>	<b>44.44</b>	<b>327.44</b>	<b>396.30</b>	<b>616.57</b>	<b>157.55</b>	<b>862.40</b>

**NOTE:**

- Inter Corporate Deposit amounting 498.71 Lakhs consists of unsecured loan from Bajaj Auto Finance Ltd., Barclays Bank PLC, CITI Bank , HDFC Bank, and Money Line Credit Ltd. , Kotak Mahindra Bank Ltd. Dowel Fiscal Services Pvt. Ltd. , Rushabh Financial Services

INC , Samor Investment Enterprise , Shree Mahalaxmi Enterprises, Andes India Finance & Investment Pvt. Ltd.

- a. Loan from Bajaj Auto Finance Ltd amounting to Rs. 30.00 is repayable in 36 Monthly installments of Rs.1.14 Lakhs and outstanding as on September 30, 2010 is 13.09 Lakhs. @ 21.50 % p.a on reducing balance.
  - b. Loan from Barclays Bank PLC amounting to Rs.35.00 Lakhs is repayable in 36 Monthly installment of Rs.1.25 Lakhs and outstanding as on September 30, 2010 is 3.64 Lakhs @ 17.00 % p.a. on reducing balance
  - c. Loan from CITI Bank amounting to Rs.10.00 Lakhs is repayable in 36 Monthly installment of Rs.0.35 Lakhs and outstanding as on September 30, 2010 is Rs. 1.37 Lakhs @ 16.50 % p.a. on reducing balance
  - d. Loan from CITI Bank amounting to Rs. 10.00 Lakhs is repayable in 48 Monthly installment of Rs. 0.28 Lakhs and outstanding as on September 30, 2010 is Rs. 3.75 Lakhs @ 15.00 % p.a. on reducing balance
  - e. Loan from HDFC Bank amounting to Rs. 25.00 Lakhs is repayable in 24 Monthly installment of Rs.1.25 Lakhs and outstanding as on September 30, 2010 is Rs. 2.45 Lakhs @ 18.5 % p.a. on reducing balance
  - f. Loan from Money Line Credit Ltd. amounting to Rs. 25.00 Lakhs is repayable in 36 Monthly installment of Rs. 0.90 Lakhs and outstanding as on September 30, 2010 is Rs. 9.10 Lakhs @ 18 % p.a. on reducing balance.
  - g. Loan from Kotak Mahindra Bank Ltd. amounting to Rs. 75.00 Lakhs is repayable in 12 Monthly installment of Rs. 6.78 Lakhs and outstanding as on September 30, 2010 is Rs. 50.30 Lakhs @ 15.5 % p.a. on reducing balance.
  - h. Loan from Dowel Fiscal Services Pvt. Ltd. amounting to Rs. 100.00 Lakhs is repayable on demand and outstanding as on September 30, 2010 is Rs. 100.00 Lakhs.
  - i. Loan from Rushabh Financial Services INC amounting to Rs. 50.00 Lakhs is repayable on demand and outstanding as on September 30, 2010 is Rs. 50.00 Lakhs.
  - j. Loan from Samor Investment Enterprise amounting to Rs. 100.00 Lakhs is repayable on demand and outstanding as on September 30, 2010 is Rs. 100.00 Lakhs
  - k. Loan from Shree Mahalaxmi Enterprises amounting to Rs. 100.00 Lakhs is repayable on demand and outstanding as on September 30, 2010 is Rs. 100.00 Lakhs
  - l. Loan from Andes India Finance & Investment Pvt. Ltd. amounting to Rs. 65.00 Lakhs is repayable on demand and outstanding as on September 30, 2010 is Rs. 65.00 Lakhs
2. No terms and conditions as to repayment and interest are stipulated in respect of loans from Directors and their relatives.
  3. Others includes unsecured loans received from Individuals, HUF and unsecured Bills factoring facility from SICOM and Global Trade Finance Limited. The individuals referred were neither related to the Company nor to the related parties of the Company. As on September 30, 2010 Unsecured Bills Factoring Facility from Global Trade Finance Limited outstanding is Rs. 80.27 Lakhs and unsecured loan from Arun Deshpande – HUF outstanding is Rs. 45.00 Lakhs
  4. Unsecured loans from Individuals and HUF are repayable on demand.

**Annexure – 15**  
**Statement of Reserves and Surplus**

(Rs. In Lakhs)

Particulars	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	30.09.10
Profit and Loss Account	128.35	321.93	580.21	893.25	309.18	738.97
Securities Premium	225.90	225.90	225.90	225.90	0.00	0.00
General Reserve	0.00	0.00	0.00	0.00	130.40	205.40
<b>Total</b>	<b>354.25</b>	<b>547.83</b>	<b>806.11</b>	<b>1119.15</b>	<b>439.58</b>	<b>944.37</b>

**Annexure – 16**

**Statement of Fixed Assets**

(Rs. In Lakhs)

Particulars	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	30.09.10
Opening Balance	0.00	90.68	155.34	265.26	1588.79	1838.80
Additions	91.43	64.66	109.92	1323.53	250.01	57.30
Deduction	0.75	0.00	0.00	0.00	0.00	0.00
<b>Gross Block</b>	<b>90.68</b>	<b>155.34</b>	<b>265.26</b>	<b>1588.79</b>	<b>1838.80</b>	<b>1896.10</b>
Capital Work in Progress	0.00	92.00	451.07	0.00	57.93	388.02
Accumulated Depreciation	(4.73)	(19.76)	(46.20)	(97.42)	(278.52)	(367.45)
<b>Net Block</b>	<b>85.95</b>	<b>227.58</b>	<b>670.13</b>	<b>1491.37</b>	<b>1618.21</b>	<b>1916.67</b>

**Annexure - 17**

**Tax Shelter Statement**

(Rs. in Lakhs)

Year/Period ended on	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	30.09.10
Tax Rate (including surcharge and education cess)	33.66%	33.99%	33.99%	33.99%	33.99%	33.99%
MAT Rate (including surcharge and education cess)	10%	10%	10%	10%	15%	15%
Net Profit / (Loss) before tax (as restated)	205.20	304.93	394.04	486.96	753.11	733.76
<b>Notional Tax Payable (A)</b>	<b>69.07</b>	<b>103.65</b>	<b>133.93</b>	<b>165.52</b>	<b>255.98</b>	<b>249.40</b>
<b>Timing Difference</b>						
(i) Difference Between Restated and Income Tax depreciation	2.58	0.69	2.90	54.11	137.18	Nil
<b>Total of B</b>	<b>2.58</b>	<b>0.69</b>	<b>2.90</b>	<b>54.11</b>	<b>137.18</b>	<b>Nil</b>
<b>Permanent Differences</b>						
Exemption u/s 80G	Nil	1.00	0.20	Nil	Nil	Nil
<b>Total of C</b>	<b>Nil</b>	<b>1.00</b>	<b>0.20</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
<b>Net Adjustments (B+ C)</b>	<b>2.58</b>	<b>1.69</b>	<b>3.10</b>	<b>54.11</b>	<b>137.18</b>	<b>Nil</b>
<b>Tax saving thereon</b>	<b>0.87</b>	<b>0.57</b>	<b>1.05</b>	<b>18.39</b>	<b>46.63</b>	<b>Nil</b>
<b>Net Tax for the year /</b>	<b>68.20</b>	<b>103.08</b>	<b>132.88</b>	<b>147.13</b>	<b>209.35</b>	<b>249.40</b>

<b>period</b>						
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**Note:**

The information pertaining to the years ended 31/03/2006 to 31/03/2010 are as per the Return of Income filed under Section 139(1) of the Income Tax Act, 1961. The effect of assessment / appellate orders has been considered in the above calculation.

**Annexure – 18**

**Related Party Transactions**

<b>Party</b>	<b>Relationship</b>
Mr. Shivdas.R. Herlekar	Director – Key Management Personnel
Mr. Pravin.S. Herlekar	Director – Key Management Personnel
Mr. Dattatraya M. Deshpande*	Director – Key Management Personnel
Mr. Girish M. Deshpande*	Director – Key Management Personnel
Mr. Omkar P. Herlekar	Director – Key Management Personnel
Ms. Anjali P.Herlekar	Director – Key Management Personnel
Ms. Kamala S. Herlekar	Relative of Key Management Personnel
Rishichem Research Limited**	Related Party – Common Control Exists

\* Mr. Dattatraya M. Deshpande and Mr. Girish M. Deshpande resigned as director of the Company on April 1, 2010.

\*\*Rishichem Research Limited has become a wholly owned subsidiary of the Company with effect from May 14, 2010.

**(Rs. in Lakhs)**

<b>Particulars</b>		<b>31.03.06</b>	<b>31.03.07</b>	<b>31.03.08</b>	<b>31.03.09</b>	<b>31.03.10</b>	<b>30.09.10</b>
<b>Processing Charges Paid</b>	Related Party – Common Exists						
	Opening Bal Receivable(payable)	0.00	8.02	46.81	(7.22)	Nil	(18.50)
	Processing Charges Payable	(34.24)	(23.71)	(57.61)	(32.98)	(32.64)	16.96
	Paid during period	42.26	62.50	3.58	40.20	14.14	15.54
	Receivable / (Payable) during the period	8.02	46.81	(7.22)	Nil	(18.50)	(19.92)
<b>Directors Remuneration/Salary</b>	Key Management Personnel						
Mr. Pravin Shivdas Herlekar	Paid during the period	100.00	54.00	120.00	120.00	120.00	14.30
Ms.Anjali Herlekar	Paid during the period	Nil	Nil	3.00	3.00	3.00	1.46
Mr.Shivdas Herlekar	Paid during the period	Nil	Nil	1.20	1.20	1.20	0.60
Mr.Omkar Herlekar	Paid during the period			5.00	6.00	6.70	6.00

Mr.Dattatraya M. Deshpande	Paid during the period	Nil	Nil	Nil	4.40	4.69	-
Mr. Girish M. Deshpande	Paid during the period	Nil	Nil	Nil	3.81	4.11	-
<b>Unsecured Loans taken by Company</b>							
Mr. Pravin Herlekar	Opening Balance	Nil	Nil	Nil	Nil	25.00	Nil
	Taken During the period	Nil	Nil	Nil	25.00	10.00	234.00
	Repaid During the period	Nil	Nil	Nil	Nil	35.00	1.89
	Closing Balance	Nil	Nil	Nil	25.00	Nil	232.11
Ms. Anjali Herlekar	Opening Balance	1.82	1.82	1.82	1.82	1.82	1.82
	Taken During the period	Nil	Nil	Nil	Nil	Nil	Nil
	Repaid During the period	Nil	Nil	Nil	Nil	Nil	Nil
	Closing Balance	1.82	1.82	1.82	1.82	1.82	1.82
Mr. Shivdas Herlekar	Opening Balance	3.39	3.39	3.39	3.39	3.39	3.39
	Taken During the period	Nil	Nil	Nil	Nil	Nil	Nil
	Repaid During the period	Nil	Nil	Nil	Nil	Nil	Nil
	Closing Balance	3.39	3.39	3.39	3.39	3.39	3.39
Ms. Kamala Herlekar	Opening Balance	Nil	1.98	1.98	Nil	Nil	Nil
	Taken During the period	1.98	Nil	Nil	Nil	Nil	Nil
	Repaid During the period	Nil	Nil	1.98	Nil	Nil	Nil
	Closing Balance	1.98	1.98	Nil	Nil	Nil	Nil

For **Siddharth Sinkar & Associates**

**Chartered Accountants**

**Firm Registration No: 124931W**

**Siddharth Sinkar**

Proprietor

M. No. 109229

Place: Mumbai

Date: 27.10.2010

## FINANCIAL INFORMATION

### Auditor's Report on Consolidated Restated Financial Information

Board of Directors

**Omkar Speciality Chemicals Limited**

B -34, MIDC, Badlapur (E),

Dist: Thane -421503

Maharashtra

Dear Sirs,

- 1) We have examined the attached consolidated financial information of Omkar Speciality Chemicals Limited (hereinafter referred to as 'the Company') and its subsidiary company Rishichem Research Limited (the Company and its subsidiary constitute "the Group"), annexed to this report for the purpose of inclusion in the offer document. The Consolidated Financial Information, prepared by the Company and approved by Board of Directors of the Company, has been prepared in accordance with Paragraph B(1) of Part II of the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR Regulations") and in terms of our engagement agreed upon with you in accordance with our engagement letter dated October 10, 2010 in connection with the proposed Initial Public Offer of equity shares of the Company.
- 2) This information have been extracted by the Management of the Company from the consolidated financial statement of the Company for the financial period ended on September 30, 2010 audited by us. Accordingly reliance has been placed on the consolidated financial statements for the said period for the purpose of the restated financial information.
- 3) We have examined the attached Consolidated Statement of Assets and Liabilities, as restated of the Company as at September 30, 2010 (Annexure 1), the attached Consolidated Profits and Losses Account, as restated for the period ended September 30, 2010 (Annexure 2) and the attached Consolidated Statement of Cash Flow, as restated for the period ended September 30, 2010 (Annexure 3), together referred to as Consolidated Financial Statements, as restated.

These Consolidated Financial Statements as restated have been extracted from the consolidated financial statements for the period ended September 30, 2010 adopted by the Board of Directors and audited by us for those respective years.

- 4) We report that:
  - c) The Restated Consolidated Statement of Assets and Liabilities of the Company for the period ended on September 30, 2010 are as set out in Annexure-1 to this report;



- d) The Restated Consolidated Statement of Profits and Losses of the Company for the period ended September 30, 2010 are as set out in Annexure-2 to this report;
- e) The Restated Consolidated Statement of Cash Flow of the Company for the period ended September 30, 2010 are as set out in Annexure-3 to this report
- 5) We have examined the following Consolidated financial information relating to the Company for the period ended September 30, 2010 proposed to be included in the offer document, as prepared and approved by the Board of Directors and annexed to this report:
  - a. Statement of Accounting Policies as appearing in Annexure 4 to this report;
  - b. Statement of Significant notes to restated consolidated financial statements as appearing in Annexure 5 to this report;
  - c. Statement of changes in Accounting Policies as appearing in Annexure 6 to this report;
  - d. Details of contingent liabilities as appearing in Annexure 7 to this report;
  - e. Statement of Dividend declared/distributed as Annexure 8 to this report.
  - f. Statement of Break-up of Other income as appearing in Annexure 9 to this report;
  - g. Statement of Accounting Ratios as appearing in Annexure 10 to this Report;
  - h. Capitalization Statement as appearing in Annexure 11 to this report;
  - i. Statement showing age wise analysis of Sundry Debtors enclosed as Annexure 12 to this report;
  - j. Statement of Loans and Advances as appearing in Annexure 13 to this report;
  - k. Statement of Secured and Unsecured Loans as appearing in Annexure 14 to this report;
  - l. Statement of Reserves and Surplus in Annexure 15 to this report;
  - m. Statement of Fixed Assets in Annexure 16 to this report;
  - n. Statement of tax shelter as appearing in Annexure 17 to this report; and
  - o. Statement of Related Party transactions enclosed as Annexure 18 to this report;
- 6) In our opinion the Restated Statement of Consolidated Assets and Liabilities, Restated Statement of consolidated Profit and Loss Account and the financial information as stated above read along with the Significant Accounting Policies and Notes to restated consolidated financial statements as set out in Annexure-5 have been prepared in accordance with Paragraph B(1) of Part II of Schedule II of the Companies Act, 1956 and the SEBI (ICDR) Regulations.
- 7) We further state that:
  - j. There are no incorrect accounting practices or failures to make provisions or other adjustments to restated accounts which resulted in audit qualifications for which adjustment or rectification was required.
  - ii. There have been no material amounts relating to adjustments for previous years in arriving at the profits of the years to which they relate irrespective of the period in which

the event triggering the profit or loss occurred.

- iii. There has been no change in accounting policy in the consolidated profits or losses of the period under the restated accounts.
- iv. There has been no incorrect accounting policy which needs re computation in the consolidated financial information.
- 8) This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us nor should it be construed as a new opinion on any of the financial statements referred to therein.
- 9) This report is intended solely for use of the management and for inclusion in the offer document in connection with the Proposed Initial Public Offer of the Company and should not be used or referred to or distributed for any other purpose without our prior consent in writing.

For **Siddharth Sinkar & Associates**

**Chartered Accountants**

**Firm Registration No: 124931W**

**Siddharth Sinkar**

Proprietor

M. No. 109229

Place: Mumbai

Date: 27.10.2010

**Annexure - 1****Restated Consolidated Statement of Assets and Liabilities****(Rs. In Lakhs)**

<b>Period ended on</b>	<b>30.09.10</b>
<b>Fixed Assets (A)</b>	
Gross Block	2018.48
Less : Depreciation	368.78
Add: Capital Work In Process	388.02
<b>Net Block</b>	<b>2,037.72</b>
<b>Investments (B)</b>	0.25
<b>Current Assets Loans and Advances (C)</b>	
Inventories	2,727.93
Receivables / Sundry Debtors	2,462.18
Cash and Bank Balances	43.74
Loans and Advances	940.48
<b>Total (C)</b>	<b>6,174.33</b>
<b>Total Assets (A+B+C)</b>	<b>8,212.30</b>
<b>Liabilities and Provisions (D)</b>	
Secured Loans	2,471.14
Unsecured Loans	889.75
Current Liabilities and provisions	2749.76
Deferred Tax Liability	53.98
<b>Total (D)</b>	<b>6164.63</b>
<b>Minority Interest (E)</b>	<b>0.07</b>
<b>Net Worth (A+B+C-D-E) = (F)</b>	<b>2,047.60</b>
<b>Represented by</b>	
Share Capital	1,152.80
Reserve & Surplus	947.01
Less : Miscellaneous Expenditure Not Written Off	52.21
<b>Net Worth</b>	<b>2,047.60</b>

**Annexure – 2****Restated Consolidated Statement of Profits & Losses****(Rs. In Lakhs)**

<b>Period ended on</b>	<b>30.09.10</b>
<b>Income</b>	
<b>Sales :</b>	
Products manufactured by the company	4722.41

Products traded by the company	739.55
<b>Gross Sales</b>	<b>5,461.96</b>
Less : Excise Duty	351.46
<b>Net Sales</b>	<b>5,110.50</b>
Other Income	4.39
Increase/ (Decrease) stock of Finished Goods	40.94
<b>Total Income</b>	<b>5,155.83</b>
<b>Expenditure</b>	
Raw Material Consumed	2940.14
Other Manufacturing Overheads	233.15
Employee Costs	147.79
Cost of Goods Traded	682.33
Administrative, Selling & Distribution Costs	131.16
Interest / Financial Charges	192.73
Depreciation & Amortisation	90.26
<b>Total Expenditure</b>	<b>4,417.56</b>
<b>Net Profit before tax and extraordinary items</b>	<b>738.27</b>
Provision for Taxation	220.43
Provision for Deferred Tax	9.94
<b>Net Profit after tax but before extraordinary items</b>	<b>507.90</b>
<b>Extra Ordinary Items</b>	-
<b>Net Profit after tax and extraordinary items</b>	<b>507.90</b>

### Annexure -3

#### Restated Consolidated Statement of Cash Flow

(Rs. In Lakhs)

	<b>Period ended on</b>	<b>30.09.10</b>
<b>A</b>	<b>Cash Flow from Operating Activities</b>	
	Net Profit before Tax as restated	738.27
	<b>Adjustment for :</b>	
	Depreciation for the period	90.27
	Pre-acquisition profits of Subsidiary	(0.68)
	Share of Minority Interest in Post Acquisition profits	*(0.00)
	Interest Income	(4.39)
	Interest/Finance Charges	192.72
	Unrealised Foreign Currency Gain /Loss	14.40
	<b>Operating Profit Before Working Capital Changes</b>	<b>1,030.59</b>
	Adjustment for Working Capital Changes	
	Trade and Other Receivables	(811.03)
	Inventories	(779.75)
	Other Loans & Advances	(20.07)
	Trade and other Payables	710.34

	Due to Minority Interest	0.07
	Cash Generated from Operations	130.15
	Income Tax Paid	( 62.10)
	Net Cash Used in Operating Activities (A)	68.05
<b>B</b>	<b>Cash Flow from Investing Activities</b>	
	Purchase of Fixed Assets/ Capital Expenditure	(413.20)
	Goodwill arising on Consolidation	(96.58)
	Investments	(0.25)
	Interest Income	4.39
	Net Cash used in Investing Activities	(505.64)
<b>C</b>	<b>Cash Flow from Financing Activities</b>	
	Secured Loans (Net)	(47.87)
	IPO Expenses	(52.21)
	Unsecured Loans Taken /Repaid (Net)	732.20
	Interest Expenses	(192.72)
	Net Cash used in Financing Activities	439.40
	<b>Net Increase (-Decrease) in</b>	
	Cash & Cash Equivalents (A+B+C)	1.81
	Cash & Cash Equivalent at the beginning of the Year	41.93
	Cash & Cash Equivalent at the end of the Year	43.74

\*negligible

#### Annexure -4

##### (A) SIGNIFICANT ACCOUNTING POLICIES:

###### a) Basis of preparation of financial statements:

The consolidated financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, the provisions of the companies Act, 1956 and the applicable accounting standards. The company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

###### b) Principles of consolidation

The consolidated financial statements relate to Omkar Speciality Chemicals Limited (the Company) and its subsidiary company Rishichem Research Limited. The consolidated financial statements have been prepared on the following basis:

Name of Subsidiary	Country of Incorporation	Effective Shareholding
Rishichem Research Limited	India	99.82%

The financial statements of the parent company and its subsidiary have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transaction and unrealized profits in full. Unrealised losses, if any, resulting from intra-group

transactions are also eliminated except to the extent recoverable value of related assets is lower than their cost to the Group. The amounts shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its share in the relevant reserves of the subsidiary.

As far as possible, the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the manner as the Company's separate financial statements. The difference of the cost to the company of its investment in subsidiary over its share in the equity of the investee company as at the date of acquisition of stake is recognized in financial statements as Goodwill or Capital Reserve, as the case may be.

Minority interests represent the portion of a subsidiary's profit and loss and net assets that is not held by the parent company.

#### **1. The Subsidiary Company considered in the consolidated financial statements:**

<b>Name of the Company</b>	<b>% of voting powers held as at 14.05.2010</b>	<b>% of voting powers held as at 31.03.10 and preceding financial year</b>	<b>Consolidation from</b>
Rishichem Research Limited	99.82%	Nil	14.05.2010

As Rishichem Research Limited became a Subsidiary of the Company after March 31, 2010, the consolidated financial statements are not required to be prepared as at March 31, 2010.

#### **2. Acquisition of Rishichem Research Limited**

Pursuant to Share Purchase Agreement ("SPA") dated May 14, 2010 entered into between the Company and shareholders of Rishichem Research Limited on May 14, 2010 the Company acquired 99.82% equity interest in Rishichem Research Limited for the consideration of 1078 equity shares for a consideration of Rs.130.10 lakhs. As a result of this acquisition, Rishichem Research Limited became a subsidiary of Omkar Speciality Chemicals Limited

##### **c) Use of estimates:**

The preparation of consolidated financial statements requires estimates and assumptions that affect the reported amount of Assets and Liabilities on the date of the financial statements and the reported amount of Revenues and Expenses during the reporting period. Difference between the actual results and the estimates are recognized in the period in which the same are known/materialized.

##### **d) Fixed Assets:**

Fixed Assets are recorded and stated at cost, net of excise duty (CENVAT) and VAT less accumulated depreciation and impairment loss, if any. Cost includes all direct and indirect costs relating to the acquisition and installation of fixed assets, interest on borrowed funds, if any, used to finance/construction of fixed assets ready for commercial use. Leasehold land is amortised over the period of lease.

**e) Intangible Assets:**

Intangible asset comprises of goodwill is stated at cost.

**f) Foreign currency transactions/translation:**

Foreign currency transactions denominated in foreign currencies are recorded at the rate of exchange prevailing on the date of transaction. Exchange differences, if any, arising out transactions settled during the period are recognized in the profit & loss account.

Monetary items denominated in foreign currency as at the balance sheet date are translated at the closing exchange rate on that date. The Exchange differences, if any, are recognized in the profit & loss account. Non monetary foreign currency items are carried at cost.

The premium in respect of forward exchange contract is amortized over the life of the contract. The net gain or loss on account of any exchange difference, cancellation or renewal of such forward exchange contracts is recognized in the Profit & Loss Account in the reporting period.

**g) Inventories :**

1) The company is valuing Raw material stock by taking costs of purchase consist of the purchase price including duties and taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), freight inwards and other expenditure directly attributable to the acquisition. Trade discounts, rebates, duty drawbacks, finance cost and other similar items are deducted in determining value of the stock of Raw materials. In determining the cost the First In First Out (FIFO) method is used.

2) Finished Goods & WIP are valued taking into consideration Material cost plus share of labour and manufacturing overheads. Finished goods are valued at cost or net realizable value whichever is lower.

**h) Revenue recognition:**

- i) Revenue from sale of goods is recognized when the significant risks and rewards in respect of ownership of products are transferred by the company.
- ii) Revenue from product sale is stated net of returns, sales tax/VAT and applicable trade discounts and allowances.
- iii) Interest income is recognized on time accrual basis.

**i) Investments:**

Investments that are readily realisable and intended to be held for not more than one year from the date of investment are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at the lower of cost and realisable value, determined on an individual investment basis. Long-term investments are carried at cost less any other-than-temporary diminution in value, determined separately in respect of each category of investment.

**j) Export benefits:**

Export benefits available under prevalent schemes are accrued in the period in which the

goods are exported and are accounted to the extent considered receivable.

**k) Excise duty/custom duty:**

Excise duty / Customs duty has been accounted on the basis of payments made in respect of goods cleared. Modvat credit on raw materials and capital goods has been accounted for, by reducing the purchase cost of raw materials and capital goods respectively.

**l) Depreciation:**

Depreciation on all fixed assets is provided as per the provisions of Companies Act, 1956 on Written Down Value Method.

**m) Employee benefits:**

a) Short Term Employee Benefits:

All short- term employee benefits such as salaries, wages, bonus, special awards, medical benefits which fall due within twelve months of the period in which the employee renders the related services which entitles him to avail such benefits and non-accumulating compensated absences are recognized on an undiscounted basis charged to the profit and loss account.

b) Provision for Gratuity is made and provided on actuarial valuation basis.

Other retirement benefits are accounted as per company's policy.

**n) Taxes on income**

Income Taxes are accounted for in accordance with Accounting Standard 22 (AS 22) "Accounting for Taxes on Income". Tax expense comprises of Current Tax and Deferred Tax:

a) Current Tax is determined as the amount of tax payable in respect of taxable income for the period.

b)"Deferred tax assets and liabilities are recognized for the future tax consequences attributable to Timing Differences, between the taxable income and accounting income, that originate in one period and are capable of reversal in one or more periods. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in the future, however when there is unabsorbed depreciation or carry forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised."

**o) Provisions, contingent liabilities and contingent assets:**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the Notes to Accounts. Contingent Assets are neither recognized nor disclosed in the financial statements.



**p) Borrowing cost:**

Borrowing cost attributable to acquisitions and construction of capital goods are capitalized as a part of cost of such assets up to the date when such assets are ready for its intended use and all other borrowing costs are charged to profit & loss Account.

**q) Impairment of Assets:**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**Annexure -5**

**(B) SIGNIFICANT NOTES TO RESTATED FINANCIAL STATEMENTS:**

- (1) The value of the closing stock of raw materials, work in process and finished goods has been arrived at on the basis of the records maintained and certified by the Management.
- (2) In the opinion of the board, the current assets (except stock of raw material, work in process and finished goods), loans and advances are approximately of the value stated , if realized, in the ordinary course of business.
- (3) **Segment reporting:**  
The Principal business of the company is manufacturing and sale of chemicals. All other activities of the company revolve around its main business. Hence, there is only one primary reportable business segment as defined by Accounting Standard -17 as notified by the Companies (Accounting Standards) Rules, 2006.

**(4) Deferred Tax (Assets)/ Liability**

	<b>(Rs. In Lakhs)</b>
<b>Period ended on</b>	<b>30.09.10</b>
<b>Deferred tax Liabilities:</b>	
On Account of difference in book and Tax depreciation	195.32
<b>Deferred Tax Assets:</b>	
On Account of Gratuity	(36.20)
Net Difference	159.12
<b>Net Deferred Tax (Assets) / Liabilities</b>	<b>53.98</b>

**Annexure – 6**

**Statement of Changes in Accounting Policies:**

There have been no changes in accounting policies.

**Annexure - 7****Details of Contingent Liabilities****(Rs. In Lakhs)**

<b>Period ended on</b>	<b>30.09.10</b>
Letter of Credit	539.00
Estimated Amount of Contracts remaining to be executed on capital account	228.48
<b>Total</b>	<b>767.48</b>

**Note:** We have examined all the contracts, claims and litigations against the Company and have analyzed the likely impact of the same as indicated above. We certify that apart from the contingent liabilities indicated above, the Company does not have any other contingent liabilities.

**Annexure - 8****Statement of Dividend**

<b>Period ended on</b>	<b>30.09.10</b>
Dividend on Equity Shares	Nil
<b>Total Dividend</b>	Nil
<b>Dividend (%)</b>	Nil

**Annexure -9****Statement of Other Income****(Rs. in Lakhs)**

<b>Period ended on</b>	<b>Recurring / Non Recurring</b>	<b>30.09.10</b>
<b>Profit Before Tax &amp; extra ordinary items</b>		<b>738.27</b>
20% of Net Profit Before Tax		147.65
Other Income for the Year		4.39
<b>Other Income Details</b>		
Interest Income	Recurring	4.39
<b>Total</b>		<b>4.39</b>

**Annexure – 10****Statement of Accounting Ratios****(Rs. in Lakhs)**

<b>Particulars</b>	<b>30.09.10</b>
Net Profit After Tax	507.90
Net Worth	2047.60
<b>Return on Net Worth (RONW) (%)</b>	<b>24.80</b>
No. of Shares outstanding at the end of the year	11528000
<b>Net Asset Value per Share (NAV)</b>	<b>17.76</b>
Weighted average number of Equity Shares	11528000
<b>Basic and Diluted Earnings per Share (EPS)</b>	<b>4.41*</b>

\*un-annualized

Basic and Diluted Earning per Share (Rs.) = Net Profit after tax/Weighted average number of Equity Shares outstanding during the year/period

Net Asset Value per Share (in Rs.) = Net Worth/Number of Equity Shares outstanding at the end of the year/period

Return on Net Worth (%) = Net Profit after tax X 100/Net Worth

**Notes:**

1. The above ratios have been computed on the basis of the Restated Consolidated Financial Information
2. Earnings per Share is computed in accordance with Accounting Standard (AS) 20 "Earning Per Share" issued by the Institute of Chartered Accountants of India.

**Annexure- 11**

**Statement of Capitalization**

(Rs. In Lakhs)

Particulars	Pre Issue as at Sep 30, 2010	Post Issue
<b>Borrowing</b>		
Short Term Debt	3000.59	[•]
Long Term Debt	360.30	[•]
<b>Total Debt</b>	<b>3360.89</b>	<b>[•]</b>
<b>Shareholders' funds</b>		
Share Capital -Equity	1152.80	[•]
Reserves & Surplus	947.01	[•]
Less:- Miscellaneous expenditure not written off	52.21	[•]
<b>Total Shareholders' Funds</b>	<b>2047.60</b>	<b>[•]</b>
<b>Long Term debt/equity ratio</b>	<b>0.18</b>	<b>[•]</b>

**Note:**

1. Short Term Debt represents amount repayable within one year from 30.09.2010
2. Information pertaining to post issue [•] can be calculated on the conclusion of the Book Building Process.

**Annexure - 12**

**Statement showing Age-wise analysis of Sundry Debtors**

(Rs. in Lakhs)

<b>Period ended on</b>	<b>30.09.10</b>
<b>Debts outstanding exceeding six months</b>	
- Considered Good	112.59
- Considered Bad	Nil
<b>Other Debts</b>	
- Considered Good	2349.59
- Considered Bad	Nil

<b>TOTAL</b>	<b>2462.18</b>
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There are no amounts recoverable from promoters, promoter group, group companies, associate companies and directors of the company.

#### Annexure - 13

##### Statement of loans and advances

(Rs. In Lakhs)

Particulars	30.09.2010
Sundry Deposits	272.12
Advance to Suppliers	109.45
Advance for Expenses	9.13
TDS / Advance Tax / FBT	426.05
Balance With Excise Customs / Service Tax	86.62
Balance With Sales Tax	36.00
Other Advances (Recoverable in Cash or kind or for value to be received )	1.11
<b>Total</b>	<b>940.48</b>

#### Annexure – 14

##### Statement of Secured and Unsecured Loans

##### (A) Secured Loans

Year ended on	30.09.10
Term Loans from Bank /Financial Institutions	562.82
Working Capital from Bank /FCNR Loan/Bills Discounting	1908.32
<b>Total</b>	<b>2471.14</b>

##### Details of securities

The following is the details of our fund based limits:

Name of the Bank	Type of the Loan Facility	Sanctioned Amount (In Rs. Lakhs)	Amount outstanding as on Sep 30, 2010 (Rs. In lakhs)	Interest	Repayment	Security
Bank of Baroda	Term Loan-1	375.00	378.69	5.00% above base rate i.e. presently 13%	16 equal quarterly instalments commencing from June, 2009	<b>Primary Security</b> 1. First charge on Plot no. W-92(A), Badlapur comprising of land, building and plant and
	Term Loan - 2	182.00	184.13	5.00% above	16 equal quarterly	

				Base rate i.e. presently 13%	instalments commencing from June, 2009	<p>machinery valuing approx. Rs. 245 lakhs.</p> <p>2. First charge on Plot no. F-24, Badlapur comprising of land, building and plant and machinery valuing approx. Rs. 1029 lakhs.</p> <p>3. First charge on Plot no. F-10, Badlapur comprising of land, building and plant and machinery valuing approx. Rs. 344 lakhs.</p> <p>4. First charge on plant and machinery of the Company.</p> <p><b>Collateral Security</b> Personal guarantee of Mr. Pravin Herlekar, Mr. Shivdas Herlekar, Ms. Anjali Herlekar, Mr Omkar Herlekar.</p>
	Term Loan -3	740.00	Amount	5.00%	16 equal	1. First charge

			sanctioned but not availed	above Base rate i.e. presently 13%	quarterly instalments of Rs. 46.25 Lakhs commencing after one from the date of disbursement	<p>on Plot no. W-92(A), Badlapur comprising of land, building and plant and machinery valuing approx. Rs. 245 lakhs.</p> <p>2. First charge on Plot no. F-24, Badlapur comprising of land, building and plant and machinery valuing approx. Rs. 1029 lakhs.</p> <p>3. First charge on Plot no. F-10, Badlapur comprising of land, building and plant and machinery valuing approx. Rs. 344 lakhs.</p> <p>4. First charge on plant and machinery of the Company.</p> <p>5. First charge over Plot No. B-34, MIDC, Badlapur (E), Dist. Thane, Maharashtra comprising of</p>
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						land, building and Plant & machinery valuing approximately Rs. 1002 lakhs  <b>Collateral Security</b> Personal guarantee of Mr. Pravin Herlekar, Mr. Shivdas Herlekar, Ms. Anjali Herlekar and Mr. Omkar Herlekar.
	Cash Credit* (including sub-limit of Rs. 500.00 lakhs for PC/ PCFC/ FBP/ UFBP/ FCBD)	2600.00	1908.32	5.00% above base rate i.e. presently 13%	-	<b>Primary Security</b> Hypothecation of stocks of raw materials, stock in process, finished goods stocks and spares and book debts.  <b>Collateral Security</b> Personal guarantee of Mr. Pravin Herlekar, Mr. Shivdas Herlekar, Ms. Anjali Herlekar, Mr. Omkar Herlekar.

**(B) Unsecured Loans**

<b>Particulars</b>	<b>30.09.10</b>
From Directors	262.66

From Relative of Directors	1.10
From Inter Corporate Deposits	498.71
Others	127.27
<b>TOTAL</b>	<b>889.74</b>

**NOTE:**

1. Inter Corporate Deposit amounting 498.71 Lakhs consists of unsecured loan from Bajaj Auto Finance Ltd., Barclays Bank PLC, CITI Bank , HDFC Bank, and Money Line Credit Ltd. , Kotak Mahindra Bank Ltd. Dowel Fiscal Services Pvt. Ltd. , Rushabh Financial Services INC , Samor Investment Enterprise , Shree Mahalaxmi Enterprises, Andes India Finance & Investment Pvt. Ltd.
  - a. Loan from Bajaj Auto Finance Ltd amounting to Rs. 30.00 is repayable in 36 Monthly installments of Rs.1.14 Lakhs and outstanding as on September 30, 2010 is 13.09 Lakhs. @ 21.50% p.a on reducing balance.
  - b. Loan from Barclays Bank PLC amounting to Rs. 35.00 Lakhs is repayable in 36 Monthly installment of Rs. 1.25 Lakhs and outstanding as on September 30, 2010 is 3.64 Lakhs @ 17.00% p.a. on reducing balance
  - c. Loan from CITI Bank amounting to Rs.10.00 Lakhs is repayable in 36 Monthly installment of Rs. 0.35 Lakhs and outstanding as on September 30, 2010 is Rs. 1.37 Lakhs @ 16.50% p.a. on reducing balance
  - d. Loan from CITI Bank amounting to Rs. 10.00 Lakhs is repayable in 48 Monthly installment of Rs. 0.28 Lakhs and outstanding as on September 30, 2010 is Rs. 3.75 Lakhs @ 15.00% p.a. on reducing balance
  - e. Loan from HDFC Bank amounting to Rs. 25.00 Lakhs is repayable in 24 Monthly installment of Rs .1.25 Lakhs and outstanding as on September 30, 2010 is Rs. 2.45 Lakhs @ 18.5 % p.a. on reducing balance
  - f. Loan from Money Line Credit Ltd. amounting to Rs. 25.00 Lakhs is repayable in 36 Monthly installment of Rs. 0.90 Lakhs and outstanding as on September 30, 2010 is Rs. 9.10 Lakhs @ 18% p.a. on reducing balance.
  - g. Loan from Kotak Mahindra Bank Ltd. amounting to Rs. 75.00 Lakhs is repayable in 12 Monthly installment of Rs. 6.78 Lakhs and outstanding as on September 30, 2010 is Rs. 50.30 Lakhs @ 15.50 % p.a. on reducing balance.
  - h. Loan from Dowel Fiscal Services Pvt. Ltd. amounting to Rs. 100.00 Lakhs is repayable on demand and outstanding as on September 30, 2010 is Rs. 100.00 Lakhs.
  - i. Loan from Rushabh Financial Services INC amounting to Rs. 50.00 Lakhs is repayable on demand and outstanding as on September 30, 2010 is Rs. 50.00 Lakhs.
  - j. Loan from Samor Investment Enterprise amounting to Rs. 100.00 Lakhs is repayable on demand and outstanding as on September 30, 2010 is Rs. 100.00 Lakhs
  - k. Loan from Shree Mahalaxmi Enterprises amounting to Rs. 100.00 Lakhs is repayable on demand and outstanding as on September 30, 2010 is Rs. 100.00 Lakhs
2. Loan from Andes India Finance & Investment Pvt. Ltd. amounting to Rs. 65.00 Lakhs is repayable on demand and outstanding as on September 30, 2010 is Rs. 65.00 Lakhs
3. No terms and conditions as to repayment and interest are stipulated in respect of loans from Directors their relatives and friends of Directors



4. Others include unsecured loans received from individuals, HUF and unsecured Bills factoring facility from Global Trade Finance Limited. As on September 30, 2010 Unsecured Bills Factoring Facility from Global Trade Finance Limited outstanding is Rs. 80.26 Lakhs, unsecured loan from Arun Deshpande - HUF outstanding is Rs. 45.00 Lakhs and from Mr. S.S. Wagle outstanding is Rs. 2.00 Lakhs
5. Unsecured loans from Individuals and HUF are payable on demand.

#### Annexure – 15

#### Statement of Reserves and Surplus

(Rs. In Lakhs)

<b>Particulars</b>	<b>30.09.10</b>
Profit and Loss Account	741.61
Securities Premium	0.00
General Reserve	205.40
<b>Total</b>	<b>947.01</b>

#### Annexure – 16

#### Statement of Fixed Assets

(Rs. In Lakhs)

<b>Particulars</b>	<b>30.09.10</b>
Opening Balance	1838.80
Additions	179.68
Deductions	0.00
<b>Gross Block</b>	<b>2018.48</b>
Capital Work in Progress	388.02
Accumulated Depreciation	(368.78)
<b>Net Block</b>	<b>2037.72</b>

**Annexure - 17****Tax Shelter Statement**

<b>Period ended on</b>	<b>30.09.10</b>
Tax Rate (including surcharge and education cess)	33.99%
MAT Rate (including surcharge and education cess)	15%
Net Profit / (Loss) before tax (as restated)	738.27
<b>Notional Tax Payable (A)</b>	250.94
<b>Timing Difference</b>	
(i) Difference Between Restated and Income Tax depreciation	Nil
<b>Total of B</b>	Nil
<b>Permanent Differences</b>	
Exemption u/s 80G	Nil
<b>Total of C</b>	Nil
<b>Net Adjustments (B+ C)</b>	Nil
<b>Tax saving thereon</b>	Nil
<b>Net Tax for the year / period</b>	250.94

**Note:** The information pertaining to the years ended 31/03/2006 to 31/03/2010 are as per the Return of Income filed under Section 139(1) of the Income Tax Act, 1961. The effect of assessment / appellate orders has been considered in the above calculation.

**Annexure – 18****Related Party Transactions**

<b>Party</b>	<b>Relationship</b>
Mr. Shivdas R. Herlekar	Director – Key Management Personnel
Mr. Pravin S. Herlekar	Director – Key Management Personnel
Mr. Omkar P. Herlekar	Director – Key Management Personnel
Ms. Anjali P. Herlekar	Director – Key Management Personnel
Mr. Dattatraya M. Deshpande	Director – Key Management Personnel
Ms. Kamala S. Herlekar	Relative of Key Management Personnel
Mr. Girish M. Deshpande	Relative of Key Management Personnel

**(Rs. in Lakhs)**

<b>Particulars</b>		<b>As on 30.9.10</b>
<b>Directors Remuneration/Salary</b>	<b>Key Management Personnel</b>	
Mr. Pravin Shivdas Herlekar	Paid during the period	14.30
Ms. Anjali Herlekar	Paid during the period	1.46
Mr. Shivdas Herlekar	Paid during the period	0.60
Mr. Omkar Herlekar	Paid during the period	6.00
Mr. Dattatraya M. Deshpande	Paid during the period	2.44

Mr. Girish M. Deshpande	Paid during the period	2.21
<b>Unsecured Loan</b>		
Mr. Pravin S. Herlekar	Opening Balance	23.83
	Taken During the period	234.00
	Repaid During the Period	1.89
	Closing Balance	255.94
Ms.Anjali P. Herlekar	Opening Balance	2.62
	Taken During the period	Nil
	Repaid During the Period	Nil
	Closing Balance	2.62
Mr.Shivdas Herlekar	Opening Balance	3.39
	Taken During the period	Nil
	Repaid During the Period	Nil
	Closing Balance	3.39
Mr. Dattatraya M. Deshpande	Opening Balance	0.72
	Taken During the period	1.10
	Repaid During the Period	Nil
	Closing Balance	1.82

For **Siddharth Sinkar & Associates**

**Chartered Accountants**

**Firm Registration No: 124931W**

**Siddharth Sinkar**

**Proprietor**

M. No. 109229

Place: Mumbai

Date: 27.10.2010

## **Management's discussion and analysis of financial condition and results of operations**

You should read the following discussion of our financial condition and results of operations together with our audited unconsolidated financial statements (as restated) for the five financial years ended March 31, 2010 and for the period ended September 30, 2010 including the schedules, annexure and notes thereto and the reports thereon, which appear in the section titled "Financial Statements of the Company" beginning on page no. 122 of this Red Herring Prospectus. You are also advised to read the section titled "Risk Factors" beginning on page no. iii of this Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. These financial statements are prepared in accordance with Indian GAAP, the Companies Act and the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and restated as described in Auditor's Report of March 31, 2010 and for the period ended September 30, 2010.

The following discussions are based on our restated unconsolidated financial statements for the five financial years ended March 31, 2010 and for the period ended September 30, 2010 which has been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and on information available from other sources. Our fiscal year ends on March 31 each year, so all references to a particular year are to the twelve-month period ended on March 31 of that year.

### **Industry Overview**

Our Company operates in two industry segments viz. speciality chemicals industry and pharmaceutical industry. The overview of these is as under:

#### ***Speciality Chemical Industry***

Speciality chemicals is generally described as a group of relatively high value, low volume chemicals known for their end use applications and catalysing properties. In India, the industry is recording a rapid growth of approximate 15% y-o-y which includes fine chemicals, organic chemicals and pharmaceutical intermediates. The usage of speciality chemicals is found in multitude of industries like textiles, paints, inks, plastics, adhesives, flavours/fragrances and also in paper industry. Extensive applications are also found in construction, automotive, electronics and water treatments whereas Active Pharmaceutical Ingredients (API) constitutes the largest segment of the speciality chemical industry. The industry size is about US\$15 bn and this growth momentum is backed by cost efficiency and a large pool of engineers & scientists whose emphasis and expertise on R&D is leading to new discoveries. Major drivers for speciality chemicals are favourable macroeconomic factors in India and growing export market with scope for import substitution. Moreover, there is a great potential of chemical demand in India as per capita chemical consumption is relatively low compared to global and Asian countries.

API's are the key ingredients for making drugs and India's emergence as a hub for manufacturing of pharmaceuticals (APIs) has been the key driver for the growth in the speciality chemicals market. Approximately 90% of the total APIs produced in India is exported to Europe, the US and Japan. With the increase in outsourcing to India by MNCs, the exports

market is expected to be the key growth driver of the Indian API market. In FY2007, the Indian API market was worth US\$4.1 bn and had recorded a CAGR growth of 21% from FY2002-07 and is expected to grow to approximately US\$12.75 bn by FY2012.

### ***Indian Pharmaceutical Industry***

The Indian Pharmaceutical Industry (IPI) is one of the largest in the world and has grown to a US\$20 bn (~ Rs 95,000 crore) industry backed by robust growth in terms of infrastructure development, technology base and a wide range of products. It is now the 3<sup>rd</sup> largest in the world in terms of volume and 14<sup>th</sup> largest in terms of value thereby accounting for around 10% of world's production by volume and 2% by value due to lower prices. The industry now produces about 400 bulk drugs (APIs) and almost entire range of formulations belonging to all major therapeutic groups requiring complex manufacturing technologies. This is possible as it is supported by strong scientific and technical manpower and pioneering work done in process development. However, the industry is highly fragmented with around 20,000 odd players of which approximately 250 medium to large corporations controlling about 70% of the total domestic market.

The industry has been growing at a healthy rate of 11-12% y-o-y over the last few years with growth in exports outstripping steady growth in the domestic market. Export market which constitutes 41% of the total IPI/ API sales in FY2009 has shown a robust growth rate of nearly 22% y-o-y over the five year period ending FY2009. Approximately 55% of the total exports constitute of formulations and the other 45% comprises of bulk drugs. Indian exports are destined to more than 200 countries around the globe including highly regulated markets of US (21% export share), Europe (24% export share), Japan and Australia. This can be attributed to increasing genericization of drugs in the regulated markets and growing trend in outsourcing of pharmaceutical production by global pharma companies to low cost destinations like India.

### **Our Business Overview**

Our Company is mainly engaged in the manufacture and sale of speciality chemicals viz. selenium compounds, iodine compounds, molybdenum compounds etc. and pharma intermediates viz. Potassium Iodate, Bismuth Ammonium Citrate, Bromoform etc.

Our Company has four units at MIDC, Badlapur (E), Thane, Maharashtra. At present, we carry out our manufacturing activities at our two units viz. Unit 1 & Unit 2. Our Company has recently set up a new manufacturing facility viz. Unit 3, the commercial production of which is likely to start in the month of March, 2011.

We manufacture a range of organic, inorganic and organo inorganic intermediates. The inorganic intermediates include Molybdenum derivatives, Selenium derivatives, Iodine derivatives, Cobalt derivatives, Bismuth & Tungsten derivatives and the organic intermediates include Tartaric acid derivatives and other intermediates. These products find applications in various industries like pharmaceutical industry, chemical industry, glass industry, cosmetics, ceramic pigments and cattle & poultry feeds. Iodine & Selenium derivatives are our key category of products contributing 85.24% to our gross sales during the year 2009-10.

We are exporting our products to Europe, North America, Asia, South America & Australia. The total exports constituted 8.69%, 12.35% and 7.97% of gross sales during FY 2008, FY 2009 and FY 2010 respectively.

Our Company carries out research & development activities at Badlapur, Maharashtra. The research is carried out for improving the quality of existing products and development of new processes for the existing products.

### **Factors affecting results of our operations**

Our results of operations could potentially be affected by the following factors

- (a) Volatility in the prices of the raw material
- (b) Ability to maintain product quality consistently and offer same at competitive pricing to face stiff competition
- (c) Government policy including taxes and duties
- (d) Fluctuations in foreign exchange
- (e) Dependence on few products/customers
- (f) Compliance with necessary regulatory norms
- (g) Competition in our business
- (h) Slowdown in world economy

### **Components of Revenue & Expenditure**

#### ***Income***

Our total income comprises of income from operations, which includes:

1. Income from sale of products manufactured by our Company and processing charges for the materials supplied by the client
2. Income from trading activities
3. Other Income

#### **Income from sale of products manufactured by our Company**

We are manufacturing and selling speciality chemicals and pharma intermediates.

#### **Income from trading activities**

We trade in speciality chemicals viz. selenium compounds, iodine compounds etc.

**Other income**

Other income includes interest income, exchange difference, duty draw back, etc.

**Expenditure**

Our major heads of expenditure are as under:

**Material consumed**

The materials consumed in manufacturing of our products are Crude Iodine, Selenium Metal Powder, Tetra Hydro Furon, Caustic Soda Flakes etc.

**Other manufacturing overheads**

Other manufacturing overheads include factory expenses, factory and plant & machinery repairs and maintenance charges, packing & testing charges, electricity charges and laboratory expenses etc.

**Employee costs**

Employee costs include salary and wages, Directors' remuneration, gratuity, contribution to provident fund etc.

**Cost of Goods traded**

Cost of goods traded includes cost incurred in processing those products.

**Administration, selling & distribution costs**

Administration, selling & distribution costs include expenses incurred on indirect labour, office expenses, insurance expenses, sales promotion, travelling, conveyance, selling and distribution, auditor's fees, professional charges and other miscellaneous expenditure.

**Interest / Financial charges**

The interest / financial charges include interest payable by us for short term and long term loans including working capital loans, interest on unsecured loans, charges on Letter of Credit, facility processing fees, etc.

**Depreciation & amortisation**

This includes depreciation/amortization on land, factory building, plant and machinery, electrical installations, furniture & fixtures, office equipments, motor vehicles etc.

**Taxation**

Income taxes are accounted for on accordance with AS-22, issued by ICAI on "Accounting for Taxes on Income". Taxes comprise current tax, deferred tax & fringe benefit tax.

### Analysis on results of financial operations

(` in lakhs)

Year ended on	2005-06	2006-07	2007-08	2008-09	2009-10	September 30, 2010
<b>Income</b>						
<b>Sales :</b>						
Products manufactured by the company	2,617.33	3,870.93	4,212.10	5,207.46	6,933.86	4722.41
Products traded by the company	27.66	228.34	359.34	229.00	296.73	739.55
<b>Gross Sales</b>	<b>2,644.99</b>	<b>4,099.27</b>	<b>4,571.44</b>	<b>5,436.46</b>	<b>7,230.59</b>	<b>5461.96</b>
Less : Excise Duty	247.54	394.85	425.73	335.45	395.63	351.46
<b>Net Sales</b>	<b>2,397.45</b>	<b>3,704.42</b>	<b>4,145.71</b>	<b>5,101.01</b>	<b>6,834.96</b>	<b>5110.50</b>
Other Income	5.70	27.43	24.90	2.27	26.54	4.39
Increase/ (Decrease) in stock of finished goods	-	-	158.60	(38.64)	30.42	40.94
<b>Total Income</b>	<b>2,403.15</b>	<b>3,731.85</b>	<b>4329.21</b>	<b>5064.64</b>	<b>6891.92</b>	<b>5155.83</b>
<b>Expenditure</b>						
Materials Consumed	1737.63	2576.85	2713.93	3166.48	4402.14	2940.10
Other Manufacturing Overheads	161.95	262.66	328.33	381.07	402.77	246.60
Employee Costs	130.92	137.02	253.48	279.37	340.62	142.18
Cost of Goods Traded	22.73	185.29	299.70	168.53	217.15	682.32
Administrative, Selling & Distribution Costs	58.44	93.31	103.51	171.43	220.62	129.22
Interest / Financial Charges	81.53	156.76	209.77	359.59	374.40	192.72
Depreciation and Amortization	4.75	15.03	26.45	51.21	181.11	88.93
<b>Total Expenditure</b>	<b>2,197.95</b>	<b>3,426.92</b>	<b>3935.17</b>	<b>4577.68</b>	<b>6138.81</b>	<b>4422.07</b>
<b>Net Profit before tax and extraordinary items</b>	<b>205.20</b>	<b>304.93</b>	<b>394.04</b>	<b>486.96</b>	<b>753.11</b>	<b>733.76</b>
Provision for Taxation	68.99	111.70	133.75	155.00	212.00	219.00
Provision for Fringe Benefit Tax	0.70	0.94	1.18	1.70	-	-
Provision for Deferred Tax	(1.46)	(1.29)	0.81	17.22	27.66	9.97
<b>Net Profit after tax but before extraordinary items, as restated</b>	<b>136.97</b>	<b>193.58</b>	<b>258.30</b>	<b>313.04</b>	<b>513.45</b>	<b>504.79</b>
<b>Extra Ordinary Items</b>	-	-	-	-	-	-
<b>Net Profit after tax and extraordinary items, as restated</b>	<b>136.97</b>	<b>193.58</b>	<b>258.30</b>	<b>313.04</b>	<b>513.45</b>	<b>504.79</b>

### Six month ended September 30, 2010

#### Income

Our total income accounted for ` 5155.83 lakhs in the six month period ended September 30, 2010. Sales from products manufactured by our Company accounted to 86.46% and sales from products traded by our Company accounted to 13.54% of our gross sales.

Other income accounted for ` 4.39 lakhs in the six month period ended September 30, 2010. Other income was entirely on account of interest income.



**Materials consumed**

Material consumed for the period ended September 30, 2010 was ` 2940.10 lakhs. This accounts to 57.02% of the total income.

**Other manufacturing overheads**

Other manufacturing overheads for the period ended September 30, 2010 was ` 246.60 lakhs. This accounts to 4.78% of the total income.

**Employee costs**

Employee cost for the period ended September 30, 2010 was ` 142.18 lakhs. This accounts to 2.76% of the total income.

**Cost of goods traded**

Cost of goods traded for the period ended September 30, 2010 was ` 682.32 lakhs. This accounts to 13.23% of the total income.

**Administrative, selling and distribution expenses**

Administrative, selling and distribution expenses for the period ended September 30, 2010 was ` 129.22 lakhs. This accounts to 2.51% of the total income.

**Interest / Financial Charges**

Interest/Financial Charges for the period ended September 30, 2010 was ` 192.72 lakhs. This accounts to 3.74% of the total income.

**Depreciation & amortisation**

Depreciation & amortisation for the period ended September 30, 2010 was ` 88.93 lakhs. This accounts to 1.72% of the total income.

**Profit before tax**

Profit before tax for the period ended September 30, 2010 was ` 733.76 lakhs. This accounts to 14.23% of the total income.

**Taxation**

Taxation for the period ended September 30, 2010 was ` 228.97 lakhs. This accounts to 4.44% of the total income.

**Profit after tax**

Profit after tax for the period ended September 30, 2010 was ` 504.79 lakhs. This accounts to 9.79% of the total income.

**Comparison between FY 2008-09 and FY 2009- 2010****Income**

Our total income increased from ` 5064.64 lakhs during FY 2009 to ` 6891.92 lakhs during FY 2010 showing an increase of 36.08%. The increase in income was on account of increase in production due to commissioning of Unit 2.

Other income increased from ` 2.27 lakhs in FY 2009 to ` 26.54 lakhs in FY 2010. The increase in other income was mainly due to increase in duty drawback, foreign exchange currency gain and interest receivable.

#### ***Materials consumed***

Materials consumed increased by 39.02% to ` 4402.14 lakhs in FY 2010 from ` 3166.48 lakhs in FY 2009 which is in line with the increase in turnover.

#### ***Other manufacturing overheads***

Other manufacturing overheads increased from ` 381.07 lakhs in FY 2009 to ` 402.77 lakhs in FY 2010 which is in line with the increase in turnover. As a percentage of total income, other manufacturing overheads has decreased to 5.84% in FY 2010 as against 7.52% in FY 2009.

#### ***Employee costs***

The expenditure on employee costs increased from ` 279.37 lakhs in FY 2009 to ` 340.62 lakhs in FY 2010. Employee cost was 4.94 % of the total income in FY 2010 as against 5.52% in FY 2009. Employee costs increased on account of normal annual increments and addition of new employees.

#### ***Cost of goods traded***

Cost of goods traded increased from ` 168.53 lakhs in FY 2009 to ` 217.15 lakhs in FY 2010 which is in line with the increase in turnover of traded goods. As a percentage of total income, the cost of goods traded decreased to 3.15% in FY 2010 as against 3.33% in FY.

#### ***Administrative, selling and distribution expenses***

Our administrative, selling and distribution expenses increased from ` 171.43 lakhs in FY 2009 to ` 220.62 lakhs in FY 2010, which is in line with the increase in turnover. However, in percentage terms there is a decline from 3.38% in FY 2009 to 3.20% in FY 2010 primarily due to the reduction in freight charges, sales promotion expenses etc.

#### ***Interest / Financial Charges***

Our interest and financial charges increased from ` 359.59 lakhs in FY 2009 to ` 374.40 lakhs in FY 2010. Although there is an increase in absolute terms, due to increase in working capital facilities, in percentage terms there is a decline from 7.10% in FY 2009 to 5.43% in FY 2010 of turnover primarily due to partial repayment of term loans from bank.

#### ***Depreciation & amortisation***

Depreciation and amortisation increased from ` 51.21 lakhs in FY 2009 to ` 181.11 lakhs in FY 2010. The increase in depreciation was mainly due to additions of ` 250.01 lakhs to the fixed assets during the year 2009-10.

#### ***Profit before tax***

Our profit before tax increased from ` 486.96 lakhs in FY 2009 to ` 753.11 lakhs in FY 2010 and this increase in profits was mainly due to increase in sales.

#### ***Taxation***

The provision for taxation including current and deferred tax increased from ` 173.92 lakhs in

FY 2009 to ₹ 239.66 lakhs in FY 2010. The increase in taxation is due to increase in profitability during FY 2010.

***Profit after tax***

Profit after tax increased from ₹ 313.04 lakhs in FY 2009 to ₹ 513.45 lakhs in FY 2010. Profit after Tax as a percentage of total income increased from 6.18% in FY 2009 to 7.45% in FY 2010.

**Comparison between FY 2007-08 and FY 2008- 2009**

***Income***

Our total income increased from ₹ 4329.21 lakhs in FY 2008 to ₹ 5064.64 lakhs in FY 2009 registering a growth of 16.99%. The growth was primarily due to increase in sales of our products viz. selenium compound, iodine compound, molybdenum compound etc. from existing customers as well as from addition of new customers.

There is a decline in the other income from 24.90 lakhs in FY 2008 to 2.27 lakhs in FY 2009. The decline is basically due to decrease in duty drawback receivable and foreign exchange currency gain.

***Materials consumed***

Materials consumed increased from ₹ 2713.93 lakhs in FY 2008 to ₹ 3166.48 lakhs in FY 2009 which in absolute terms is in line with the increase in turnover. In terms of percentage of total income, materials consumed was 62.52% during FY 2009 as against 62.69% during FY 2008 which was mainly on account of efficient raw material procurement and planning and improved process efficiencies.

***Other manufacturing overheads***

Other manufacturing overheads increased from ₹ 328.22 lakhs in FY 2008 to ₹ 381.07 lakhs in FY 2009 which is in line with the increase in volume of business. As a percentage of total income, other manufacturing overheads has decreased to 7.52% in FY 2009 as against 7.58% in FY 2008.

***Employee costs***

The expenditure on employee costs increased from ₹ 253.48 lakhs in FY 2008 to ₹ 279.37 lakhs in FY 2009. Employee cost was 5.52% of the total income in FY 2009 as against 5.86% in FY 2008. Employee costs increased on account of increased recruitment of manpower.

***Cost of goods traded***

Cost of goods traded decreased from ₹ 299.70 lakhs in FY 2008 to ₹ 168.53 lakhs in FY 2009. In terms of percentage of total income, cost of goods traded was 3.33% in FY 2009 as against 6.92% in FY 2008.

***Administrative, selling and distribution expenses***

Our administrative, selling and distribution expenses increased from ₹ 103.51 lakhs in FY 2008 to ₹ 171.43 lakhs in FY 2009, which was in line with the increase in turnover. In terms of percentage of total income, administrative, selling and distribution expenses was 3.38% in FY 2009 as against 2.39% in FY 2008 mainly on account of increase in freight charges, insurance and sales promotion expenses.

**Interest / Financial Charges**

Our interest and financial charges increased from ` 209.77 lakhs in FY 2008 to ` 359.59 lakhs in FY 2009. In terms of percentage of total income, interest and finance charges increased from 4.85% in FY 2008 to 7.10% in FY 2009 primarily on account of increase in working capital facilities in line with increase in business and increase in term loan facilities from Bank of Baroda for undertaking expansion activities.

**Depreciation & amortisation**

Depreciation and amortization increased from ` 26.45 lakhs in FY 2008 to ` 51.21 lakhs in FY 2009. The increase in depreciation is mainly due to additions of ` 1323.53 lakhs to the fixed assets during FY 2009.

**Profit before tax**

Our profits before tax increased from ` 394.04 lakhs in FY 2008 to ` 486.96 lakhs in FY 2009. Profit before tax as a percentage of total income increased from 9.10% in FY 2008 to 9.61% in FY 2009. The increase in profit before tax was mainly due to increase in sales and increased capacity utilization.

**Taxation**

The provision for taxation including current and deferred & fringe benefit taxes increased from ` 135.74 lakhs in FY 2008 to ` 173.92 lakhs in FY 2009. The increase in taxation is due to increase in profitability during FY 2009.

**Profit after tax**

Profit after tax increased from ` 258.30 lakhs in FY 2008 to ` 313.04 lakhs in FY 2009. Profit after tax as a percentage of total income increased from 5.97% in FY 2008 to 6.18% in FY 2009.

**Comparison between FY 2006-07 and FY 2007-08****Income**

Our total income increased from ` 3731.85 lakhs in FY 2007 to ` 4329.21 lakhs in FY 2008, showing an increase of 16.01%. The increase was primarily due to increased production on account of increased production capacity in Unit 1.

Other income declined from 27.43 lakhs in FY 2007 to 24.90 lakhs in FY 2008. The overall decline is primarily due to substantial reduction in duty drawback receivable.

**Materials consumed**

Materials consumed increased from ` 2576.85 lakhs in FY 2007 to ` 2713.93 lakhs in FY 2008 which is in line with the increase in turnover. In terms of percentage of total income, materials consumed was 62.69% during FY 2008 as against 69.05% during FY 2007 which was mainly on account of efficient raw material procurement and planning and improved process efficiencies.

**Other manufacturing overheads**

Other manufacturing overheads increased from ` 262.66 lakhs in FY 2007 to ` 328.33 lakhs in FY 2008 which is in line with the increase in turnover. As a percentage of total income, other manufacturing overheads has increased to 7.58% in FY 2008 as against 7.04% in FY 2007.

**Employee costs**

The expenditure on employee costs increased from ₹ 137.02 lakhs in FY 2007 to ₹ 253.48 lakhs in FY 2008. Employee cost was 5.86% of the total income in FY 2008 as against 3.67% in FY 2007. Employee costs increased on account of normal annual increments and increase in volume of business.

**Cost of goods traded**

Cost of goods traded increased from ₹ 185.29 lakhs in FY 2007 to ₹ 299.70 lakhs in FY 2008. In terms of percentage of total income, cost of goods traded was 6.92% in FY 2009 as against 4.97% in FY 2007.

**Administrative, selling and distribution costs**

Our administrative, selling and distribution costs increased from ₹ 93.31 lakhs in FY 2007 to ₹ 103.51 lakhs in FY 2008 which was in line with the increase in turnover.

**Interest / Financial Charges**

The interest / financial charges increased from ₹ 156.76 lakhs in FY 2007 to ₹ 209.77 lakhs in FY 2008 on account of increase in working capital facilities.

**Depreciation & amortisation**

Depreciation and amortisation increased from ₹ 15.03 lakhs in FY 2007 to ₹ 26.45 lakhs in FY 2008. The increase in depreciation was mainly due to additions of ₹ 109.91 lakhs to the fixed assets during the FY 2008.

**Profit before tax**

Our profit before tax increased from ₹ 304.93 lakhs in FY 2007 to ₹ 394.04 lakhs in FY 2008. The increase in profit before tax was mainly on account of increase in sales.

**Taxation**

The provision of taxation including current deferred and fringe benefit taxes increased from ₹ 111.35 lakhs in FY 2007 to ₹ 135.74 lakhs in FY 2008. The increase in taxation is due to increase in profitability during FY 2008.

**Profit after tax**

Our profit after tax increased from ₹ 193.58 lakhs in FY 2007 to ₹ 258.30 lakhs in FY 2008. Profit after tax as a percentage of total income is 5.19% in FY 2007 as compared to 5.97% in FY 2008.

**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 any major changes in policies of government like changes in duty structure, taxation policies, volatility in foreign exchange rates, etc.

***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 an increased trend in the past. As a sequel to increase / decrease in prices of raw materials in future, 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's Discussion and Analysis of Financial Condition and Results of Operations" in this Red Herring Prospectus, to Company's knowledge.

***Future changes in relationships between costs and revenues***

Our Company reasonably does not foresee any factor that may have a material adverse impact on the operation and finances of our Company except disclosed in "Risk Factors" and "Management's Discussion and Analysis of Financial condition and Results of Operations" beginning on page nos. iii and 165 respectively in this Red Herring Prospectus.

***Increases in net sales or revenue and introduction of new products or services or increased sales prices***

Increase in revenues is by and large linked to increase in volume of manufacturing activity carried out by our Company. Other than that described in the Red Herring Prospectus, we do not have any new products or business segment.

***Total turnover of each major industry segment in which the company operated***

Our Company operates in two industry segments viz. speciality chemicals industry and pharmaceutical industry.

***Status of any publicly announced new products or business segment***

Our Company has not announced any new products or business segment.

***Seasonality of business***

Our Company's business is not 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 57.51% of our sales during FY 2009-10 and 58.28% for the period ended September 30, 2010.

***Competitive conditions***

We face competition from existing players in our industry.

***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.

## **SECTION VI: LEGAL AND OTHER INFORMATION**

### **Outstanding Litigations and Material Developments**

There are no outstanding or pending litigation, suits, civil prosecution, criminal proceedings or tax liabilities against our Company, our Directors, our Promoters and Promoter Group and there are no defaults, non-payment of statutory dues, overdues to banks and financial institutions, defaults against bank and financial institutions except the following and there are no outstanding debenture, bond, fixed deposit or preference shares issued by our Company; no default in creation of full security as per the terms of the issue, no proceedings initiated for economic or 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 I of Schedule XIII of the Companies Act, 1956), and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Promoters, our Directors or Promoter Group.

Further there is no show-cause notices/claims served on our Company, our Promoters, our Directors or Promoter Group from any statutory authority/revenue authority that would have a material adverse affect on our business except the one below mentioned hereinafter.

#### **A. Cases files against our Company, our Promoters and our Directors**

There is no litigation pending against our Company, our Promoters and our Directors involving criminal offences, securities and economic laws, statutory, civil and labour laws.

#### **B. Cases filed by our Company, our Promoters and our Directors**

Except as stated herein below, there is no litigation filed by our Company, our Promoters and our Directors involving criminal offences, securities and economic laws, statutory, civil and labour laws.

#### **Cases filed by our Company under Section 138 of Negotiable Instruments Act, 1881**

##### **1. C.C. No. 1377/2010 and 1569/2010 under Section 138 of the Negotiable Instruments Act, 1881 before the Hon'ble Court of 6th J.M.F.C., Ulhasnagar**

Our Company had filed two criminal complaints no. C.C. 1377/2010 and C.C. 1569/2010 u/s 138 of Negotiable Instruments Act with respect to cheques for an amount of ` 13.69 lakhs and ` 3.42 lakhs respectively against M/s. Muyuka Labs Private Limited and its directors for dishonor of the above referred cheques.

M/s Muyuka Labs Private Limited had placed two orders with our Company, for purchase of 1000 Kgs of Methyl 2-Iodo Benzoate. As per the order and instructions, our Company dispatched 800 Kgs and 200 Kgs of Methyl 2-Iodo Benzoate and the same was delivered at their address. Subsequently our Company raised bills for an amount of ` 13.69 lakhs and ` 3.42 lakhs. M/s Muyuka Labs Private Limited issued two cheques bearing no. 243136, dated December 12, 2009 and 243140 dated December 30, 2009 for ` 13.69 lakhs and ` 3.42 lakhs respectively. When our Company presented these cheques, they were returned dishonoured alongwith the memo from the bank stating "funds insufficient". Our Company then according to the provisions of Section 138 of the Negotiable Instruments Act, 1881 sent legal notice to M/s Muyuka Labs



Private Limited demanding the payment of the amount within 15 days. Since they failed to make the payment, our Company filed criminal complaints before the Hon'ble Court of 6th J.M.F.C., Ulhasnagar. The next date of hearing is January 24, 2011

## **2. C.C. No. 720/2010 and 5386/2010 under Section 138 of the Negotiable Instruments Act, 1881 before the Hon'ble Court of 6th J.M.F.C., Ulhasnagar**

Our Company had filed two criminal complaints no. 720/2010 and 5386/2010 u/s 138 of Negotiable Instruments Act with respect to two cheques for an amount of ` 6.12 lakhs each against M/s. Skylink Chemicals Private Limited and its directors for dishonour of the above referred cheques.

M/s Skylink Chemicals Private Limited had placed an order with our Company, for purchase of 800 Kgs of Iodine Monochloride. As per the order and instructions, our Company delivered 400 Kgs each on March 7, 2010 and March 18, 2010 at their address. Subsequently our Company raised bills for amounts of ` 6.12 lakhs each. M/s Skylink Chemicals Private Limited issued a cheque bearing no. 147639 dated April 3, 2010 and its group company viz. Skylead Chemicals Limited issued a cheque bearing no. 215319 dated April 15, 2010 for ` 6.12 lakhs each. When our Company presented these cheques, they were returned dishonoured alongwith the memo from the bank stating "Refer to Drawer". Our Company then according to the provisions of Section 138 of the Negotiable Instruments Act, 1881 sent legal notice to M/s Skylink Chemicals Private Limited demanding the payment of the amount within 15 days. Since they failed to make the payment, our Company filed criminal complaints before the Hon'ble Court of 6th J.M.F.C., Ulhasnagar. The next date of hearing for C.C. No. 720/2010 is January 10, 2011 and for C.C. no. 5386/2010 is February 8, 2011.

## **C. Cases filed against our Promoter Group**

There is no outstanding litigation against our Promoter Group.

## **D. Cases filed against our Subsidiary Company**

There is no outstanding litigation against or filed by the Subsidiary Company involving criminal offences, securities and economic laws, statutory, civil and labour laws

## **E. Amount owed to small scale undertakings or any other creditors**

Following is the list of creditors as on December 15, 2010 to whom our Company owes a sum exceeding ` One Lakh, outstanding for more than thirty days.

<b>Sr. No.</b>	<b>Creditors</b>	<b>Amount ( ` in lakhs)</b>
1	Aakanksha Enterprise	36.98
2	Alps Cargo	2.42
3	Aman Speciality Chemicals	2.09
4	API Solutions	3.19
5	Bachhil Steel Private Limited	2.94
6	Bharat Jyoti Impex	3.71
7	Bi-Chem (India) Private Limited	1.30
8	Biocon Limited	30.11
9	Black Rose Industries Limited	64.08

10	Buneesha Chem Private Limited	4.15
11	Chetan Chemical Corporation	70.61
12	Darshan Chem	4.49
13	Ganesh Kripa Tempo Services	1.46
14	Global Exim	10.00
15	Grishma Metal Technology	88.61
16	Hindustan Continental Limited	7.13
17	International Trade Agency	41.85
18	International Trading Corporation	71.34
19	Jai Matadi Trading Co.	8.53
20	Jubilant Life Sciences Limited	32.77
21	Kahan Impex	2.18
22	Kairav Chemofarbe Industries Limited	2.90
23	Kantilal Sanghavi & Co.	50.12
24	Laksh Finechem Private Limited	8.71
25	Maharashtra Ele & Hardware Store	1.08
26	Malade Chemicals Private Limited	1.23
27	Manish Chemical Company	5.20
28	Mehk Chemicals Private Limited	2.68
29	MMTC Limited	1.03
30	Nilesh A. Pradhan & Co.	1.30
31	OC Specialities Private Limited	106.17
32	Orbit International	5.83
33	Parth Pharma Chem Industries	5.36
34	P. D. Enterprises	2.52
35	Plaexecon Services Private Limited	9.74
36	Pure Lubes	9.70
37	Pushpanjali Floriculture Limited	4.70
38	Rishichem Research Limited	8.29
39	Rudhra Overseas	7.88
40	Sachin Chemicals	67.28
41	Sagar Trade Centre	2.91
42	Sahavas Commercial Services	2.88
43	Sanjay Traders	3.73
44	Sarda Industries Enterprises	2.53
45	Shiv Scientific Company	2.19
46	Shree Enterprises	4.88
47	Siddharth Sinkar & Associates	1.32
48	Siddhi Enterprises	7.88
49	Space Chem Industries	11.44
50	S.P. Corporation	2.70
51	SQM Europe N.V.	530.88
52	S. R. Enterprise	5.83
53	Subhadra Distributors Private Limited	7.88
54	Sumukh Corporation	3.15

55	Trigon Gulf Fzco	190.21
56	Yaksh International	7.22
57	Zenith Metals	1.95
58	Zephyr Synthesis Private Limited	1.69
	<b>Total</b>	<b>1582.93</b>

#### **F. Material Developments**

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 twelve months.

## **Government Approvals and licensing arrangements**

*In view of the approvals listed below, we can undertake this Issue and our present business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake this Issue and our present business activities. It must however, be distinctly understood that in granting the above approval, the Government and the other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statement or any commitments made or opinion expressed. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.*

### **I. Approvals for the Issue**

1. The Board of Directors has, pursuant to a resolution passed at its meeting held on May 12, 2010, authorised the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.
2. The shareholders have, pursuant to a resolution dated May 19, 2010 under Section 81(1A) of the Companies Act, authorised the Issue.

### **II. Approvals related to the Issue**

1. In-principle approval from the National Stock Exchange of India Limited dated October 26, 2010.
2. In-principle approval from the Bombay Stock Exchange Limited dated September 29, 2010.

### **III. Company specific approvals**

1. Certificate of Incorporation in the name of our Company i.e., Omkar Speciality Chemicals Private Limited issued by the Registrar of Companies at Mumbai, Maharashtra on February 24, 2005. Our Company's Registration Number is 151589 of 2005 and our Corporate Identification Number is U24110MH2005PTC151589.
2. The Registrar of Companies at Mumbai, Maharashtra issued a Fresh Certificate of Incorporation on March 18, 2010 pursuant to conversion of our Company to a public limited company and change of name to Omkar Speciality Chemicals Limited. The new Corporate Identification Number is U24110MH2005PLC151589.
3. Our Company's Permanent Account Number is AAACO7311D.
4. Our Company has been allotted Tax Deduction Account Number (TAN) PNEO02213B by the Income Tax Department on July 8, 2010.
5. Our Company has obtained registration of employer under the Maharashtra State Tax on Professions, Trades, Callings and Employment Act, 1975 and a Certificate of Enrollment bearing number PT/E/1/2/11/18/295 was issued by the Sales Tax Officer, Kalyan on June 30, 2005. We have made an application dated March 30, 2010 to the Sales Tax Office for

taking on record the present name and Registered Office of our Company.

6. Our Company has obtained registration of employees under the Maharashtra State Tax on Professions, Trades, Callings and Employment Act, 1975 and a Certificate of Enrollment bearing number PT/R/1/2/11/3033 was issued by the Sales Tax Officer, Kalyan. We have made an application dated March 30, 2010 to the Sales Tax Office for taking on record the present name and Registered Office of our Company.
7. Our Company has obtained Certificate of Registration number MH01 V 486810 under Section 16 of The Maharashtra Value Added Tax Act, 2002 dated April 1, 2006 from Department of Sales Tax, Government of Maharashtra and our Taxpayer Identification Number (TIN) is 27270388624 V. The TIN allotted is to act as manufacturer, exporter and for processing chemical from our Registered Office and additional places of business i.e. Unit 1, Unit 2 and Unit 4 at MIDC, Badlapur, Thane.
8. Our Company has obtained Certificate of Registration number MH01 C 111627 under The Central Sales Tax (Registration & Turnover) Rules, 1957 dated April 1, 2006 from Department of Sales Tax, Government of Maharashtra and the Taxpayer Identification Number (TIN) (Central) allotted to us is 27270388624 C. The TIN allotted is for sale/ resale of crude Iodine, Selenium metal, Caustic Soda Flaks, Methanol and Tetra Hydrofuron from our Registered Office and additional places of business i.e. Unit 1, Unit 2 and Unit 4 at MIDC, Badlapur, Thane.
9. Our Company has obtained the Certificate of Importer Exporter Code bearing code 0392006979 from the Foreign Trade Development Officer, Mumbai, Maharashtra.
10. Our Company has been obtained registration under the The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and has been allotted Establishment Code Number MH/97350. Our Company has made an application dated April 30, 2010 to the Regional Provident Fund Commissioner, Thane for taking on record the present name of our Company.
11. Our Company has been allotted Employer's Code Number 31/25992/34 under the Employee's State Insurance Act, 1948. The Employer's code has been re-casted in 17 digit format as 34000080570000304 by ESIC inspector vide letter dated January 13, 2010. Our Company vide letter dated April 30, 2010 has requested the Employee State Insurance Corporation for taking on record the present name and Registered Office of our Company.
12. Our Company has obtained Registration-cum-Membership Certificate from Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council, Mumbai. Our Company has been registered vide registration number CHEMEXCIL/SSM/O-12/07-08/7835 as Small Scale Manufacturer Exporter for basic inorganic & organic chemicals including agrochemicals. This certificate was issued on March 17, 2008 and is valid up to March 31, 2013. Our Company vide letter dated May 10, 2010 has requested the council for taking on record the present Registered Office of our Company.

13. Our Company has been allotted Establishment Code Number THA24171 from Maharashtra Labour Welfare Board. Our Company has made an application dated April 30, 2010 to the authority for taking on record the present name and Registered Office of our Company.

#### **IV. Unit specific approvals**

##### **A. Unit 1 at W-92(A), MIDC, Badlapur (E), Thane**

1. Our Company has obtained factory license in our erstwhile name viz. Omkar Speciality Chemicals Private Limited for our manufacturing unit located at Plot no. W-92(A) bearing license number 078602 and registration number Kalyan/24231/12-A. The license is valid up to December 31, 2011. Our Company has made an application dated April 28, 2010 to MIDC for taking on record the present name of our Company. Pursuant to the change of our name in the records of MIDC, our Company's name will be duly changed in the factory license.
2. Our Company has obtained Consent to Operate number MPCB/ROK/KCA/O/CC-131 dated August 14, 2008 from the Maharashtra Pollution Control Board under the provisions of Section 26 of the Water (Prevention and Control of Pollution) Act, 1974, under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and Authorization/ Renewal of Authorization under Rule 5 of the Hazardous Wastes (Management and Handling) Rules, 1989 & Amendment Rules 2003, for our manufacturing unit located at Plot no. W-92(A). Our Company has made an application dated April 28, 2010 to MIDC for taking on record the present name of our Company. Pursuant to the change of our name in the records of MIDC, our Company's name will be duly changed in the records of MPCB also.
3. Our Company has obtained renewed certificate of licence bearing code MH/DRUGS/KD/78 from the Food and Drug Administration to manufacture at our premises i.e. Unit 1 located at Plot no. W-92(A), drugs namely Selenium Sulfide/Selenium Sulphide/Selenium Disulphide for sale. The license is valid upto February 23, 2015. Our Company vide letter dated April 22, 2010 has requested the authority for taking on record the present name of our Company.
4. Our Company has obtained Central Excise Registration Certificate number AAACO7311DXM001 for manufacturing of excisable goods at Plot no. W-92(A) issued by the Assistant Commissioner of Central Excise, Kalyan Division on March 30, 2010.
5. Our Company has obtained Certificate of registration for under Section 69 of the Finance Act, 1994 from the Office of the Superintendent, Service Tax Division, Mumbai on August 12, 2009 for Unit 1 located at Plot no. W-92(A). The Registration Number is AAACO7311DST001 for payment of Service Tax on transport of goods by road and business auxiliary services.
6. Our Company's Unit no. 1 located at Plot no. W-92 (A) has been categorized as a small unit and allocated Entrepreneurs Memorandum Number 270211200600 for manufacturing chemicals namely molybdenum compounds salts, sodium bi-selenite, nickel compounds, cobalt compounds, iodine monochloride, potassium metaperiodate, sodium metaperiodate etc. on May 3, 2007 by the Manager, District Industries Centre, Thane.

7. Our Company has received permission from Electrical Inspector-Industry, Electricity & Labour Department to operate DG set of 50 KVA at our Unit 1 located at Plot no. W-92(A). Our Company vide letter dated July 20, 2010 has requested Maharashtra State Electricity Department Co. Ltd. for taking on record the present name of our Company.
8. Our Company has been registered as a member of Common Hazardous Waste Treatment Storage Disposal Facility at MIDC, Taloja for safe and secure disposal of Hazardous Waste by the Mumbai Waste Management Limited for our Unit 1 located at Plot no. W-92(A). The membership number allotted is MWML-HzW-AMB-1415. The membership is valid till March 31, 2011.
9. Our Company has obtained membership of Badlapur Common Effluent Treatment Plant Association for Unit 1 located at Plot no. W-92(A), vide certificate no. 033.

***B. Unit 2 at F-24, MIDC, Badlapur (E), Thane***

1. Our Company has Consent to Operate number BO/RO-KALYAN/RO(P&P)/EIC-KN-2983-09/O/CC-223 dated June 15, 2010 from the Maharashtra Pollution Control Board under the provisions of Section 26 of the Water (Prevention and Control of Pollution) Act, 1974, under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and Authorization/ Renewal of Authorization under Rule 5 of the Hazardous Wastes (Management & Handling) Rules, 1989 and Amendment Rules, for our manufacturing unit located at Plot no. F-24. This consent is valid up to August 31, 2013.
2. Our Company's Unit no. 2 located at Plot no. F-24 has been categorized as a small unit and allocated Entrepreneurs Memorandum Number 270211201550-Part II on September 23, 2009 by the General Manager, District Industries Centre, Thane.
3. Our Company has obtained Central Excise Registration Certificate number AAACO7311DXM002 for manufacturing of excisable goods at Unit 2 located at Plot no. F-24 issued by the Assistant Commissioner of Central Excise, Kalyan Division on April 9, 2010.
4. Our Company has obtained Certificate of registration for Unit 2 located at Plot no. F-24 under Section 69 of the Finance Act, 1994 from the Office of the Superintendent Service Tax Division, Mumbai on August 12, 2009. The Registration Number is AAACO7311DST002 for payment of Service Tax on transport of goods by road.
5. Our Company has received permission from Electrical Inspector-Industry, Electricity & Labour Department to operate DG set of 500 KVA at our Unit 2 located at Plot no. F-24. Our Company vide letter dated July 20, 2010 has requested Maharashtra State Electricity Department Co. Ltd. for taking on record the present name of our Company.
6. Our Company has been registered as a member of Common Hazardous Waste Treatment Storage Disposal Facility at MIDC, Taloja for safe and secure disposal of Hazardous Waste by the Mumbai Waste Management Limited for our Unit 2 located at Plot no. F-24. The

membership number allotted is MWML-HzW-BAD-2635M. The membership is valid till March 31, 2011.

7. Our Company has obtained membership of Badlapur Common Effluent Treatment Plant Association for Unit 2 located at Plot no. F-24, vide certificate no. 063.
8. Our Company has applied for factory license for our manufacturing unit located at Plot no. F-24 vide application dated February 17, 2009. The approval is awaited.

**C. Unit 3 at B-34, MIDC, Badlapur (E), Thane**

1. Our Company has obtained Consent to Establish number MPCB/ROK/KCA/E/CC-201 dated December 15, 2009 from the Maharashtra Pollution Control Board under the provisions of Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, under Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 and Hazardous Wastes (Management, Handling and Trans Boundary Movement) Rules, 2008, for manufacture of Selenium Sulphide at Unit 3 located at Plot no. B-34. This consent is valid up to the commissioning of the project or five years whichever is earlier. Our Company has made an application dated April 28, 2010 to MIDC for taking on record the present name of our Company. Pursuant to the change of our name in the records of MIDC, our Company's name will be duly changed in the records of MPCB also.
2. Our Company has obtained No Objection Certificate from Maharashtra Industrial Development Corporation vide letter no. MIDC/Badlapur/B-34/10990/2009/195 dated July 2, 2009 for establishing a new industrial unit at Plot No. B-34. The NoC has been amended vide letter no. MIDC/TA/AMD/NOC/Badlapur/B-34/2009/234 dated July 30, 2009 to include activity as manufacturing of Selenium Sulphide instead of pharmaceuticals, intermediates and bulk drugs. This NoC is valid till July 1, 2012. Our Company vide letter dated April 28, 2010 has requested the authority for taking on record the present name of our Company.
3. Our Company has obtained Renewed Provisional No-objection Certificate from Maharashtra Industrial Development Corporation vide letter no. MIDC/Fire/Prov-NOC/2430 dated December 31, 2010 for our proposed construction of factory building on Plot no. B-34. This provisional NoC is valid till September 10, 2011 MIDC will issue Final No-objection certificate after inspection of the fire prevention & protection systems provided and after satisfactory performance of the system. Our Company vide letter dated April 28, 2010 has requested the authority for taking on record the present name of our Company.
4. Our Company's Unit no. 3 located at Plot no. B-34 has been categorized as a small unit and allocated Entrepreneurs Memorandum Number 270211202030-Part II on May 31, 2010 by the General Manager, District Industries Centre, Thane for manufacturing selenium sulphide.
5. Our Company has obtained Central Excise Registration Certificate number AAACO7311DEM003 for manufacturing of excisable goods at Unit 3 located at Plot no. B-



34 issued by the Assistant Commissioner of Central Excise, Kalyan Division on June 21, 2010.

6. Our Company has been registered as a member of Common Hazardous Waste Treatment Storage Disposal Facility at MIDC, Taloja for safe and secure disposal of Hazardous Waste by the Mumbai Waste Management Limited for our Unit 3 located at Plot no. B-34. The membership number allotted is MWML-HzW-BAD-2860M. The membership is valid till March 31, 2011.
7. Our Company has obtained membership of Badlapur Common Effluent Treatment Plant Association for Unit 3 located at Plot no. B-34, vide certificate no. 064.
8. Our Company has received approval for our plans to establish a manufacturing facility at our Plot no. B-34 for manufacture of Selenium Sulfide (USP) from Food and Drug Administration, Thane.

***D. Unit 4 at F-10/1, MIDC, Badlapur (E), Thane***

1. Our Company has obtained Consent to Establish number MPCB/ROK/KCA/E/CC-183 dated November 13, 2009 from the Maharashtra Pollution Control Board under the provisions of Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and Hazardous Wastes (Management, Handling and Trans Boundary Movement)) Rules, 2008, for manufacture of Resolving Agents at Unit 4 located at Plot no. F-10/1. This consent is valid up to the commissioning of the project or five years whichever is earlier. Our Company has made an application dated April 28, 2010 to MIDC for taking on record the present name of our Company. Pursuant to the change of our name in the records of MIDC, our Company's name will be duly changed in the records of MPCB also.
2. Our Company has obtained No Objection Certificate from Maharashtra Industrial Development Corporation vide letter no. MIDC/Badlapur/F-10/1/11044/2009/266 dated August 20, 2009 for establishing a new industrial unit at Plot No. F-10/1 for manufacturing of Glucosamine Hydrochloride, Glucosamine Sulphate Potassium Chloride, Glucosamine Sulphate Sodium Chloride, Metformin Hydrochloride and Resolving Agents. This NoC is valid till August 19, 2012. Our Company vide letter dated April 28, 2010 has requested the authority for taking on record the present name of our Company.
3. Our Company has obtained Renewed Provisional No-objection Certificate from Maharashtra Industrial Development Corporation vide letter no. MIDC/Fire/Prov-NOC/2431 dated December 31, 2010 for our proposed construction of factory building on Plot no. F-10/1. This provisional NoC is valid till November 10, 2011. MIDC will issue Final No-objection certificate after inspection of the fire prevention & protection systems provided and after satisfactory performance of the system. Our Company vide letter dated April 28, 2010 has requested the authority for taking on record the present name of our Company.
4. Our Company has been sanctioned additional 15 HP load by Maharashtra State Electricity Distribution Co. Ltd. on October 16, 2010 for our Unit 4 located at Plot no. F-10/1.

5. Our Company's Unit no. 4 located at Plot no. F-10/1 has been categorized as a small unit and allocated Entrepreneurs Memorandum Number 270211202031-Part II for manufacturing resolving agents on May 31, 2010 by the General Manager, District Industries Centre, Thane. Our small scale industrial unit status will change after the proposed investment in plant & machinery, above ₹ 500 lakhs. Our Unit 4 will become a medium scale industrial unit after the proposed investment.
6. Our Company has obtained approval for our Unit 4 located at Plot no. F-10/1 from the Ministry of Commerce & Industry, Petroleum and Explosives Safety Organization vide letter no. A/P/HQ/MH/15/6508(P227004) for proposed installation of petroleum class A, B & C on February 6, 2009.
7. Our Company's unit 4 located at Plot no. F-10/1 has obtained No Objection Certificate dated December 22, 2009 from the Office of the Commissioner of Police, Thane for storage of Petroleum Class – A, B & C under rule 144 of the Petroleum Rules, 1976. 120 KL of the petroleum will be stored in underground tank and 24 KL in godown of our Company.
8. Our Company has been registered as a member of Common Hazardous Waste Treatment Storage Disposal Facility at MIDC, Talaja for safe and secure disposal of Hazardous Waste by the Mumbai Waste Management Limited for our Unit 4 located at Plot no. F-10/1. The membership number allotted is MWML-HzW-BAD-2861M. The membership is valid till March 31, 2011.
9. Our Company has obtained membership of Badlapur Common Effluent Treatment Plant Association for Unit 4 located at Plot no. F-10/1, vide certificate no. 066.

#### **Pending approvals for the proposed Expansion:**

##### **Expansion at Unit 1 and Unit 2**

1. No objection Certificate from MIDC for proposed construction of factory building
2. Consent for water supply from MIDC
3. Consent for electricity supply from Maharashtra State Electricity Distribution Company Limited

Necessary applications shall be made to the concerned government authorities for the above consents/certificates once the land will be acquired by our Company.

##### **Expansion at Unit 3**

1. We already have received consent to establish from Maharashtra Pollution Control Board and shall apply to MPCB for their necessary consent to operate at an appropriate time.
2. Factory License

#### **Setting up of Unit 4**

Applications shall be made by our Company with the concerned government authorities at an appropriate time. Our Company shall require the following licenses and registrations for the proposed expansion in addition to above:

- a) Factory License
- b) Consent for water supply from MIDC
- c) Central Excise Registration from Asstt. Commissioner of Central Excise
- d) Service Tax Registration from Office of the Superintendent, Service Tax Division, Mumbai

## **SECTION VII – OTHER REGULATORY AND STATUTORY DISCLOSURES**

### **Authority for the Issue**

The Issue of Equity Shares in the Issue by the Company has been authorized by the resolution of the Board of Directors passed at their meeting held on May 12, 2010 subject to the approval of shareholders through a special resolution 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 May 19, 2010.

### **Prohibition by SEBI**

The Company, its Directors, its Promoters, the Promoter Group, and the companies in which the Directors are associated as directors, have not 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 or any other authority.

Our Directors are not in any manner associated with the securities market and there has been no action taken by SEBI against the Directors or any entity our Directors are involved in as promoters or Directors.

Neither our Company nor our Directors, our Promoters, their relatives, our Promoter Group are detained as willful 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**

Our Company is eligible for the Issue under Regulation 26(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. As confirmed by the Auditors of our Company:

- our Company has net tangible assets of atleast ` 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.
- our Company has a pre-issue net worth of not less than ` 100.00 lakhs in each of the three preceding full years (of 12 months each).
- our Company has a track record of distributable profits as per Section 205 of the Companies Act, 1956, for atleast three out of the immediately preceding five years (extraordinary items are not considered for calculating distributable profits in terms of Section 205 of the Companies Act, 1956).
- the proposed issue size including all previous issues in the same financial year would not exceed five (5) times the pre-issue net worth of our Company as per the audited accounts for the year ended March 31, 2010.
- our 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 unconsolidated financial statements prepared in accordance with SEBI (ICDR) Regulations, for the last five financial years is set forth below:

( in Lakhs)

Financial Year	2009-10	2008-09	2007-08	2006-07	2005-06
Net tangible assets	4311.88	3768.56	2236.28	1677.76	1144.43
Monetary assets	41.93	20.70	33.82	40.05	5.45
Monetary assets as a %age of net tangible assets	0.97	0.55	1.51	2.39	0.48
Distributable profits	513.45	313.04	258.30	193.58	136.97
Net Worth	1592.38	1145.08	831.77	573.22	379.38

- (1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), investments, 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 have 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).

Further, in accordance with Regulation 26(4) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, our Company shall ensure that number of prospective allottees to whom the Equity Shares will be allotted in the Issue shall not be less than 1000, failing which the entire application money will be refunded forthwith.

#### **SEBI Disclaimer clause**

**AS REQUIRED, A COPY OF THIS DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, ALMONDZ GLOBAL SECURITIES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 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 COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, ALMONDZ GLOBAL SECURITIES LIMITED IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGE THEIR RESPONSIBILITY**

ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, ALMONDZ GLOBAL SECURITIES LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 25, 2010 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 IN CONNECTION WITH THE FINALISATION 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, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER,

WE CONFIRM THAT:

- (A) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- (B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE, AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED / ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.
4. WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
5. WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED OR SOLD OR 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 THE LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

- 6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS' CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATIONS HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.**
- 7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (c) AND (d) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. - NOT APPLICABLE.**
- 8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**
- 9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.**
- 10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. NOT APPLICABLE- AS THE ISSUE SIZE IS MORE THAN RS. 1000 LAKHS, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT ONLY.**

11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:
  - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND
  - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.
14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.
15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY."

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE 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, MUMBAI IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956.



**Disclaimer from the Issuer Company and the Book Running Lead Manager**

Our Company, our 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 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 July 19, 2010 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 or SCSB shall be liable to the Bidders for any failure in uploading the bids due to faults in any software/ hardware system or otherwise.

**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.

**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, HUF, companies, corporate bodies and societies registered under the applicable laws in India and authorised 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 authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to NRIs on non-repatriable basis and FIIs and sub-account registered with SEBI other than a sub-account which is a foreign corporate or foreign individual. 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 Mumbai, Maharashtra 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 September 29, 2010, 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 clause of the National Stock Exchange of India Limited (NSE)**

As required, a copy of this offer document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref: NSE/LIST/150162-9 dated October 26, 2010, permission to the Issuer to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoter, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

**Disclaimer clause of CARE for IPO Grading**

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

**Filing**

A copy of the 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 Registrar of Companies, Mumbai, Everest, 100, Marine Lines, Mumbai – 400 002.

**Listing**

The initial listing applications have been made to Bombay Stock Exchange Limited (BSE) and 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. The Bombay Stock Exchange Limited (BSE) will be the Designated Stock Exchange.

In case the permission for listing of the Equity Shares and for official quotation of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all 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 both the Stock Exchanges mentioned above are taken within twelve working days of the Bid /Issue Closing Date.

**Consents**

Consents in writing of Directors, the Company Secretary, Compliance Officer, the Statutory Auditors, Banker to the Company, Book Running Lead Manager to the Issue, Registrars to the Issue, and Legal Advisors, 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 the Red Herring Prospectus, for registration with the Registrar of Companies, Mumbai.

M/s. Siddharth Sinkar & 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, Mumbai.

**Expert opinion**

No opinion of any expert has been obtained by the Company, except that of M/s. Siddharth Sinkar & Associates, Statutory Auditors of our Company and Link Legal, Legal Advisors to the Issue.

**Public issue expenses\***

The expenses for this Issue includes Issue management fees, underwriting & selling commission (including commission to SCSBs for ASBA applications), registrars' fee, grading fee, Bankers to the Issue, printing and distribution of issue stationery, advertisement and marketing expenses, legal counsel fees and listing fees payable to the stock exchanges, among others. The total expenses for this Issue are estimated to be ₹ [●] lakhs, details of which are as under:

( in lakhs)				
Sr. No.	Activity	Amount	% of Total Issue size	% of Issue Expenses
1	Issue Management Fees, Underwriting & Selling Commission (including commission to SCSBs for ASBA applications) & Brokerage	[•]	[•]	[•]
2	Registrars fees	[•]	[•]	[•]
3	Fees for Legal Counsel to the Issue	[•]	[•]	[•]
4	Fees payable to Grading Agency for grading the Issue	[•]	[•]	[•]
5	Fees payable to the Bankers to the Issue	[•]	[•]	[•]
6	Printing and Distribution of Issue Stationery	[•]	[•]	[•]
7	Advertising and Marketing expenses	[•]	[•]	[•]
8	Other expenses (stamp duty, initial listing fees, depository fees, charges for using the book building software of the exchanges and other related expenses)	[•]	[•]	[•]
	<b>Total</b>	[•]	[•]	[•]

\* 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 1, 2010 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 May 22, 2010, 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 or rights issues**

The Company has not made any public or rights issue during the last five years.

#### **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. 20 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 in the past.

**Outstanding debentures, bonds, redeemable preference shares or other instruments**

As on the date of this Red Herring Prospectus, Our Company does not have any outstanding debentures, bonds, redeemable preference shares or other instruments.

**Stock market data for equity shares of the Company**

As this is the Initial Public Issue of our Company, the Equity Shares are not listed on any stock exchange.

**Mechanism for redressal of investor grievances**

We have appointed Bigshare Services Private Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with Compliance Officer of our Company. All grievances relating to the present issue may be addressed to the Registrars to the Issue, 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. Our Company will monitor the work of the Registrars to the Issue to ensure that the grievances are settled expeditiously and satisfactorily.

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centres of the SCSB where the Bid-cum-ASBA Form was submitted by the ASBA Bidders.

**Disposal of investor grievances**

Bigshare Services Private Limited, the Registrars to the Issue, or the SCSBs in case of ASBA Bidders, will handle investor grievances pertaining to the Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to our Company. Our Company would also be coordinating with Registrar to the Issue in attending to the grievances of the investors. Our Company assures that the Board of Directors, in respect of the complaints, if any, to be received, shall adhere to the following schedules:

<b>Sr. No.</b>	<b>Nature of Complaint</b>	<b>Time Taken</b>
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
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We have appointed Ms. Nikita Mehta 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:

**Ms. Nikita Mehta**

Company Secretary & Compliance Officer  
Omkar Speciality Chemicals Limited  
B- 34, MIDC, Badlapur (E)  
Thane - 421503,  
Maharashtra  
Tel. No.: +91-251-2690651/2697340  
Fax No.: +91-251-2697347/2691572  
Email: [nikita@omkarchemicals.com](mailto:nikita@omkarchemicals.com)

**Changes in Auditors**

There has been no change in the Auditors of the Company during the last three years except as under:

Name	Period	
	From	To
M/s. P. V. Kamat and Company	March 3, 2005	March 23, 2009
M/s. Siddharth Sinkar & Associates	March 26, 2009	Till date

**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 Statements of the Company" and "Capital Structure" on page no. 122 and 20 of this Red Herring Prospectus.

**Revaluation of assets (during the last five years)** There has been no revaluation of the assets of our Company during the last five years.

## **SECTION VIII: ISSUE RELATED INFORMATION**

### **Terms of the Issue**

The Equity Shares being issued are subject to the provisions of the Companies Act, our Company's Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, Bid-cum-Application Form, the revision form, Bid-cum-ASBA Form, Abridged Prospectus, 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, Stock Exchanges, FIPB, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### **Ranking of Equity Shares**

The Equity Shares being issued shall be subject to the provisions of the Companies Act, Memorandum and Articles of Association of our Company and shall rank pari-passu in all respects with the existing Equity Shares of our Company including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of allotment. For further details, please see the section titled "Main Provisions of Articles of Association of the Company" beginning from page no. 249 of the Red Herring Prospectus.

### **Mode of payment of Dividend**

Our Company shall pay dividend, if any, to its shareholders as per the provisions of the Companies Act, 1956.

### **Face Value and Issue Price**

The Equity Shares with a face value of ₹ 10/- each are being issued in terms of the Draft Red Herring Prospectus / Red Herring Prospectus / Prospectus at a Issue Price of ₹ [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares, subject to applicable laws.

### **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 attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation subject to any statutory and other preferential claims being satisfied;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under



the Companies Act, the terms of the listing agreements with the Stock Exchanges and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of Articles of Association of our Company dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer to the section "Main Provisions of Articles of Association of the Company" beginning on page no. 249 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 (ICDR) Regulations, the trading of Equity Shares of our Company shall be in dematerialised form only. 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 Share subject to a Minimum Allotment of 60 Equity Shares.

### ***Joint Holders***

Subject to provisions contained in our Articles, where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint tenants with benefits of survivorship.

### ***Nomination facility to the investor***

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint 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 benefits to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any Person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or with the Registrar or Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other 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.

### **Issue Period**

Bidders may submit their Bids only in the Bid/Issue Period. The Bid/Issue Opening Date is January 24, 2011 and the Bid/Issue Closing Date is January 27, 2011.

### **Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the Issue to the public to the extent of the amount, including devolvment of Underwriters, within 60 days from the Bid Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after our Company become liable to pay the amount (i.e., 60 days from the Bid Closing Date), our Company shall pay interest prescribed under Section 73 of the Companies Act.

In accordance with Regulation 26(4) of the SEBI (ICDR) Regulations, our Company shall ensure that the number of prospective allottees to whom the Equity Share will be allotted will not be less than 1000.

### **Application by NRIs, FIIs, Sub-Accounts and FVCIs**

It is to be distinctly understood that there is no reservation for NRIs, FIIs, Sub-Accounts and FVCIs. As per existing regulations, OCBs cannot participate in this Issue.

### **Arrangements for disposal of odd lots**

There are no arrangements for disposal of odd lots.

### **Restriction on Transfer of Shares**

Except for the lock-in of the pre-Issue capital of our Company and the Promoter's contribution as provided the section titled "Capital Structure" on page no. 20 of this Red Herring Prospectus and otherwise as provided in our Articles, there are no restrictions on transfer and transmission of shares / debentures and on their consolidation and splitting. Please see section "Main Provisions of Articles of Association of the Company" on page no. 249 of the Red Herring Prospectus.

### **Withdrawal of the issue**

In accordance with the SEBI Regulations, our Company, in consultation with Book Running Lead Manager, reserves the right not to proceed with this Issue at anytime after the Bid /Issue Opening Date, without assigning the reasons therefor. However, if our Company withdraws the Issue after the Bid Closing Date, we will give the reason thereof within two days of the Bid /Issue Closing Date by way of a public notice which shall be published within two days of the Bid /Issue Closing Date in the same newspapers where the pre-Issue advertisement was published. Further, the Stock Exchanges shall be informed promptly in this regard and the Book Running Lead Manager, through the Registrar to the Issue, shall notify the SCSBs to unblock the Bank Accounts of the ASBA Bidders within one day from the date of receipt of such

notification. In the event of withdrawal of the Issue and subsequently, plans of an IPO by our Company, a Draft Red Herring Prospectus will be submitted again for observations of SEBI.

Notwithstanding the foregoing, this Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after allotment, and the final RoC approval of the Prospectus.

In terms of the SEBI Regulations, QIBs Bidding in the Net QIB Portion shall not be allowed to withdraw their Bids after the Bid Closing Date.

***Option to receive Equity Shares in Dematerialised Form***

Investors should note that allotment of Equity Shares to all successful Bidders will only be in dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

***Jurisdiction***

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, Maharashtra, India.

## Issue Procedure

*This section applies to all Bidders. Please note that all Bidders can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to the Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all the Bidders are required to make payment of the full Bid Amount or instruct the relevant SCSB to block the full Bid Amount along with the Bid cum Application Form or ASBA Form, as the case may be. Also, please note that the SEBI circular no. CIR/CFD/DIL/8/2010 dated October 12, 2010 shall not be applicable to this Issue until further clarification on the procedure for Syndicate Members to procure ASBA forms from the ASBA Bidders.*

## Book Building Procedure

This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Issue to Public 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 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 Issue to Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the 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.

Undersubscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.

Bidders are required to submit their Bids through the Syndicate Member only. In case of QIB Bidders, our Company in consultation with BRLM may reject Bid procured by any or all members of the syndicate 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 and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

**Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.**

## Bid-cum-Application / ASBA 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, unless they are using the ASBA process. The Bidder shall have the option to make a maximum of three Bids (in terms of number of Equity Shares and respective bid prices) in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. The Bid-cum-Application Form

shall be serially numbered and the date and time stamped at the Bidding Centres and such form shall be issued in duplicate signed by the Bidder and countersigned by the relevant member of the Syndicate.

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.

Bidders can also submit their Bids through the ASBA by submitting Bid-cum-ASBA Forms, either in physical or electronic mode, to the SCSB with whom the ASBA Account is maintained. An ASBA Bidder shall use the ASBA Form obtained from the Designated Branches for the purpose of making a Bid. ASBA Bidders can submit their Bids, either in physical or electronic mode. In case of application in physical mode, the ASBA Bidder shall submit the ASBA Form at the relevant Designated Branch. In case of application in electronic form, the ASBA Bidder shall submit the ASBA Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA Account held with SCSB, and accordingly registering such Bids. The SCSB shall block an amount in the ASBA Account equal to the Bid Amount specified in the ASBA Form. Upon completing and submitting the ASBA Form to the SCSB, the ASBA Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the ASBA 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 ASBA Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

<b>Category</b>	<b>Colour of Bid-cum-Application Form/Bid-cum-ASBA Form</b>
Indian Nationals or NRIs applying on a non-repatriation basis	White
NRIs or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue
ASBA Bidders bidding through a physical Form	White

### **Who Can Bid?**

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
2. 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);
3. 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;

4. Companies and corporate bodies registered under the applicable laws in India and authorized to invest in Equity shares;
5. 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;
6. Mutual funds registered with SEBI;
7. 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);
8. FIIs and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;
9. Sub-accounts of FIIs registered with SEBI which are foreign corporate or foreign individuals only under the Non-Institutional Bidders category.
10. Venture capital funds registered with SEBI;
11. Foreign venture capital funds registered with SEBI;
12. State Industrial Development Corporations;
13. Insurance companies registered with the Insurance Regulatory and Development Authority;
14. As permitted by the applicable laws, Provident funds with minimum corpus of ` 2500 Lakhs and who are authorized under their constitution to hold and invest in Equity Shares;
15. Pension funds with minimum corpus of ` 2500 Lakhs and who are authorized under their constitution to hold and invest in Equity Shares;
16. Multilateral and bilateral development financial institutions;
17. Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable local laws;
18. Scientific and/or industrial research organizations in India authorized under their constitution to invest in equity shares;
19. National Investment Fund set up by resolution F. No. 2/3/2005-DD-11 dated November 23, 2005 of Government of India, published in the Gazette of India; and
20. Insurance funds set up and managed by army, navy or air force of the Union of India
21. Insurance funds set up and managed by Department of Posts, India

**As per existing regulations, OCBs are prohibited from investing in this Issue.**

**Note:** The BRLM and Syndicate Member shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations, if any. However, associates and affiliates of the BRLM 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.

**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 2,02,500 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.

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. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares. The Bids made by Asset Management Companies or custodians of Mutual Fund shall clearly indicate the name of the concerned schemes for which the application is being made.

### **Bids by Eligible NRIs**

Eligible NRI Bidders to comply with the following:

- a) 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.
- b) 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 colour). 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***

**FII's:**

No single FII can hold more than 10% of post-issue paid-up capital of our Company (i.e., 10% of 1,96,28,000 Equity Shares). In respect of an FII investing in Equity Shares of our Company on behalf of its sub-accounts (other than a sub-account which is a foreign corporate or foreign individual bidding under the QIB Portion), the investment on behalf of each such sub-account shall not exceed 10% of total issued equity capital or 5% of our total issued equity capital in case such sub-accounts is a foreign corporate or a foreign individual. Under the current foreign investment policy applicable to us foreign equity participation upto 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-accounts 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.

**Bids by SEBI registered VCF and FVCI**

The SEBI (Venture Capital Funds) Regulations, 1996, and the SEBI (Foreign Venture Capital Investors) Regulations, 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the investment by any VCF or FVCI should not exceed the prescribed investment limit as the case may be.

Accordingly, the holding by any individual VCFs in one company should not exceed 25% of the corpus of the said VCF. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer of a venture capital undertaking.

According to Regulation 37(b) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, the equity shares held by a venture capital fund or foreign venture capital investor would be exempt from the lock-in requirements only if the equity shares have been held for a period of at least one year prior to the date of the filing of the Draft Red Herring Prospectus with the SEBI.

**Bids by insurance companies**

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.



**Bids by provident funds / pension funds**

In case of Bids made by provident fund with the minimum corpus of ₹ 2500 Lakhs (subject to applicable law) and pension fund with the minimum corpus of ₹ 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.

**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:**

1. 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.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details);
3. Eligible NRIs for a Bid Amount of up to ₹ 2,00,000 would be considered under the Retail Bidders portion for the purposes of allocation and Bids for a Bid amount of more than ₹ 2,00,000 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 60 Equity Shares thereafter that the Bid amount exceeds ₹ 2,00,000; for further details see "Maximum and Minimum Bid Size" at page no. 212 of this Red Herring Prospectus.
4. In the names of individuals, or in the names of FIIs or in the names of Foreign Venture Capital Funds registered with SEBI, 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 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.**

**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.**

## **Bids under Power of Attorney**

In case of bids made pursuant to a power of attorney 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 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 or Insurance funds 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 fund set and managed by army, navy or air force of the Union of India or by Department of Posts, 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.

In case of Bids made pursuant to Power of Attorney by ASBA Bidders, a certified copy of the power of attorney must be lodged along with the ASBA 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/CANs/ 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.

## Maximum and Minimum Bid size

**For Retail Bidders:** The Bid must be for a minimum of 60 Equity Shares and in multiples of 60 Equity Shares and it must be ensured that the Bid Amount payable by the Bidder does not exceed ₹ 2,00,000. ***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 ₹ 2,00,000. In case the Bid amount is over ₹ 2,00,000 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 QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares in multiples of 60 Equity Shares such that the Bid Amount payable by the Bidder exceeds ₹ 2,00,000 and in multiples of 60 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under the existing SEBI (ICDR) Regulations, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing. The identity of QIBs bidding in the Issue in the Net QIB Portion shall not be made public during the Bidding Period.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than ₹ 2,00,000, for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to ₹ 2,00,000 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'.

**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 the Red Herring Prospectus.**

The maximum and minimum bid size applicable to a QIB, Retail Individual Bidder or a Non-Institutional Bidder shall be applicable to an ASBA Bidder in accordance with the category that such ASBA Bidder falls under.

- a. **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.
- b. Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band after registering 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 Part A of Schedule XIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

- c. 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.
- d. 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.
- e. 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.
- f. 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, otherwise they will be rejected.
- g. 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.
- h. 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 publishing 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 and also by indicating the change on the websites of the Book Running Lead Manager and at the terminals of the members of the Syndicate.
- i. 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.

#### **Information specific to ASBA Bidders**

- a. ASBA Bidders who would like to obtain the Red Herring Prospectus and/or the ASBA Form can obtain the same from the Designated Branches. ASBA Bidders can also obtain a copy of the Red Herring Prospectus and/or the ASBA Form in electronic form on the websites of the SCSBs.
- b. Copies of ASBA Bid cum Application Forms will be available for downloading and printing, from website of the Stock Exchanges (which provide electronic interface for ASBA facility). A unique application number will be generated for every Bid-cum-ASBA Form downloaded and printed from the websites of the Stock Exchanges.
- c. The Bids should be submitted to the SCSBs on the prescribed ASBA Form if applied in physical mode. SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account.

- d. The SCSBs shall accept Bids only during the Bidding Period and only from the ASBA Bidders.
- e. The Book Running Lead Manager shall ensure that adequate arrangements are made to circulate copies of the Red Herring Prospectus and ASBA Form to the SCSBs. The SCSBs will then make available such copies to investors intending to apply in this Issue through the ASBA process. Additionally, the Book Running Lead Manager shall ensure that the SCSBs are provided with soft copies of the abridged prospectus as well as the ASBA Form and that the same are made available on the websites of the SCSBs.

### **Method and Process of bidding**

1. During the Bidding period, Bidders should approach members of the Syndicate or their authorised agents to register their Bids. ASBA Bidders should approach the SCSBs and/or Designated Branches to register their Bids.
2. The Price Band has been fixed at ` 95 to ` 98 per Equity Share. The Bidders can bid at any price within the Price Band, in multiples of ` 1 (One). 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. 215 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.
3. The Bidder cannot bid on another Bid-cum-Application Form or ASBA Form after Bids on one Bid-cum-Application Form or ASBA Form have been submitted to any member of the Syndicate or SCSB as the case may be. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate or an ASBA Form to any SCSB 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. 227 of this Red Herring Prospectus.
4. The members of the Syndicate or SCSB 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 or ASBA Form.
5. 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.
6. Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Collection

Account" on page no. 229 of this Red Herring Prospectus.

7. For the Bidders who apply through the ASBA process, SCSBs shall block the Bid Amount in an ASBA Account. Upon submission of an ASBA Form with the SCSB, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block an amount equivalent to the Bid Amount and authorized the Designated Branch to block the Bid Amount in the ASBA Account.
8. The Bid Amount shall remain blocked in the ASBA Account until finalization of the 'Basis of Allocation' or withdrawal/failure of the Issue or withdrawal/rejection of the ASBA Bid, as the case may be. In the event the ASBA Account does not have a sufficient credit balance for the Bid Amount, the Bid shall be rejected by the SCSB and no funds shall be blocked in that ASBA Account.
9. The ASBA Form should not be accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amount in the ASBA Account.
10. On the Designated Date, the SCSBs shall initiate transfer of the blocked Bid Amount from the ASBA Account for successful Bids into the Public Issue Account and the balance amount, if any, shall be unblocked. Not more than five ASBA Forms can be submitted when utilizing an ASBA Account.

#### **Bids at different price levels and revision of Bids**

1. The Price Band has been fixed at ` 95 to ` 98 per Equity Share of ` 10/- each, ` 95 being the lower end of the Price Band and ` 98 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).
2. Our Company, in consultation with the BRLM, can revise the Price Band during the Bid/Issue Period in accordance with the SEBI (ICDR) Regulations, 2009, in which case the Bidding Period shall be extended further for a period of additional three working 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.
3. Any revision in the Price Band and the revised Bid /Issue Period, if applicable, will be widely disseminated by informing the stock exchanges and the SCSBs and by issuing a public notice 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 and also indicating the change on the relevant website of the BRLM, Company and the terminals of the members of the Syndicate.
4. 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.
5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding ` 2,00,000 may bid at "Cut-off".

However, bidding at "Cut-off" is not permitted for QIB or Non-Institutional Bidders who bid for and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

6. Retail Individual Bidders who bid at the Cut-off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who bid at the Cut-off Price, such Bidders shall receive the refund of the excess amounts from the respective Refund Account.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-Off 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 ` 2,00,000 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 ` 2,00,000, the Bid by Retail Individual Bidder will be considered for allocation under the Non-Institutional portion in terms of the 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.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Refund Account.
9. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size shall be within the range of ` 5,000 to ` 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.
10. 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 and ASBA Form.
11. 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.
12. 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.
13. 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.

14. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus.
15. 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.**

## General Instructions

### Do's:

- (a) 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;
- (b) Read all the instructions carefully and complete the Bid-cum-Application Form (white or blue in colour) as the case may be;
- (c) 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 dematerialised form only.
- (d) Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of the Syndicate Member;
- (e) 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.
- (f) Ensure that you have been given a TRS for all your Bid options;
- (g) Submit revised bids to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS;
- (h) Ensure that the Bid is within the Price Band.
- (i) Each Bidder should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act.
- (j) Ensure that demographic details are updated true and correct in all respects.

### Don'ts:

- a. Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- b. Do not Bid for lower than minimum Bid size;
- c. Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- d. Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- e. Do not pay Bid amount in cash, money order, postal order or by stockinvest;
- f. Do not Bid at cut off price (for QIB Bidders and Non-Institutional Bidders)
- g. Do not bid where bid amount exceeds ` 2,00,000 (for Retail Individual Bidders)



- h. 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.
- i. Do not send Bid-cum-Application Form by post; instead submit the same to a member of the Syndicate only.
- j. Do not provide your GIR number instead of your PAN as bid is liable to be rejected on those ground.
- k. Do not submit the Bid without the Full Bid Amount through the Bid-cum-Application Form.

### **Instructions specific to ASBA Bidders**

#### **Do's:**

- a. Ensure that you use the Bid-cum-ASBA Form specified for the purposes of ASBA process.
- b. Read all the instructions carefully and complete the Bid-cum-ASBA Form.
- c. Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be allotted in dematerialised form only.
- d. Ensure that your Bid is submitted at a Designated Branch of an SCSB, with a branch of which the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar or BRLM to the Issue.
- e. Ensure that the Bid-cum-ASBA Form is signed by the account holder in case the applicant is not the account holder.
- f. Ensure that you have mentioned the correct bank account number in the Bid-cum-ASBA Form.
- g. Ensure that you have funds equal to the Bid Amount mentioned in the Bid-cum-ASBA Form available in your bank account maintained with the SCSB before submitting the Bid-cum-ASBA Form to the respective Designated Branch of the SCSB.
- h. Ensure that you have correctly checked the authorisation box in the Bid-cum-ASBA Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the Bid-cum-ASBA Form in your ASBA Account maintained with a branch of the concerned SCSB.
- i. Ensure that you receive an acknowledgement from the Designated Branch of the concerned SCSB for the submission of your Bid-cum-ASBA Form.
- j. Ensure that you have mentioned your Permanent Account Number ("PAN") allotted under the I.T. Act.
- k. Ensure that the name(s) given in the Bid-cum-ASBA Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Bid is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid-cum-ASBA Form.
- l. Ensure that the Demographic Details are updated, true and correct, in all respects

**Don'ts:**

- a. Do not Bid or revise Bid price to less than the floor price or more than the cap price.
- b. Do not Bid for lower than the minimum Bid size.
- c. Do not Bid through another ASBA or non Bid-cum-ASBA Form after you have submitted a Bid to a Designated Branch of the SCSB.
- d. Payment of Bid Amounts in any mode other than blocked amounts in the bank accounts maintained by SCSBs, shall not be accepted under the ASBA process.
- e. Do not send your physical Bid-cum-ASBA Form by post; instead submit the same to a Designated Branch of the SCSB only.
- f. Do not fill up the Bid-cum-ASBA Form such that the bid amount against the number of Equity Shares Bid for exceeds the investment limit under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of the Red Herring Prospectus.
- g. Do not submit the GIR number instead of the PAN Number.
- h. Do not instruct your respective banks to release the funds blocked in the bank account under the ASBA process.

**Instructions for completing the Bid-cum-Application / ASBA Form**

- (a) 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 and FIIs applying on a repatriation basis).
- (b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (c) 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.
- (d) The Bids from the Retail Individual Bidders must be for a minimum of 60 Equity Shares and in multiples of 60 Equity Shares thereafter, subject to a maximum Bid Amount of ₹ 2,00,000.
- (e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 60 Equity Shares such that the Bid Amount exceeds ₹ 2,00,000 and in multiples of 60 Equity Shares thereafter. Bids cannot be made for more than the 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.
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

- (g) Bids through ASBA must be:
- a. made only in the prescribed ASBA Form (if submitted in physical mode) or the electronic mode.
  - b. made in single name or in joint names (not more than three, and in the same order as their details appear with the Depository Participant).
  - c. completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained in the Red Herring Prospectus and in the ASBA Form.
  - d. for a minimum of 60 Equity Shares and in multiples of 60 Equity Shares thereafter. Bid by an ASBA Bidder falling under the Retail Individual Bidder category cannot exceed ₹ 2,00,000.
- (h) ASBA Bidders should correctly mention the ASBA Account number and ensure that funds equal to the Bid Amount are available in the ASBA Account before submitting the ASBA Form to the Designated Branch otherwise the concerned SCSB shall reject the Bid.
- (i) If the ASBA Account holder is different from the ASBA Bidder, the ASBA Form should be signed by the ASBA Account holder, in accordance with the instructions provided in the ASBA Form.
- (j) Bidders should correctly mention their name, DP ID and Client ID and such other details as required in the Bid-cum-Application Form, or the ASBA Form, as the case may be. For the purpose of evaluating the validity of Bids, the Demographic Details of Bidders shall be derived from the DP ID and Client ID mentioned in the Bid cum Application Form, or the ASBA Form, as the case may be.
- (k) For ASBA Bidders, the Bids in physical mode should be submitted to the SCSBs on the prescribed ASBA Form. SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account.
- (l) ASBA Forms should bear the stamp of the Syndicate Member and/or Designated Branch. ASBA Forms which do not bear the stamp will be rejected.

### **Application in the Issue**

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

### **Bidder's Depository Account Details**

**Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository 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 or ASBA Form.

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR PAN, DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM OR ASBA FORM. INVESTORS MUST ENSURE THAT THE DP ID, CLIENT ID AND PAN GIVEN IN THE BID-CUM-APPLICATION FORM OR ASBA FORM IS EXACTLY THE SAME AS THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE DEPOSITORY DATABASE. IN CASE THE BID-CUM-APPLICATION FORM OR ASBA 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 OR ASBA 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 or ASBA Form would not be used for 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 to 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 other than ASBA 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 and neither the Company, the Registrar, Escrow Collection Bank(s) nor the BRLM/Syndicate Member 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, PAN of the sole/First Bidder, 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 or ASBA 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 or ASBA 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 or ASBA Form. The Company and/or the Book Running Lead Manager will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

## **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.

Further, ASBA Bids may be made in single or joint names (not more than three). In case of joint Bids by ASBA Bidders, all communications will be addressed to the first Bidder and will be dispatched to his/her address.

### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or first bidder is one and the same.

In 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 scrutinised 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.

The Company reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories. A check will be carried out for the same PAN. In cases where the PAN is same, such bids will be treated as multiple applications.

An ASBA Bidder should submit only one Bid. Two or more Bids will be deemed to be multiple bids if the sole or first Bidder is the same. Duplicate copies of ASBA Bid cum Application Forms downloaded and printed from the website of the Stock Exchanges bearing the same application number shall be treated as multiple Bids and are liable to be rejected.

### **Permanent Account Number (PAN)**

Except for the Bids on behalf of Central and State Government and officials appointed by Court, 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. SEBI has issued a Circular No. MRD/DoP/Cir-05/2007 dated April 27, 2007 requiring that with effect from July 2, 2007 the PAN would be the sole identification number for the participants transacting in the securities market, irrespective of the amount of transaction. **Applications without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.**

### **IMPERSONATION**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

**“Any person who:**

- (a) makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or**
- (b) otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years.”**

### **Submission of Bid-cum-Application Form**

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by Account Payee cheques or drafts shall be submitted to the Members of the Syndicate at the time of 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.

### **Electronic Registration of Bids by Bidders**

- (a) The members of the Syndicate and SCSBs will register the Bids using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted. The Members of the Syndicate, our Company, and the Registrar to the Issue are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the SCSBs, (ii) the Bids uploaded by the SCSBs, (iii) the Bids accepted but not uploaded by the SCSBs or (iv) with respect to ASBA Bids accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account. The members of the Syndicate and the SCSBs shall be responsible for any error in the Bid details uploaded by them.
- (b) The members of the Syndicate and the SCSBs will undertake modification of selected fields in the Bid details already uploaded within one Working Day from the Issue Closing Date.
- (c) In case of apparent data entry error by either the members of the Syndicate or the collecting bank in entering the Bid cum Application Form number in their respective schedules other things remaining unchanged, the Bid cum Application Form may be considered as valid and such exceptions may be recorded in minutes of the meeting submitted to Stock Exchange(s). In the event of mistake in capturing the Bid cum Application Form number by either the member of the Syndicate or collecting bank leading to rejection of the Bid cum Application Form, the Registrar may identify based on the Bid cum Application Form, the entity responsible for the error.

- (d) The Stock Exchanges will offer an electronic facility for registering Bids for the Issue. This facility will be available with members of the Syndicate and their authorised agents and the SCSBs during the Issue Period. The members of the Syndicate and the Designated Branches 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 Process on a regular basis. On the Issue Closing Date, the members of the Syndicate and the Designated Branches shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the members of the Syndicate on a regular basis. Bidders are cautioned that a high inflow of high volumes on the last day of the Offer Period may lead to some Bids received on the last day not being uploaded and such Bids will not be considered for allocation.
- (e) Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges, a graphical representation of consolidated demand and price would be made available at the bidding centres during the Issue 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, Bidders 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, QIB, NRI, FII, Mutual Fund etc.;
- PAN (of First Bidder in case of more than one Bidder);
- Numbers of Equity Shares bid for;
- Bid price;
- Bid-cum-Application Form number;
- Cheque details;
- Depository Participant Identification Number and Client Identification Number of the demat Account of the Bidder.

At the time of registering each Bid, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:

- Name of the Bidder(s);
- ASBA Form Number;
- Permanent Account Number (of First Bidder in case of more than one Bidder);
- Number of Equity Shares Bid for;
- Bid Amount;
- Depository Participant Identification Number;
- Bank Account number;
- Bidder's Beneficiary Account Number; and
- Client Identification No. of the Bidder's beneficiary account



- (f) A system generated TRS will be given to the Bidder/ASBA Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's/ASBA Bidder's responsibility to obtain the TRS from the members of the Syndicate or the Designated Branches of the SCSBs.** The registration of the Bid by the members of the Syndicate or the Designated Branches of the SCSBs does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (g) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (h) 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. 232 of this Red Herring Prospectus.
- (i) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or 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.
- (j) 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.
- (k) It is to be noted that Syndicate Members shall be responsible for any error in the Bid details uploaded by them. In case of apparent data entry error by either Syndicate Member or collecting bank in entering the application number in their respective schedules other things remaining unchanged, the Bid may be considered as valid and such exceptions may be recorded in minutes of the meeting submitted to Stock Exchange(s). In the event of mistake in capturing the application number by either the Syndicate Member or collecting bank leading to rejection of Bid, the Registrar may identify based on the Bid form, the entity responsible for the error. Valid records in electronic file will be those for which money is received.
- (l) 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, other than ASBA process**

- (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 this 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 Bid 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.
- (i) QIBs shall not be allowed to withdraw their bids after the BID/Issue Closing Date.

### **Build up of the Book and Revision of Bids under ASBA process**

- a. Bids registered through the Designated Branches of the SCSBs shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.
- b. The SCSBs shall provide to the Registrar aggregate information about the numbers of Bid-cum-ASBA Forms uploaded, total number of Equity Shares and total amount blocked against the uploaded Bid-cum-ASBA Form and other information pertaining to the ASBA Bidders. The Registrar to the Issue shall reconcile the electronic data received from the Stock Exchanges and the information received from the SCSBs. In the event of any error or discrepancy, the Registrar to the Issue shall inform the SCSB of the same. The SCSB shall be responsible to provide the rectified data within the time stipulated by the Registrar to the Issue. Further the decision of the Registrar to the Issue in consultation with the BRLM, our Company, and the Designated Stock Exchange, in this regard shall be final and binding.
- c. During the Bid Period, any ASBA Bidder who has registered his/ her interest in the Equity Shares at the Floor Price is free to revise his/ her Bid using the ASBA Revision Form, which is a part of the Bid-cum-ASBA Form. However, the SCSB will not accept incomplete or inaccurate Revision Forms.
- d. The ASBA Bidder can make this revision any number of times during the Bid Period. However, for any revision(s) in the Bid, the ASBA Bidders will have to use the services of the same Designated Branch of the SCSB with whom he/she or it holds the bank account. ASBA Bidders are advised to retain copies of the ASBA Revision Form and the revised Bid must be made only in such ASBA Revision Form or copies thereof.
- e. Any revision of the Bid shall be accompanied by an instruction to block the incremental amount on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be unblocked by the SCSB.
- f. When an ASBA Bidder revises his/her or its Bid, he/she or it shall surrender the earlier TRS and get a revised TRS from the SCSBs. **It is the responsibility of the ASBA Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- g. Only Bids that are uploaded on the online IPO system of the BSE and NSE shall be considered for allocation/allotment.

### **PAYMENT INSTRUCTIONS**

#### **Escrow Mechanism for Bidders other than ASBA Bidders**

1. Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make 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 this Red

Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of our 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 our Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

### **Terms of Payment and Payment into the Escrow Collection Account**

Each Bidder, shall provide the applicable Bid 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:

- (a) 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 and the SCSBs will also transfer the funds represented by allocation of Equity Shares from the respective ASBA Accounts to the Public Issue Account. 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.
- (b) Each category of Bidders (i.e. QIBs, Non-Institutional Bidders and Retail Individual Bidders) would be required to pay their Full Bid 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. 228 of this Red Herring Prospectus. The Bid Amount payable by each category of Bidders is mentioned in the section titled "Basic Terms of the Issue" beginning on page no. 52 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.
- (c) 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 ASBA Bidder(s) within 9 working days and to Non-ASBA Bidders within 10 working days from the Bid Closing Date/Issue Closing Date, failing which our

Company shall pay interest @ 15% per annum for any delay beyond the periods mentioned above.

- (d) The Bidders shall, at the time of submission of the Bid-cum-Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account of our Company and submit the same to the member of the Syndicate.
- (e) The payment instruments for payment into the Escrow Account of our Company should be drawn in favour of:
  - (i) In case of resident QIB Bidders- **"Escrow Account-Omkar- Public Issue - QIB-R"**
  - (ii) In case of Resident Retail and Non-Institutional Bidders- **"Escrow Account-Omkar- Public Issue - R"**
  - (iii) In case of Non-Resident QIB Bidders- **"Escrow Account-Omkar-Public Issue-QIB-NR"**
  - (iv) In case of Non -Resident Retail and Non-Institutional Bidders - **"Escrow Account - Omkar- Public Issue - NR"**
- (f) 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.
- (g) 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.
- (h) In case of Bids by FIIs, FVCIs 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.
- (i) Where a Bidder has been allocated a lesser number of equity shares then 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.

- (j) The monies deposited in the Escrow Account of our 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 our Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
- (k) On the Designated Date and no later than 10 working days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders (other than ASBA Bidders) and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
- (l) 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.
- (m) 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 mechanism for ASBA Bidders**

The ASBA Bidders shall specify the ASBA Account number in the ASBA Form and the relevant SCSB shall block an amount equivalent to the application money in the ASBA Account specified in the ASBA Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/ rejection of the ASBA Bid or receipt of instructions from the Registrar to the Issue to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Form or for unsuccessful ASBA Forms, the Registrar to the Issue shall give instructions to the SCSB to unblock the application money in the relevant bank account within 9 working days of the Issue Closing Date. The Bid Amount shall remain blocked in the ASBA Account until approval of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/ failure of the Issue or until rejection of the ASBA Bid, as the case may be.

#### **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.

#### **Announcement of Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, our Company shall, after registering the Red Herring Prospectus with Registrar of Companies, make a Pre-Issue Advertisement in the format specified in Part A of Schedule XIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, in one English national daily newspaper with wide circulation, one Marathi newspaper and one Hindi national daily newspaper with wide circulation.

### **Advertisement regarding Issue Price and Prospectus**

An advertisement will be issued by our Company in one English national daily newspaper with wide circulation, one Marathi newspaper and one Hindi national daily newspaper with 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 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 advertisement.

### **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.

### **Right to reject ASBA Bids**

The Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the ASBA account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company would have a right to reject the ASBA Bids only on technical grounds.

Further, in case any DP ID, Client ID or PAN mentioned in the Bid-cum-ASBA Form does not match with one available in the depository's database, such ASBA Bid shall be rejected by the Registrar to the Issue.

### **Withdrawal of Bids**

In case an ASBA investor wants to withdraw his/her ASBA during the bidding period, he/she shall submit his withdrawal request to the SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA from the electronic bidding system of the Stock Exchanges and unblocking of funds in the relevant bank account.

In case an ASBA Investor (except in case of a QIB bidding through ASBA process) wants to withdraw his/her ASBA after the Bid/ Issue Closing Date, he/she shall submit the withdrawal request to the Registrar before finalization of Basis of Allotment. The Registrar shall delete the withdrawn Bid from the bid file. The instruction for unblocking of funds in the relevant bank account, in such withdrawals, shall be forwarded by the Registrars to the Issue to the SCSB on finalization of the Basis of Allotment.

### **Grounds for technical rejections**

Bidders are advised to note that Bids are liable to be rejected, 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. PAN not stated;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than the lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids for number of Equity Shares, which are not in multiples of 60;
10. Category not ticked;
11. Multiple bids as defined in this Red Herring Prospectus;
12. In case of Bid under power of attorney 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 or ASBA Form does not have the stamp of the BRLM or the Syndicate Member;
16. Bid-cum-Application Form or ASBA Form does not have Bidder's depository account details;
17. Bid-cum-Application Forms or ASBA Form are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form or ASBA Form and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Form and ASBA Form;
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, PAN, 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 reliance Regulation 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. With respect to ASBA Bids, inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Form at the time of blocking such Bid Amount in the ASBA



Account;

27. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
28. Bids by any person resident outside India, if not in compliance with applicable foreign and Indian laws, or by any persons who are not eligible to acquire Equity Shares of the Company, in terms of all applicable laws, rules, regulations, guidelines and approvals;
29. Bids at cut-off price by Non-Institutional and QIB Bidders;
30. Bids or revision thereof by QIBs and Non-Institutional Bidders where the Bid Amount is in excess of ₹ 2,00,000, uploaded after 4.00 p.m. or any such time as prescribed by Stock Exchanges on the Bid/Issue Closing Date;
31. Bids in respect of which the Bid-cum-Application Form or ASBA Form does not reach the Registrar to the Issue prior to the finalisation of the basis of allotment;
32. Authorisation for blocking funds in the ASBA Account not ticked or provided;
33. Bids not uploaded in the books; and on the terminals of the Stock Exchanges.

### **Price Discovery and Allocation**

- (a) After the Bid/Issue Closing Date, the BRLM shall analyze the demand generated at various price levels. The Registrar to the Issue shall aggregate the demand generated under the ASBA and provide the same to the BRLM.
- (b) 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.
- (c) Not more than 50% of the Issue to Public 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 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 Issue to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the 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
- (d) Under-subscription, if any, in any category of the 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 BRLM. If the aggregate demand by Mutual Funds is less than 2,02,500 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. In the event that the aggregate demand in the QIB portion has been met, under-subscription, if any, would be allowed to be met with spillover from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.

- (e) 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.
- (f) The BRLM, in consultation with our Company shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders.
- (g) Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue in accordance with SEBI (ICDR) Regulations. Provided, if our Company withdraws the Issue after the Bid/Issue Closing Date, the reason thereof shall be provided within two days of the Bid/Issue Closing Date by way of a public notice in the same newspapers in which the pre-issue advertisement had appeared. The Stock Exchanges shall also be informed promptly.
- (h) In terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, QIB Bidders shall not be allowed to withdraw their bid after the bid / issue closing date.
- (i) The allotment details shall be put on the website of the Registrar to the Issue at [www.bigshareonline.com](http://www.bigshareonline.com).
- (j) Bids received from ASBA Bidders will be considered at par with Bids received from other Retail Individual Bidders and Non-institutional Bidders. No preference shall be given to ASBA bidders vis-à-vis other QIBs, Retail Individual Bidders and Non-Institutional Bidders or vice-versa. The "Basis of Allocation" to such valid ASBA and other QIBs, Retail Individual Bidders and Non-Institutional Bidders will be that applicable to QIBs, Retail Individual Bidders and Non-Institutional Bidders

### **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 Red Herring Prospectus and the Prospectus with ROC**

The Company will file a copy of the Red Herring Prospectus and the Prospectus with the Registrar of Companies, Mumbai in terms of Section 56, Section 60 and Section 60B of the Companies Act, 1956.

### **Issuance of Confirmation of Allocation Note**

- (a) 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. 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;

- (b) The BRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed 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;
- (c) 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.
- (d) The Issuance of CAN is subject to "Notice to QIBs: Allotment Reconciliation and Revised CANs" as set forth below in this Red Herring Prospectus.

**With respect to ASBA bidders:**

1. Upon approval of the 'Basis of Allocation' by the Designated Stock Exchange, the Registrar to the Issue shall send a list of the ASBA Bidders who have been allocated Equity Shares in the Issue to the Controlling Branches along with:
  - (i) The number of Equity Shares to be allotted against each successful ASBA Form;
  - (ii) The amount to be transferred from the ASBA Account to the Public Issue Account, for each successful ASBA Form;
  - (iii) The date by which the funds referred to in sub-para (ii) above, shall be transferred to the Public Issue Account; and
  - (iv) The details of rejected ASBA Forms, if any, along with reasons for rejection and details of withdrawn (except in case of QIB bidding through an ASBA Form) or unsuccessful ASBA Forms, if any, to enable SCSBs to unblock the respective ASBA Accounts.

ASBA Bidders should note that our Company shall ensure that the instructions by our Company for demat credit of the Equity Shares to all investors in this Issue shall be given on the same date; and

2. The ASBA Bidders shall directly receive the CANs from the Registrar to the Issue. The dispatch of a CAN to an ASBA Bidder shall be deemed a valid, binding and irrevocable contract with the ASBA Bidder.

**Notice to QIBs: Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, an electronic book will be prepared, by the Registrar, on the basis of, Bids uploaded on the BSE/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 (ICDR) Regulations, 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 (i) Allotment of Equity Shares; and (ii) credit to the successful Bidders ' depository account will be completed within 10 (ten) Working Days of the Bid/Issue Closing Date.

2. **As per the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, 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.**

### **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 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 60 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 60 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 60 Equity Shares and in multiples of one 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 60 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 60 Equity Shares at or above the Issue Price; allocation shall be made on a proportionate basis up to a minimum of 60 Equity Shares and in multiples of one Equity Shares thereafter. For the method of proportionate basis of allotment refer below.

**C. 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 2,02,500 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 2,02,500 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 or combination of categories at the sole discretion of the Company in consultation with the BRLM.

### **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 Monday, January 24, 2011 and expire on Thursday, January 27, 2011. 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 are finalised 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 (ICDR) Regulations require our Company to complete the allotment and credit to successful bidders within 11 working days of the expiration of the Bidding Period. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

### **Unblocking of ASBA Account**

Once the Basis of Allotment is approved by the Designated Stock Exchange, the Registrar shall provide the following details to the Controlling Branch of each SCSB, along with instructions to unblock the relevant bank accounts and transfer the requisite money to the Public Issue Account within the timelines specified in the ASBA process:

- (i) Number of shares to be allotted against each valid ASBA
- (ii) Amount to be transferred from the relevant bank account to the Public Issue account, for each valid ASBA
- (iii) The date by which the funds referred to in sub-para (ii) above, shall be transferred to the ASBA Public Issue account
- (iv) The details of rejected ASBAs, if any, along with reasons for rejection and details of withdrawn/ unsuccessful ASBAs, if any, to enable SCSBs to unblock the respective bank accounts. SCSB shall thereafter unblock the amounts blocked in the account of the ASBA Investor.

## Method of Proportionate Basis of Allocation

In the event of the issue being over-subscribed, our Company shall finalise 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 60 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 60 Equity Shares per Bidder, the allotment shall be made as follows:
  - Each successful Bidder shall be Allotted a minimum of 60 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.**

## Illustration of Allotment to QIBs and Mutual Funds ("MF")

### A. Issue details

Sr. No.	Particulars	Issue details
1	Issue size	10 Lakhs Equity Shares

2	Allocation to QIB (not more than 50% of the Issue)	5 Lakhs Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	0.25 Lakhs Equity Shares
	b. Balance for all QIBs including Mutual Funds	4.75 Lakhs Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	25 Lakhs Equity Shares

## B. Details of QIB Bids

Sr. No.	Type of QIB bidders#	No. of shares bid for (in Lakhs)
1	A1	2.5
2	A2	1.0
3	A3	6.5
4	A4	2.5
5	A5	2.5
6	MF1	2.0
7	MF2	2.0
8	MF3	4.0
9	MF4	1.0
10	MF5	1.0
	<b>TOTAL</b>	<b>25</b>

# 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 (in Lakhs)	Allocation of 0.25 Lakhs Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 4.75 Lakhs Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	2.5	0	0.48	0
A2	1.0	0	0.192	0
A3	6.5	0	1.248	0
A4	2.5	0	0.480	0
A5	2.5	0	0.480	0
MF1	2.0	0.050	0.374	0.424
MF2	2.0	0.050	0.374	0.424
MF3	4.0	0.100	0.748	0.848
MF4	1.0	0.025	0.187	0.212
MF5	1.0	0.025	0.187	0.212
	<b>25.0</b>	<b>0.250</b>	<b>4.750</b>	<b>2.120</b>



**Please note:**

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Basic Terms of the Issue" beginning on page no. 52 of this Red Herring Prospectus.
2. Out of 5 Lakhs Equity Shares allocated to QIBs, 0.250 Lakhs (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 lakh shares in the QIB Portion.
3. The balance 4.75 Lakhs Equity Shares [i.e. 5.00 – 0.25 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 25 Lakhs Equity Shares (including 5 Mutual Fund applicants who applied for 10 Lakhs Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 4.75 Lakhs Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
  - i. For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X  $4.75/24.75$
  - ii. 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  $4.75/24.75$

The numerator and denominator for arriving at allocation of 4.75 Lakhs Equity Shares to the 10 QIBs are reduced by 0.25 Lakhs shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

**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 dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among the Company, the Depositories and the Registrar,

1. An Agreement dated September 15, 2010 among NSDL, our Company and Registrar to the Issue.
2. An Agreement dated September 13, 2010 among CDSL, our Company and Registrar 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. Non Transferable allotment advice or refund orders will be directly sent to the Bidders by the registrar to the Issue.
6. 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.
7. 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.
8. 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.
9. 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.

#### **Disposal of Applications and Applications Money and Interest in case of delay**

With respect to Bidders other than ASBA Bidders, our Company shall ensure dispatch of Allotment Advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges after the Allotment.

In case of Bidders who receive refunds through ECS, or RTGS or Direct Credit or NEFT, the refund instructions will be given to the clearing system and a suitable communication shall be sent to such Bidders within 11 working days from the Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

We undertake that all steps will be taken for completion of necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within 12 working days of the Bid/Issue Closing Date.

The Company shall dispatch refund orders, as per the procedure mentioned under section "Dispatch of Refund Orders" on page no. 245 of this Red Herring Prospectus, at the sole or First Bidder's sole risk.

**The 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.**

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI (ICDR) Regulations, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form within 10 working days of the Bid/Issue Closing Date;
- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 11 Working Days of the Issue Closing Date would be ensured. With respect to the ASBA Bidders, instructions for unblocking of the ASBA Bidder's ASBA Account shall be made within nine working days from the Issue Closing Date; and
- Our Company shall pay interest at 15% per annum for any delay beyond the 12 Working Days from the Bid/Issue Closing Date as mentioned above, if allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 11 Working Days prescribed above. If such money is not repaid within eight days from the day our Company becomes liable to repay, our Company and every Director of our Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under the applicable law.

Our Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue as per the mode disclosed under "Dispatch of Refund Order" appearing on page no. 245 of this Red Herring Prospectus.

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

### **Letters of Allotment or Refund Orders**

The Registrars to the Issue shall give instructions for credit to the beneficiary account with depository participants within 11 working days from the Issue Closing date. Applicants having bank accounts at any of the 68 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 ` 1,500 by "Under Certificate of Posting", and will dispatch refund orders above ` 1,500, if any, by registered post only at the sole or first Bidder's sole risk within 11 working 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 11 working 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.

In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock

the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 11 Working Days of the Offer Closing Date.

## **DISPATCH OF REFUND ORDERS**

The payment of refund, if any, would be done through various modes in the following order of preference –

1. 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 cheque 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.
2. 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.
3. RTGS – Applicants having a bank account at any of the above-mentioned 68 centers, have also 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.

4. 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.
5. 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 ` 1,500 and through Speed Post/ Registered Post for refund orders of ` 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 68 centres where clearing houses for ECS are managed by the RBI, State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur 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 ` 1,500 and through Speed Post / Registered Post for refund orders of ` 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 exchanges where the Equity Shares are proposed to be listed within 12 working days of the Bid/Issue Closing Date;
- (c) that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed under the heading "Dispatch of Refund Orders" on page no. 245 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 11 working days of closure of Issue, giving details of the bank where refunds shall be credited alongwith 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 is refunded on account of non-listing, under-subscription etc.
- (g) that adequate arrangements shall be made to collect all Applications Supported by Blocked Amount (ASBA) and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

## **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, 1956;
- (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 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;

Our Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilization of the proceeds of the Issue.

Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

## **COMMUNICATIONS**

All future communications in connection with Bids by Bidders (other than ASBA bidders) 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 (other than ASBA bidders) 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.

For ASBA Bidders, in relation to all future communication in connection with ASBA Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first ASBA Bidder, ASBA Form number, details of Depository Participant, number of Equity Shares applied for, date of ASBA Form, name and address of the Designated Branch where the ASBA Bid was submitted and bank account number of the ASBA Account, with a copy to the relevant SCSB. The Registrar to the Issue shall obtain the required information from the relevant

SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or wilful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held.

ASBA Bidders can contact the Compliance Officer, the Designated Branch where the ASBA Form was submitted, or the Registrar to the Issue in case of any pre or post-Issue related problems such as non receipt of credit of allotted Equity Shares in the respective beneficiary accounts, unblocking of excess Bid Amount, etc.

The Book Running Lead Manager undertakes that the complaints or comments received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.

### **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 OF THE COMPANY**

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI (ICDR) Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of equity shares and or their consolidation/splitting are required to be stated. The regulations contained in Table A of 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 contained in the Articles of Association of our Company.

### **CAPITAL AND INCREASE AND REDUCTION OF CAPITAL**

#### ***Increase of capital of the Company and how carried into effect***

4. The Company in General Meeting, may from time to time, increase its capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof shall prescribe and if no direction be given, as the Directors shall determine and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of a of the Company and with a right of voting at General Meetings of the Company, in conformity with provisions of the Act. Whenever the capital of the Company has been increased under the provisions of these Articles, the Directors shall comply with the provisions of Section 97 of the Act.

#### ***Allotment otherwise than for cash***

6. Subject to the provisions of the Act and these Articles, the Directors may allot and issue shares in the capital of the Company as payment or part-payment for any property or assets of any kind whatsoever, sold or to be sold or transferred or to be transferred or for goods or machinery supplied or to be supplied or for services rendered or to be rendered or for technical assistance or know-how made or to be made available to the Company or the conduct of its business and shares which may be so allotted may be issued as fully or partly paid-up otherwise than in cash and if so issued, shall be deemed to be fully or partly paid as the case may be.

#### ***Preference Shares***

7. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue Preferential Shares which are or at the option of the Company are to be liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.

#### ***Buyback of shares***

8. Notwithstanding anything contained in these articles, in accordance with the provisions of Sections 77A, 77AA and 77B of the Act or any statutory modification thereto and such other



regulations and guidelines as may be issued in this regard by the relevant authorities, the Board of Directors/ Members may, if and when deem fit, buy back such of the Company's own shares, stocks or securities, whether or not they are redeemable, as it may decide, subject to such limits, upon such terms and conditions, and subject to such approval, as are specified in this regard.

### ***Reduction of capital***

9. The Company may (subject to the provisions of Sections 78, 80, 100 to 105 inclusive, of the Act) from time to time by Special Resolution, reduce its capital and any Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorized by law, and in particular, capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted.

### ***Variation of Rights***

10. If at any time the share capital is divided into different classes of shares, all or any of the rights and privileges attached to the shares of any class may subject to the provisions of Sections 106 and 107 be varied, commuted, affected, dealt with or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a Special Resolution at a separate meeting of the holders of the issued shares of that class.

### ***Further issue of shares***

- 11(1) Where at the 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 near as circumstances admit, to the capital paid up on those shares at the date.
  - (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and 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 them in favour of any other person and the notice referred to in sub clause (b) hereof 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 expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that the declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion fit.
- (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 special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or, where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company.
- (3) Nothing in sub-clause (c) of (1) hereof shall be deemed:
  - (a) To extend the time within which the offer should be accepted; or
- (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 debenture issued or loans raised by the company:
  - (i) To convert such debentures or loans into shares in the company; or
  - (ii) To subscribe for shares in the company (whether such option is conferred in these Articles or otherwise)

**PROVIDED THAT** the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
- (b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.

***Issue of further pari passu shares not to affect the right of shares already issued***

- 12 The rights conferred upon the holders of the shares of any class issued with preferred or any other rights shall not, unless, otherwise expressly provided by the terms of issue

of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

### ***Sub-division and consolidation of Shares***

13. Subject to the provisions of Section 94 of the Act, the Company in General Meeting may from time to time, sub-divide or consolidate its shares, or any of them, and 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 some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other or others. Subject as aforesaid the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of shares so cancelled. The cancellation of shares in pursuance of this Article shall not be deemed to be a reduction of the share capital.

### ***Issue of Sweat Equity Shares***

14. Company shall subject to and in accordance with the provisions of section 79A of the Act, shall have the power, by a Special Resolution passed at a General Meeting to issue Sweat Equity Shares to the Directors, Employees of either of the Company or of any of its subsidiary or holding Company.

### ***Provision for issue of shares under Employees' Stock Option Scheme***

- 15 (a) Subject to the provisions of section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, and subject to these Regulations, the Board may, from time to time, create, offer and issue to or for the benefit of the Company's employees including the Directors, Executive Chairman, Vice- Chairman, the Managing Directors and the Whole time Directors such number of equity shares of the Company, in one or more trenches on such terms as may be determined by the Board prior to the issue and offer, in consultation with the authorities concerned and in accordance with such guidelines or other provisions of law as may be prevalent at that time but ranking pari passu with the existing equity shares of the Company.
- (b) The issue price of such shares shall be determined by the Board in accordance with the laws prevalent at the time of the issue.
- (c) In the alternative to equity shares, mentioned hereinabove, the Board may also issue bonds, equity warrants or other securities as may be permitted in law, from time to time.
- (d) All such issues as above are to be made in pursuance of Employees' Stock Option (ESOP) scheme to be drawn up and approved by the Board.

## **SHARES AND CERTIFICATES**

### ***Shares at the disposal of the Directors***

17. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the Directors who

may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

### **Share Certificate**

21. a) The share certificates shall be issued in market lots and where share certificates are issued in either more or less than market lots, sub-division or consolidation of share certificates into market lots shall be done free of charge.
- b) Any two or more joint allottees of a share shall, for the purposes of this Article, be treated as a single Member, and the certificate of any share which may be the subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them. For any further certificate the Board shall be entitled but shall not be bound, to prescribe a charge not exceeding Rupee One. The Company shall comply with the provisions of Section 113 of the Act.
- c) Directors may sign a share certificate by affixing their signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.

### **Limitation of time for issue of certificates**

22. 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 the name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within 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 certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons the company shall not be borne to.

### ***Issue of new certificate in place of one defaced, lost or destroyed***

23. 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, an a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificates under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding ` 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 the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provision of this Article shall mutatis mutandis apply to debentures of the company.

### ***Delivery of Share/Debenture Certificates***

24. The Company shall within three months after the allotment of any of its shares or debentures or debenture-stock and within one month after the application for the registration of the transfer of any such shares or debentures or debenture-stock, complete and have ready for delivery the certificates of all shares, debentures or debenture stock allotted or transferred unless the conditions of issue of shares or debentures or debenture-stock otherwise provided. The expression 'transfer' for the purpose of this Article means, a transfer duly stamped and otherwise valid and does not include any transfer which the Company is for any reason entitled to refuse to register and does not register.

### ***Underwriting and Brokerage Commission may be paid***

29. Subject to the provisions of Section 76 of the Act, the Company may at any time pay a commission to any person, in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares or debentures of the Company, or procuring, or agreeing to procure subscriptions (whether absolute or conditional) for any shares or debentures in the Company; But so that the commission shall not exceed in case of shares five percent of the price at which the shares are issued and in case of debentures two and a half percent of the price at which the debentures are issued. Payment of unpaid share capital in advance
42. a) The Board may if it thinks fit, subject to the provisions of the Act, agree to and receive

from any Member willing to advance the same, either in money or moneys worth the whole or any part of the amount remaining unpaid on the shares held by him beyond the sum actually called up and upon the moneys so paid or satisfied in advance, or so much thereof, as from time to time and at any time thereafter exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances have been made, the Board may pay or allow interest at such rate as the Member paying such advance and the Board agree upon; provided always that if at any time after the payment of any such money the rate of interest so agreed to be paid to any such Member appears to the Board to be excessive, it shall be lawful for the Board from time to time to repay to such Member so much of such money as shall then exceed the amount of the calls made upon such shares, unless there be an express agreement to the contrary; and after such repayment such Member shall be liable to pay, and such shares shall be charged with the payment of all future calls as if no such advance had been made; provided also that if at any time after the payment of any money so paid in advance, the Company shall go into liquidation, either voluntary or otherwise, before the full amount of the money so advanced shall have become due by the Members to the Company, on installments or calls, or in any other manner, the maker of such advance shall be entitled (as between himself and the other Members) to receive back from the Company the full balance of such moneys rightly due to him by the Company in priority to any payment to Members on account of capital.

- b) No Member paying any such sum in advance shall be entitled to any voting rights, dividend or right to participate in profits in respect of money so advanced by him until the same would but for such payment become presently payable.

## **FORFEITURE AND SURRENDER OF AND LIEN ON SHARES**

### ***If money payable on share not paid notice to be given to Members***

- 43. If any Member fails to pay any call or installment of call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may, at any time thereafter, during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

### ***In default of payment, shares may be forfeited***

- 45. If requirements of any such notice as aforesaid are not complied with, every or any share in respect of which such notice has been given, may at any time thereafter, but before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture.

### ***Forfeited shares to become property of the Company and may be sold, etc.***

- 47. Any share so forfeited shall be deemed to be the property of the Company and may be

sold, re-allotted or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

***Members still liable to pay money due notwithstanding the forfeiture***

48. Any Member whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay, and shall forthwith pay to the Company on demand all calls, amounts, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon from the time of the forfeiture until payment, at such rate as the Board may determine and the Board may enforce the payment thereof if it thinks fit.

***Effect of forfeiture***

49. The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all Interest in and of all claims and demands against the Company, in respect of the share, and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

***Surrender of shares***

50. The Directors may subject to the provisions of the Act, accept a surrender of any shares from or by any Member desirous of surrendering them on such terms as they think fit.

***Evidence of forfeiture***

51. A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles on the date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

***Company's lien on shares***

52. The Company shall have a first and paramount lien upon all the shares/ debentures (Other than fully paid-up shares/debentures) registered in the name of each member (Whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys ( whether presently payable or not ) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full except. 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.

### ***Cancellation of share certificate in respect of forfeited shares***

56. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

### ***Power to annul forfeiture***

57. The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

## **TRANSFER AND TRANSMISSION OF SHARES**

### ***Register of Transfers***

58. The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material form. The Company shall have the power to maintain the Register of Transfer and Register of Member may with the approval of the Members at the place other than the Registered Office of the Company.

### ***Directors may refuse to register transfers***

62. Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the company has a lien on the shares. Transfer of shares / debentures in whatever lot shall not be refused.

### ***Instrument of transfer***

64. The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.



### ***Sub-division, consolidation in marketable lots only***

65 Transfer of shares in whatever lot should not be refused, though there would be no objection to the Company refusing to split a share certificate into several scrips of any small denominations or to consider a proposal for transfer of shares comprised in a share certificate to several parties, involving such splitting, if on the face of it such splitting/transfer appears to be unreasonable or without a genuine need. The Company should not, therefore, refuse transfer of shares in violation of the Stock Exchange listing requirements on the ground that the number of shares to be transferred is less than any specified number.

### ***No transfer to insolvent, etc.***

68 No share shall, in any circumstances, be transferred to any insolvent or person of unsound mind.

### ***No fee on transfer or transmission***

69. No fees shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

## **DEMATERIALISATION OF SECURITIES**

### ***Persons entitled may receive dividends without being registered as Members***

72. A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends or money as hereinafter provided be entitled to receive, and may give a discharge for any dividends or other moneys payable in respect of the shares.

## **BORROWING POWERS**

### ***Power to Borrow***

75. Subject to the provisions of Sections 58A, 292 and 293 of the Act and of these Articles, the Board may, from time to time at its discretion, by a resolution passed at a Meeting of the Board, accept deposits from Members or public, either in advance of call or otherwise, and generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company provided however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting.

### ***Terms of issue of debentures***

77. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and condition as to redemption, surrender, drawing, allotment 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.

## **SHARE WARRANT**

### ***Power to issue share warrants***

80. The Company may issue share warrants subject to, and in accordance with the provisions of sections 114 and 115, and accordingly the Board may in its discretion, with respect to any share which is fully paid-up on application in writing signed by the persons registered as holder of the share, and authenticated, by such evidence (if any) as the Board may. from time to time, require as to the identity of the person signing the application, and on receiving the certificate (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.

## **DIVIDENDS**

### ***The Company In general meeting may declare dividends***

157. Subject to the provisions of Section 205 of the Companies Act, 1956 the Company in General Meeting may declare dividends, to be paid to its Members according to their respective rights but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

### ***Interim Dividend***

158. The Board may, from time to time, pay to the Members such interim dividend as in their judgement the position of the Company justifies.

### ***Capital paid-up in advance carrying Interest not to earn dividend***

159. Where capital is paid in advance of calls, such capital may carry interest but shall not be in respect thereof confer a right to dividend or participate in profits.

### ***Dividend to be paid pro-rata***

160. a) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof dividend is paid but if and so long as nothing is paid upon any shares in the Company, dividends may be declared and paid according to the amounts of the shares.  
b) No amount paid or credited as paid on shares in advance of calls shall be treated for the

purpose of this regulation as paid on shares.

- c) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. But if any share is issued on terms providing that it shall rank for dividend as from a particular date such shares shall rank for dividend accordingly.

#### ***Retention of Dividends until completion of share transfer***

161. The Board may retain the dividends payable upon shares in respect of which any person is, under Article 72 entitled to become a Member, which any person under that Article is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.

#### ***No Member to receive dividend whilst indebted to the Company and Company's right to reimbursement thereof***

163. No Member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever either alone or jointly with any other person or persons; and the Board may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company.

#### ***Unpaid or Unclaimed Dividend***

- 168 Where the company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of \_\_\_\_\_ Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholders to whom the money is due.

No unclaimed or unpaid dividend shall be forfeited by the Board.

#### ***Capitalisation of Profits***

169. 1) The Company in General Meeting may, upon the recommendation of the Board, resolve;

- a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account, or otherwise available for distribution; and
  - b) that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the Members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.
- 2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (3), either in or towards:
- i) paying up any amounts for the time being unpaid on any shares held by such Member respectively;
  - ii) paying up in full, un-issued shares of the Company to be allotted and distributed, credited as fully paid up to and amongst such Members in the proportions aforesaid; or
  - iii) partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii).
- 3) A share premium account and a capital redemption reserve account may, for the purpose of this Regulation, only be applied in the paying up of unissued shares to be issued to Members of the Company as fully paid bonus shares.
- 4) The Board shall give effect to the resolution passed by the Company in pursuance of this Regulation.

## **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, Mumbai, Maharashtra; 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 July 19, 2010 signed between our Company and Almondz Global Securities Limited, the Book Running Lead Manager to the Issue.
2. Memorandum of Understanding dated May 22, 2010 signed between the Company and Bigshare Services Private Limited, Registrar to the Issue.
3. Copy of the Tri-partite Agreement dated September 15, 2010 between NSDL, the Company and Bigshare Services Private Limited
4. Copy of the Tri-partite Agreement dated September 13, 2010 between CDSL, the Company and Bigshare Services Private Limited

#### **Material Documents for Inspection**

1. Memorandum and Articles of Association of Omkar Speciality Chemicals Limited as amended till date
2. Certificate of Incorporation
3. Resolution of our Board dated May 12, 2010 and our EOGM resolution dated May 19, 2010 for authorizing the Issue
4. Resolution of the general body for appointment and remuneration to our Managing Director and Whole Time Director
5. Copy of Auditor's Report issued by Statutory Auditors of our Company regarding unconsolidated re-stated financial statements of our Company for the last 5 financial years for the period ended March 31, 2006, March 31, 2007, March 31, 2008, March 31, 2009, March 31, 2010 and for the period ended September 30, 2010.
6. Copy of Auditor's Report issued by Statutory Auditors of our Company regarding consolidated re-stated financials statements of our Company for the period ended September 30, 2010.
7. Copies of Annual Reports of our Company for the past 5 financial years for the period ended March 31, 2006, March 31, 2007, March 31, 2008, March 31, 2009, March 31, 2010 and period ended September 30, 2010.
8. Statement of Tax Benefits from Statutory Auditors of our Company

9. Consent of Auditors, for the inclusion of their reports on accounts in the form and context in which they appear in this Red Herring Prospectus
10. Consents of Statutory Auditors, Banker to the Company, BRLM, Registrar to the Issue, Legal Counsel to the Company, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities
11. No objection certificate from Banker to our Company viz. Bank of Baroda in respect of proposed public issue of the Company
12. Valuation Report dated June 30, 2005 by S.P. Phadke, Chartered Accountants, for the takeover of assets and liabilities of Omkar Chemicals, proprietorship concern of Mr. Pravin Herlekar.
13. Copy of Share Purchase Agreements dated May 14, 2010 between shareholders of Rishichem Research Limited viz. Mr. Pravin Herlekar & Mr. Dattatraya Deshpande and Omkar Speciality Chemicals Limited alongwith valuation report dated April 30, 2010 by S.P. Phadke, Chartered Accountants.
14. Copy of Grading Agency for IPO grade
15. Copies of letter addressed to BSE and NSE regarding in-principle approval for listing
16. In-principle listing approval dated September 29, 2010 and October 26, 2010 from BSE and NSE respectively
17. Due Diligence Certificate dated August 25, 2010 to SEBI from Almondz Global Securities Limited
18. A copy of the SEBI Final observation letter no. CFD/DIL/ISSUES/SK/PN/OW/27126/2010 dated November 22, 2010 received from SEBI, Mumbai in respect of the Public Issue of Omkar Speciality Chemicals Limited.

## 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 thereunder 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 AND CFO OF OMKAR SPECIALITY CHEMICALS LIMITED

**Mr. Pravin Herlekar**  
Chairman & Managing Director

**Mr. Amit Pandit\***  
Director

**Mr. Omkar Herlekar**  
Whole Time Director

**Dr. Vikas Telvekar**  
Director

**Mr. Shivdas Herlekar**  
Executive Director

**Mr. Suhas Rane**  
Director

**Ms. Anjali Herlekar**  
Executive Director

**Mr. Subhash Mali**  
Director

**Mr. Ratanlal Ranasaria**  
Chief Financial Officer

\* Through duly constituted attorney Mr. Pravin Herlekar, Chairman & Managing Director

Date: January 5, 2011

Place: Badlapur, Thane, Maharashtra

## RATIONALE FOR CARE IPO GRADING

### IPO Grading

### CARE IPO Grade 3

CARE has assigned a '**CARE IPO Grade 3**' to the proposed Initial Public Offer (IPO) of Omkar Specialty Chemicals Limited (OSCL). CARE IPO Grade 3 indicates average fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the relative assessment of the fundamentals of the issuer.

***The grading derives strength from the experienced management team, multi-product capability and flexibility in its manufacturing facilities, strong Research & Development capabilities of the group, healthy profitability margins and long relations with reputed clientele.***

***The grading is however constrained by small scale of operation, long working capital cycle, project execution risk and raw material price risk.***

### Background

Omkar Specialty Chemicals Limited (OSCL) (formerly Omkar Specialty Chemicals Private Limited) took over the business of the Proprietorship Firm M/s Omkar Chemicals which was in operation since 1983 with Mr. Pravin S. Herlekar as the Proprietor. At the time of takeover in June 2005, the installed capacity was 318 Metric Tonnes (MT) and the product range was cobalt, selenium & iodine derivatives in addition to molybdenum derivatives. The capacity was gradually increased to 950 MT with the recent addition of 200 MT in FY11. Company has four units, Unit-I, Unit-II, Unit-III and Unit-IV at Badlapur, Thane. OSCL carries out its manufacturing activities at its two units i.e. Unit I and Unit II. Project work at Unit III is over and the company will start the manufacturing activities soon. Unit IV is currently being utilised as a warehouse. However the company has plans to set up manufacturing facilities at Unit IV.

OSCL is primarily involved in the production of specialty chemicals and pharma intermediates. It manufactures a range of organic, inorganic and organo-inorganic intermediates. The inorganic intermediates include Molybdenum derivatives, Selenium derivatives, Iodine derivatives, Cobalt derivatives, Bismuth & Tungsten derivatives and the organic intermediates include Tartaric acid derivatives and other intermediates. These products find applications in various industries like pharmaceutical industry, chemical industry, glass industry, cosmetics, ceramic pigments and cattle & poultry feeds. The company is planning to set up a new manufacturing unit, Unit-IV at Badlapur, Thane at an estimated cost of Rs. 32.1 crore and is also planning for expansion at the existing units at an estimated cost of Rs. 14.61 crore, with part proceeds of IPO.

OSCL has recently acquired M/s. Rishichem Research Ltd., which is primarily into research and development activities, to strengthen R&D capabilities of the company. This company was earlier a sister concern and was owned by the promoters only. It was valued at Rs.1.3 crore and consideration was paid in the form of equity shares.



## **Management**

OSCL is promoted by Herlekar family with Mr. Pravin Herlekar, being the Chairman and Managing Director of the company. He is a Bachelor of Technology in Chemical Engineering from the Indian Institute of Technology, Bombay and is a post graduate in management studies from the Mumbai University. He has an overall experience of 27 years in the field. He was running a proprietary concern in the name of Omkar Chemicals since 1983, which was taken over by OSCL in 2005. Mr. Shivdas Herlekar (father of Mr. Pravin Herlekar), the Executive Director of the company, is a Bachelor of Arts from the University of Bombay. He has an overall experience of about 60 years in the field of accounts, finance, policy matters & administration.

## **Corporate Governance**

OSCL has complied with the corporate governance code in accordance with Clause 49 of the listing agreement (as applicable), including in relation to appointment of Independent Directors to its Board and constitution of the audit committee, remuneration committee and shareholders'/investor's grievance committee.. Currently, the Board has eight Directors, of which the Chairman is the Executive Director, and in compliance with the requirements of Clause 49 of the listing agreement, the company has four independent Directors out of eight Directors on Board.

## **Operations**

OSCL manufactures a wide range of products in Iodine, Selenium and Molybdenum related compounds. Its current product portfolio consists of more than 90 products. Its manufacturing facility is well equipped to handle the production of different products in this segment without making any changes. This flexibility provides ease of changing the product mix depending on the market demand.

OSCL's recent acquisition of M/s. Rishichem Research Ltd will strengthen R&D capabilities of the company to develop any new product in this segment as per the customer's requirement. Being in a technology-driven product innovation segment and due to the lack of organised players offering a wide range of products in this segment similar to OSCL, company is placed in the niche segment of the value chain.

About 75% of the sales value is derived from the pharmaceutical industry. Over a period of time, OSCL has developed its relationship with large pharmaceutical companies in the domestic market.

During FY10 total income of OSCL from operations stood at around Rs. 68 crore. Majority of the sales come from Iodine compounds which constituted more than 50% of the sales and Rs.36 crore in terms of value in FY10. The global iodine derivatives market is US\$2.5-3.0 bn annually. Considering the size of the industry, OSCL is a very small player. Nevertheless, in the domestic market it is a one of the major players and is tapping the demand from domestic pharmaceutical companies. The company is on a continuous expansion spree and has plans to increase its capacity from 950 MT per annum to 3,650 MT per annum.

OSCL's main raw materials are imported in bulk from the suppliers. This helps the company to reduce the cost of import and also negotiate the prices with suppliers. This bulk import results in higher inventory levels leading to long working capital cycle. OSCL's product is used as a

pharmaceutical intermediate. Pharmaceutical companies use these intermediates to manufacture the Active Pharmaceutical Ingredients (APIs). As the company's product is not directly used as any medicine, it does not fall under the purview of any regulatory requirements from pharmaceuticals authorities like USFDA, etc. However, the quality of its product is critical to the quality of the finished product. OSCL's clients do require the company to follow various quality standards. OSCL's quality control laboratory is equipped with various advanced equipments. The Unit 2 of the company has been granted ISO 9001:2008 for its quality management systems. OSCL imports its raw material and also exports part of its finished goods which provides part natural hedge for its foreign currency exposure. Moreover, the company generally takes full cover for the rest of the exposure and remains fully hedged against the foreign currency exchange risk.

### **Project risk**

OSCL has proposed an expansion plan in its three manufacturing units and has also proposed a new manufacturing facility, Unit-4 from the IPO proceeds. After the proposed expansion and setting up of new facility, the total installed capacity of the company is expected to be raised to 3,650 MT per annum from the existing 950 MT per annum. The company projects to complete this expansion in FY13. The company has projected that the total cost for this expansion/new facility will be around Rs.46.72 crore. The company also proposes that any shortfall for the project from IPO proceeds would be met by the internal accruals. The company has significant experience in executing these projects. However, the scale of expansion is high and the company thus faces project execution risk. As on November 2010, the company has procured land in Badlapur, Thane for the new unit.

### **IPO Issue Details**

OSCL intends to issue 81,00,000 equity shares of face value of Rs.10 each and proposes to utilise the Net Proceeds from the IPO for the following objects:

1. About Rs.32.10 crore to be used to set up a new manufacturing facility at Unit 4 at Badlapur, Maharashtra;
2. About Rs.14.61 crore to be used for expansion of the existing manufacturing facilities at Unit 1, Unit 2 & Unit 3 at Badlapur, Maharashtra;
3. About Rs.10 crore to be used for meeting working capital requirements.
4. Balance of the proceeds will utilised for general corporate purpose and issue expenses.

### **Financials**

OSCL's income grew at a Compounded Annual Growth Rate (CAGR) of around 28% during FY08 to FY10 mainly due to the increased sales volumes despite the decline in average realisation from FY08 level. Manufacturing capacity also increased significantly during this period. Realisation declined due to the change in product mix. PBILDT margins of the company improved during FY08 to FY10 due to the improved operational efficiencies, stabilised operations and increasing capacity utilisation. The working capital cycle increased due to the increased inventory period. The Equity share capital of the company increased during FY10 due to the bonus shares issued in June 2009.

As on March 31, 2010 OSCL had long-term debt of Rs.6.67 crore against the networth of Rs.16.31 crore and the debt-equity ratio of the company was 0.41x. The overall gearing as on March 31, 2010 stood at 1.64x due to the working capital borrowing of Rs.19.12 crore. The Return on the

Capital Employed is stable around 28%. The EPS declined in FY10 due to the issuance of bonus shares. During H1FY11, OSL earned a net profit of Rs.5 crore on the income of Rs. 52 crore.

### **Industry overview**

From being an import-dependent industry in the 1950s, the Indian pharmaceuticals sector has come a long way post liberalization to attain the current size of around US\$20 billion. India is now not only self-sufficient in terms of pharmaceutical products, but has also achieved global recognition as a manufacturer and supplier of cost-effective, high-quality bulk drugs and formulations by exporting to over 200 countries. With India having the largest number of United States Food & Drug Administration (USFDA) approved manufacturing facilities outside the US; the number of drug master filings (DMF) by Indian companies is increasing year-on-year and is expected to remain way ahead of China in the near to midterm.

CARE Research expects that pharmaceutical intermediates will account for over 2/3rd of the speciality chemicals market by the year 2012. The Indian speciality chemical manufacturers have the technical expertise and R&D capabilities to produce niche, complex and high-quality intermediates belonging to the pharma sector. Going forward, the Indian pharma-associated companies can demonstrate considerable potential for collaborative and outsourced R&D projects in new drug development, biotechnology and chemicals.

(Rs. crore)

Y.E. / As on March 31	2008	2009	2010
	A	A	A
<b>Working Results</b>			
Net sales	38.45	47.62	64.7
Total income	41.39	50.93	68.3
PBILDT	6.21	9.04	13.1
Depreciation	0.26	0.48	1.85
PBIT	5.96	8.56	11.2
Interest	2.1	3.6	3.74
PBT	3.96	4.9	7.32
PAT	2.6	3.13	4.99
Gross Cash Accruals	2.87	3.81	7.05
<b>Financial Position</b>			
Equity Share capital	0.26	0.26	11.5
T Net Worth	8.45	11.78	16.3
<b>Key Ratios</b>			
<b>Profitability (%)</b>			
PBILDT Margin	15.01	17.75	19.2
PAT Margin	6.29	6.15	7.3
ROCE	30.74	28.34	28.2
RONW	36.42	30.98	35.5
EPS(Rs)	992.9	1196	43.3
<b>Solvency(times)</b>			
Debt Equity Ratio	0.66	0.93	0.41
Overall Gearing	1.66	2.21	1.64
Interest coverage	2.96	2.51	3.5

Term Debt/GCA	3.32	3.74	1.08
<b>Liquidity (times)</b>			
Current ratio	1.47	1.18	1.16
Quick ratio	0.89	0.68	0.66
<b>Turnover</b>			
Avg. Collection Period (days)	51	76	79
Avg. Inventory (days)	84	101	115
Avg. Creditors (days)	28	50	69
Op. cycle (days)	107	127	125

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