DRAFT RED HERRING PROSPECTUS
Dated March 23, 2011
Book Built Issue
Please read Section 60B of the Companies Act, 1956
(The Draft Red Herring Prospectus will be updated upon filing with the RoC)

ARCH PHARMALABS LIMITED

Our Company was incorporated on April 2, 1993 as Merven Drug Products Private Limited with the Registrar of Companies, Andhra Pradesh, Hyderabad. The status of our Company was changed to a public limited company on April 24, 1993 and the name of our Company was changed to Merven Drug Products Limited pursuant to a Fresh Certificate of Incorporation dated September 13, 1993 issued by the Registrar of Companies, Andhra Pradesh, Hyderabad. Subsequently, with changes in control of our Company, the name of our Company was changed to Vitara Merven Limited on January 9, 1998 and thereafter to Merven Drug Products Limited on September 10, 1999. Pursuant to the Reverse Merger of Arch Commerz Private Limited with our Company the name of our Company was changed to Arch Commerz Limited on January 2, 2004. The name of our Company was then changed to 'Arch Pharmalabs Limited' pursuant to grant of Fresh Certificate of Incorporation dated March 11, 2004 by the Registrar of Companies, Andhra Pradesh, Hyderabad. The CIN of our Company is U24231MH1993PLC150891. For details of changes in our name and our registered office, please refer to the chapter titled ***"History and Certain Corporate Matters"*** beginning on page 129.

Registered Office and Corporate Office: 'H' Wing, 4th Floor, Tex Center, off Saki Vihar Road, Chandivali, Andheri (East), Mumbai 400 072
Tel No: + 91 22 3308 9200; **Fax No:** + 91 22 2847 1234; **Website**: www.archpharmalabs.com; **E-mail**: ipo@archpharmalabs.com
Contact Person: Vikas Kedia, Company Secretary and Compliance Officer, **Tel No:** + 91 22 2847 0588; **Fax No:** + 91 22 2847 1234; **E-mail**: vikas.kedia@archpharmalabs.com

PROMOTERS OF OUR COMPANY

Ajit Kamath, Manoj Jain, Rajendra Kaimal, Vidya Kamath, Bindu Jain, Ajit Annu Kamath (HUF), Manoj Jain (HUF), Arch Phytochemicals Private Limited, Avant Capital Services Private Limited, Arch Impex Private Limited, AMR Investments Private Limited and Arch Pharmachem Limited

PUBLIC ISSUE OF [●] EQUITY SHARES OF FACE VALUE ₹10 EACH ("EQUITY SHARES") OF ARCH PHARMALABS LIMITED ("COMPANY" OR "ISSUER") FOR CASH AT A PRICE OF ₹[●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹[●] PER EQUITY SHARE) ("ISSUE PRICE") AGGREGATING TO ₹[●] MILLION, CONSISTING OF A FRESH ISSUE OF [●] EQUITY SHARES BY OUR COMPANY AGGREGATING UPTO ₹ 1,350 MILLION ("FRESH ISSUE") AND AN OFFER FOR SALE OF 6,172,607 EQUITY SHARES BY INDIA ADVANTAGE FUND II, INDIA ADVANTAGE FUND V, RAINBOW FUND, DYNAMIC INDIA FUND I, LEVERAGE INDIA FUND AND SWISS TECHNOLOGY VENTURE CAPITAL FUND PRIVATE LIMITED ("THE SELLING SHAREHOLDERS") AGGREGATING TO ₹[●] MILLION ("OFFER FOR SALE"). THE FRESH ISSUE AND THE OFFER FOR SALE ARE TOGETHER REFERRED TO AS THE "ISSUE". THE ISSUE COMPRISES OF A NET ISSUE TO THE PUBLIC OF [●] EQUITY SHARES ("NET ISSUE") AND A RESERVATION OF UPTO 200,000 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (AS DEFINED HERE-IN) ON A COMPETITIVE BASIS ("EMPLOYEE RESERVATION PORTION"). THE ISSUE AND THE NET ISSUE WILL CONSTITUTE [●]% AND [●]%, RESPECTIVELY, OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.

Our Company in consultation with the Book Running Lead Managers ("BRLMs") may decide to offer a discount of ₹[●] to the Issue Price to the Eligible Employees at the time of Allotment ("Employee Discount") and which shall be advertised at least two (2) working days prior to the Bid/Issue Opening Date. The excess amount paid at the time of Bidding shall be refunded to the Eligible Employees prior to the twelfth Working Day from the date of Bid/ Issue Closing Date or the eighth day from the date on which our Company and Selling Shareholders become liable to repay, whichever is earlier.

THE FACE VALUE OF THE EQUITY SHARES IS ₹10 EACH.

THE PRICE BAND AND THE MINIMUM BID LOT SIZE FOR THE ISSUE WILL BE DECIDED BY OUR COMPANY IN CONSULTATION WITH THE SELLING SHAREHOLDERS AND THE BRLMs AND SHALL BE ADVERTISED AT LEAST TWO (2) WORKING DAYS PRIOR TO THE BID/ISSUE OPENING DATE.

In case of revision in the Price Band, the Bid/Issue Period shall be extended for at least three (3) additional Working Days after such revision of the Price Band, subject to the Bid/Issue Period not exceeding ten (10) Working Days. Any revision in the Price Band, and the revised Bid/Issue Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited ("***BSE***") and the National Stock Exchange of India Limited ("***NSE***") and by issuing a press release and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate Members.

This is an Issue of atleast 25.00% of the post-Issue capital in accordance with Rule 19(2)(b)(i) of the Securities Contracts Regulations Rules, 1957, as amended ("***SCRR***"). This Issue is being undertaken as per Sub-Regulation (1) of Regulation 26 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("***SEBI ICDR Regulations***") and through a Book Building Process wherein not more than 50% of the Net Issue will be available for allocation on a proportionate basis to Qualified Institutional Buyers ("***QIB***" and such portion being referred to as "***QIB Portion***"). Our Company in consultation with the Selling Shareholders and the BRLMs may consider participation by Anchor Investors in the Net Issue for upto 30% of the QIB Portion, in accordance with the SEBI ICDR Regulations at or above the Anchor Investor Price, out of which atleast one-third will be available for allocation to the domestic Mutual Funds only. In the event of under-subscription or non-allocation, if any, in the Anchor Investor Portion, the balance Equity Shares shall be added to the remaining QIB Portion. 5% of the QIB Portion (excluding Anchor Investor Portion, if any) shall be available for allocation on a proportionate basis to Mutual Funds only and the remaining QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If the aggregate demand by Mutual Funds is less than 5% of the QIB Portion (excluding the Anchor Investor Portion, if any), the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion (excluding the Anchor Investor Portion, if any) and be available for allocation proportionately to the QIB Bidders. Further not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders subject to valid Bids being received from them at or above the Issue Price. Further, up to 200,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price, provided that the value of allotment to a single Eligible Employee does not exceed ₹ 200,000 and such reservation does not exceed 5% of the Post Issue Share Capital of our Company. For further details please refer to the chapter titled "***Issue Procedure***" and "***Issue Structure"*** on pages 373 and 362 respectively. Potential Investors may participate in this Issue through an Application Supported by Blocked Amount ("***ASBA***") process providing details of their respective bank accounts in which the corresponding Bid amounts will be blocked by the Self Certified Syndicate Banks ("***SCSB***").

IPO GRADING

This Issue has been graded by [●] as [●] (pronounced [●]), indicating [●] through its letter dated [●] and [●] as [●] (pronounced [●]), indicating [●] through its letter dated [●]. For further details, please refer to the chapter titled "***General Information***" beginning on page 17.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of our Company, subsequent to the delisting of Equity Shares of our Company, there has been no formal market for the Equity Shares of our Company. **The face value of the Equity Shares is ₹10 each and the Issue Price is [●] times of the face value at the lower end of the Price Band and [●] times of the face value at the higher end of the Price Band.** The Issue Price (as determined and justified by our Company in consultation with the Selling Shareholders and the BRLMs as stated in the chapter "***Basis for Issue Price***" on page 61 on the basis of assessment of market demand for the Equity Shares by way of the Book Building Process) 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 active and/ or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

ISSUER'S AND SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY

Our Company having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Company and the Issue, which is material in the context of this Issue; that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. Each Selling Shareholder accepts responsibility that this Draft Red Herring Prospectus contains the requisite information in relation to itself as a Selling Shareholder and in relation to the Equity Shares held by it to be offered and sold in the Offer for Sale and which is material in the context of this Issue and that this information is true and correct in all material aspects and is not misleading.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on BSE and NSE. The in-principle approvals from BSE and NSE for listing the Equity Shares have been received pursuant to letter no. [●] dated [●] and letter no. [●] dated [●] respectively. For the purposes of the Issue, [●] shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS		REGISTRAR TO THE ISSUE
INDIA INFOLINE LIMITED 8th Floor, IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013, Maharashtra, India Tel: +91 22 4646 4600; Fax: +91 22 2493 1073 E-mail: archpharma.ipo@iiflcap.com Investor Grievance mail: ig.ib@iiflcap.com Website: www.iiflcap.com Contact Person: Satish Ganega SEBI Registration Number: INM 000010940	**ENAM SECURITIES PRIVATE LIMITED** 801, Dalamal Towers, Nariman Point, Mumbai 400 021, Maharashtra, India Tel: + 91 22 6638 1800, Fax: + 91 22 2284 6824 E-mail: archpharma.ipo@enam.com Investor Grievance mail:complaints@enam.com Website: www.enam.com Contact Person: Sonal Sinha SEBI Registration Number: INM000006856	**LINK INTIME INDIA PRIVATE LIMITED** C- 13 Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078, Maharashtra,India Tel: +91 22 2596 0320, Toll free: 1-800-220320, Fax: +91 22 2596 0329 Email: archpharma.ipo@linkintime.co.in Investor Grievance mail: archpharma.ipo@linkintime.co.in Website: www.linkintime.co.in Contact Person: Chetan Shinde SEBI Registration Number: INR000004058

BID/ISSUE PROGRAMME	
BID/ISSUE OPENS ON*: [●], 2011	**BID/ISSUE CLOSES ON : [●], 2011 FOR QIB BIDDERS#**
FOR ALL BIDDERS	**BID/ISSUE CLOSES ON : [●], 2011 FOR NON-INSTITUTIONAL, RETAIL INDIVIDUAL BIDDERS AND ELIGIBLE EMPLOYEES**

**Our Company in consultation with the Selling Shareholders and the BRLMs may consider participation by Anchor Investors. Anchor Investor Bid/Issue Period shall be one (1) Working Day prior to the Bid/Issue Opening Date. For further details refer to the chapter titled "Issue Procedure" on page 373. #Our Company may consider closing the Bid/ Issue Period for QIB Bidders one (1) Working Day prior to the Bid/ Issue Closing Date.*

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise requires the following terms shall have the following meanings ascribed thereto in this Draft Red Herring Prospectus. Reference to any statutes, regulations and policies shall include amendments thereto, from time to time.

All references to "Arch Pharmalabs Limited", "Issuer", "we", "us", "our" and "our Company" are to Arch Pharmalabs Limited and its Subsidiaries, unless the context requires otherwise. In this Draft Red Herring Prospectus, all references to "Group" are to Arch Pharmalabs Limited and Subsidiaries, as defined hereunder.

Company Related Terms

Term	Description
ACPL	Arch Commerz Private Limited incorporated as a private limited company on November 15, 1996 till it got reverse merged with our Company with effect from April 1, 2002
AFSPL	Arch Financial Services (Bombay) Private Limited now known as Anhita Financial Services (Bombay) Limited
Auditors/Joint Statutory Auditors/Statutory Auditors	The joint statutory auditors of our Company, M/s Chaturvedi & Shah, Chartered Accountants and M/s Nayak & Rane, Chartered Accountants
Avon	Subsidiary of our Company, Avon Organics Limited.
Avon Medak Unit	manufacturing facility located at survey No 18, Yawapur Village, Sadasivpet Mandal, Medak 502292, Andhra Pradesh owned by Avon, our Subsidiary
Avon Solapur Unit	manufacturing facility located at Plot No. E/2 Chincholi Industrial Area, MIDC, Solapur 413001, Maharashtra, India owned by Avon, our Subsidiary
Board/Board of Directors	the board of directors of our Company or a committee constituted thereof, unless the context otherwise specifies
Badlapur Unit	manufacturing facility located at Plot Nos. G-3, G-4 & G-5, Kharvai, MIDC, Badlapur, District Thane – 421 503 Maharashtra
CCPS/ Cumulative Convertible Preference Shares	10% cumulative convertible preference shares of ₹10 each aggregating to ₹90 Million issued Swisstech VCF
Convertible Debentures	Optionally Unsecured Fully Convertible Debentures of ₹10 each issued to Swisstech VCF
Corporate Promoters	1. Arch Phytochemicals Private Limited; 2. Avant Capital Services Private Limited; 3. Arch Impex Private Limited; 4. AMR Investments Private Limited; and 5. Arch Pharmachem Limited
Directors	directors of our Company, unless otherwise specified
Dataline	Dataline Investments Limited, Mauritius
Dynamic India Fund - I	Dynamic India Fund-I which is one of the shareholders of our Company and a Selling Shareholder, having its registered office at IFS Court, Twenty Eight, Cybercity, Ebene, Mauritius
Dombivli Unit	manufacturing facility located at Plot Nos. C-21. C-22, F-40, Phase II, Sagaon, Dombivli (E), District Thane- 421 204, Maharashtra
Group Companies	includes those companies, firms and ventures promoted by our Promoters, irrespective of whether such entities are covered under section 370(1)(B) of the Companies Act, namely: 1. AMRA Industries Limited; 2. Arch Investment Private Limited; 3. Arch Herbals Private Limited; 4. Marm Realty Private Limited; 5. Arch Infra Ventures Limited; and 6. AMRA Remedies Limited. For details please refer to the chapter titled "***Our Promoters, Promoter Group and Group Companies***" on page 169
Gurgaon Unit	manufacturing facility located at Village Pathreri, Bilaspur Tauru Road District

Term	Description
	Gurgaon -122 001, Haryana
IDBI	IDBI Bank Limited
India Advantage Fund I	India Advantage Fund I, which is one of the shareholders of our Company. The trustee of India Advantage Fund I is IDBI Trusteeship Services Limited, a company registered under the Companies Act having its registered office at Asian Building, 17, R Kamani Marg, Ballard Estate, Mumbai - 400 001 (the surviving entity after its merger with The Western India Trustee and Executor Company Limited, the erstwhile trustee of India Advantage Fund I). The Trustee acts through its investment manager ICICI Venture
India Advantage Fund II	India Advantage Fund II, which is one of the shareholders of our Company and a Selling Shareholder. The trustee of India Advantage Fund II is IDBI Trusteeship Services Limited, a company registered under the Companies Act having its registered office at Asian Building, 17, R Kamani Marg, Ballard Estate, Mumbai - 400 001 (the surviving entity after its merger with The Western India Trustee and Executor Company Limited, the erstwhile trustee of India Advantage Fund II). The Trustee acts through its investment manager ICICI Venture
India Advantage Fund V	India Advantage Fund V, which is one of the shareholders of our Company and a Selling Shareholder. The trustee of India Advantage Fund V is IDBI Trusteeship Services Limited, a company registered under the Companies Act having its registered office at Asian Building, 17, R Kamani Marg, Ballard Estate, Mumbai – 400 001 (the surviving entity after its merger with The Western India Trustee and Executor Company Limited, the erstwhile trustee of India Advantage Fund V). The Trustee acts through its investment manager ICICI Venture
India Advantage Fund VI	India Advantage Fund VI, which was one of the shareholders of our Company. The trustee of India Advantage Fund VI is IDBI Trusteeship Services Limited, a company registered under the Companies Act having its registered office at Asian Building, 17, R Kamani Marg, Ballard Estate, Mumbai - 400 001 (the surviving entity after its merger with The Western India Trustee and Executor Company Limited, the erstwhile trustee of India Advantage Fund VI)
IEWT	IVC Employees Welfare Trust, a trust established under the Indian Trust Act, 1882 having its registered office at IL&FS Financial Center, C-22, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, which is a SEBI registered venture capital fund was one of our shareholders, acting through its investment manager IIML Investors
ICICI Venture	ICICI Venture Funds Management Company Limited, having its registered office at Ground Floor, ICICI Venture House, Appa Saheb Marathe Marg, Prabhadevi, Mumbai 400 025, who acts as an investment manager for India Advantage Fund I, India Advantage Fund II, India Advantage Fund V and Rainbow Fund acting through their Trustee, IDBI Trusteeship Services Limited
IIML Investors	IL&FS Investment Managers Limited, a company registered under the Companies Act, 1956 and having its registered office at IL&FS Financial Center, C-22, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, which acts as an Investment Manager of and is acting for and on behalf of SARA Fund, Leverage India Fund and IEWT
Individual Promoters	1. Ajit Kamath; 2. Manoj Jain; 3. Rajendra Kaimal; 4. Vidya Kamath; and 5. Bindu Jain
Leverage India Fund	Leverage India Fund, a scheme of IL&FS Private Equity Trust, a trust established under the Indian Trusts Act, which is one of the shareholders of our Company and a Selling Shareholder and has its offices at IL&FS Financial Centre, Plot No. C-22, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, acting through its investment manager IIML Investors
Medak Unit 1	manufacturing facility located at Survey No. 323, Gundlamachnoor Village Hathnoora Mandal, District Medak- 502 296, Andhra Pradesh
Medak Unit 2	manufacturing facility located at Mittapally Village, Siddipet – 502 375, District Medak, Andhra Pradesh
Medak Unit 3	manufacturing facility located at Survey No. 10, Gaddapotharam, Jinaram

Term	Description
	Mandal, Kazipalli Industrial Area, District Medak – 500 043, Andhra Pradesh
Merged Entity	refers to our Company post the Reverse Merger.
Merven Project	the project envisaged by our Company which was part financed through the proceeds of the initial public offering of our Company in the year 1994. The unit set up under this project is the Medak Unit 1
Turbhe R&D Center	research and development unit situated at Plot No. C-424, TTC Turbhe, MIDC Industrial Area, Navi Mumbai, Maharashtra
Original Lenders	State Bank of Hyderabad, IDBI Bank Limited and Bank of Baroda. For further details, please refer to the chapter titled "***History and Certain Corporate Matters***" beginning on page 129
Optionally Unsecured Fully Convertible Debentures	Optionally Unsecured Fully Convertible Debentures of our Company issued to Leverage India Fund against optionally unsecured fully convertible debentures of Arch Pharmachem Limited held by them pursuant to the shareholder's resolution dated March 22, 2005
Promoters	includes Individual Promoters, Corporate Promoters and Promoter Entities
Promoter Directors	Ajit Kamath, Manoj Jain and Rajendra Kaimal who are Promoters of our Company and are also directors on the Board of our Company
Promoter Entities	entities forming part of the Promoters, as defined above, and refers to Ajit Annu Kamath (HUF) and Manoj Jain (HUF)
Promoter Group	includes such persons and entities constituting our promoter group in terms of Sub-Regulation (zb) of Regulation 2 of the SEBI ICDR Regulations. For details please refer to the chapter titled "***Our Promoters, Promoter Group and Group Companies***" on page 169
Rainbow Fund	Rainbow Fund Trust, a trust registered under the Indian Trusts Act, 1882, which is one of the shareholders of our Company and a Selling Shareholder and having its principal office at 10th floor, Prestige Obelisk, Kasturba Road, Bangalore 560 001 represented by its trustees Beena M. Chotai and Anselm Pinto and acting though its investment manager ICICI Venture
Registered Office and/ or Corporate Office	the registered office of our Company situated at 'H' Wing, 4th Floor, Tex Center, Off Saki Vihar Road, Chandivli, Andheri (East) Mumbai 400 072, India
Reverse Merger	the reverse merger of ACPL with our Company pursuant to the Scheme of Rehabilitation. For further details, please refer to the chapter titled "***History and Certain Corporate Matters***" beginning on page 129
SARA Fund	SARA Fund Trustee Company Private Limited a company incorporated under the Companies Act, 1956 and having its registered office at USI Complex, Rao Tula Ram Marg, Opposite Signals Enclave, New Delhi 110 010, as trustees of the, South Asian Regional Apex Fund a trust established under the Indian Trusts Act, 1882, which is a SEBI registered venture capital fund and is one of our shareholders, acting through its investment manager IIML Investors
Scheme of Rehabilitation	the scheme sanctioned by the Board for Industrial and Financial Reconstruction *vide* order dated August 18, 2003, pursuant to which the reverse merger of Arch Commerz Private Limited with Merven Drug Products Limited was approved. For further details, please refer to the chapter titled "***History and Certain Corporate Matters***" beginning on page 129
Subsidiary(ies)	the subsidiaries of our Company, namely: 1. Avon Organics Limited; 2. Arch Life Sciences Limited; 3. Arch Finechemicals Limited; 4. Arch Pharmalabs (USA) Inc.; and 5. Regal Pharma Pte Limited.
Swisstech VCF	Swiss Technology Venture Capital Fund Private Limited, a company incorporated under the laws of the Republic of Mauritius and having its registered office at C/o Multiconsult Limited, Rogers House, 5 President John Kennedy Street, Port Louis, Mauritius and is one of our shareholders and is a Selling Shareholder
Taloja Unit	manufacturing facility located at Plot No. G-6. MIDC Taloja Industrial Area, Village Navade Taluka Panvel, District Raigad 410208, Maharashtra
Taloja R&D Center/ Corporate R&D Center	research and development unit situated at Taloja, Plot No. 21, MIDC Chemical Zone, Taloja Industrial Area, Village Navade, Taluka Panvel, District Raigad - 410 208 Maharashtra

Term	Description
Tarapur Unit 1	manufacturing facility located at Plot Nos. T-84, 85 & 86. MIDC, Tarapur, Boisar - 401 506, Maharashtra
Tarapur Unit 2	manufacturing facility located at E-64/E-8O/E-81 /E-82, Tarapur Industrial Area, MIDC Salvad, Thane District, Maharashtra

Issue Related Terms

Term	Description
Allocation/ Allocation of Equity Shares	unless the context otherwise requires, the allocation of Equity Shares pursuant to this Issue to the successful Bidders.
Allotment/Allot/Allotted/ Allotment of Equity Shares	unless the context otherwise requires, the allotment of Equity Shares pursuant to this Issue to successful Bidders
Allottee	the successful Bidder to whom the Equity Shares are Allotted
Allotment Advice	in relation to Bidders other than Anchor Investors, the note or advice or intimation of Allotment, sent to each successful Bidder who has been or is to be Allotted the Equity Shares after discovery of the Issue Price in accordance with the Book Building Process, including any revisions thereof
Anchor Investor (s)	a Qualified Institutional Buyer, applying under the Anchor Investor Portion, with a minimum Bid of ₹100 Million
Anchor Investor Allocation Notice	notice or intimation of allocation of Equity Shares sent to Anchor Investors who have been allocated Equity Shares after discovery of the Issue Price if the Issue Price is higher than the Anchor Investor Issue Price
Anchor Investor Bid/Issue Date/ Anchor Investor Bidding Date	the day, one Working Day prior to the Bid/Issue Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed
Anchor Investor Margin Amount	an amount equivalent to the Margin Amount, payable by Anchor Investors at the time of submission of their Bid
Anchor Investor Portion	up to 30% of the QIB Portion which may be allocated by our Company to Anchor Investors on a discretionary basis subject to minimum number of two, where the allocation under the Anchor Investor Portion is less than ₹ 2,500 Million and five where the allocation is more than ₹ 2500 Million. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors
Anchor Investor Price	the price at which Allotment is made to Anchor Investors in terms of this Draft Red Herring Prospectus, which shall be higher than or equal to the Issue Price, but not higher than the Cap Price.
Application Supported by Blocked Amount/ ASBA	an application, whether physical or electronic, used by all Bidders to make a Bid authorising a SCSB to block the Bid Amount in their specified bank account maintained with the SCSB
ASBA Account	Account maintained by an ASBA Bidder with a SCSB which shall be blocked by such SCSB to the extent of the Bid Amount of the ASBA Bidder, as specified in the ASBA Bid-cum-Application Form.
ASBA Investor/ ASBA Bidder	a QIB Bidder (not being an Anchor Investor), a Bidder bidding in the Non-Institutional Investor category and any other prospective investor in this Issue who intends to Bid/apply through ASBA.
ASBA Bid-cum-Application Form	the form, whether physical or electronic, used by an ASBA Bidder to submit a Bid through a SCSB by authorising the SCSB to block the Bid Amount in an ASBA Account, which would be considered as an application for Allotment to ASBA Bidders in terms of the Red Herring Prospectus and the Prospectus. Syndicate/ sub-syndicate members may also procure ASBA Bid-cum-Application Form directly from the investors and submit it to the SCSBs.
ASBA Revision Form	the form used by the ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Bid cum Application Form or any previous ASBA Revision Form(s)
Bankers to the Company	Axis Bank Limited, Canara Bank, State Bank of India, IDBI Bank Limited and ICICI Bank Limited
Basis of Allotment	the basis on which Equity Shares will be Allotted to Bidders under this Issue

Term	Description
Bid	an indication to make an offer during the Bid/Issue Period by a Bidder, or during the Anchor Investor Bid/Issue Period by the Anchor Investors, to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto for the purpose of ASBA Bidders, it means an indication to make an offer during the Bidding/ Issue Period by an ASBA Bidder pursuant to the submission of ASBA Bid-cum-Application Form to subscribe to the Equity Shares including all revisions and modifications thereto
Bid Amount	the highest value of the optional Bids indicated in the Bid-cum-Application Form/ASBA Bid-cum-Application Form
Bid/Issue Closing Date	except in relation to Anchor Investors, the date after which the Syndicate and the SCSBs will not accept any Bids for the Issue, which shall be notified in an English and a Hindi national newspaper and in one Marathi newspaper with wide circulation. Our Company in consultation with the Selling Shareholders and BRLMs may decide to close the Bidding Period for QIBs one day prior to the Bid/Issue Closing Date
Bid/Issue Opening Date	the date on which the Syndicate and the SCSBs shall start accepting Bids for the Issue, which shall be notified in an English and a Hindi national newspaper and in one Marathi newspaper with wide circulation
Bid-cum-Application Form	the form used by a Bidder to make a Bid and which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus including the ASBA Bid-cum-Application Form
Bidder/ Bidders	any prospective investor who makes a Bid for Equity Shares pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form and/ or the ASBA Bid- cum-Application Form
Bid/Issue Period / Bidding Period	the period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days, during which prospective Bidders (except Anchor Investors) and the ASBA Bidders can submit their Bids, including any revisions thereof
Bidding Centers	Centers for acceptance of the Bid-cum-Application Form.
Book Building Process/ Method	the book building route as provided under Schedule XI of the SEBI ICDR Regulations, in terms of which this Issue is being made
BRLMs/ Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being India Infoline Limited and Enam Securities Private Limited
Brokers to this Issue	brokers registered with any recognized Stock Exchange, appointed by the Members of the Syndicate
CAN/Confirmation of Allocation Note	the note or advice or intimation including any revisions thereof, sent to each successful Anchor Investor indicating the Equity Shares allocated after discovery of the Anchor Investor Price
Cap Price	the higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Controlling Branches	such branches of the SCSBs which coordinate Bids under this Issue by ASBA Investors with the Registrar to the Issue and the Stock Exchanges and a list of which is available at http://www.sebigov.in/pmd/scsb.pdf or at such other website as may be prescribed by SEBI from time to time.
Cut-off Price/ Cut-off	any price within the Price Band finalised by our Company in consultation with the Selling Shareholders and the Book Running Lead Managers. A Bid submitted at Cut-Off Price is a valid price at all levels within the Price Band. Only Retail Individual Bidders and Eligible Employees are entitled to Bid at the Cut-off Price, for a Bid Amount not exceeding ₹200,000. No other category of Bidders are entitled to Bid at the Cut-off Price
Demographic Details	the demographic details of the Bidders such as their address, PAN, occupation and bank account details.
Depositories	NSDL and CDSL
Designated Branch	branch offices of the SCSBs which the respective SCSB has identified as a designated branch at which the physical ASBA Bid-cum-Application Form can be submitted by an ASBA Bidder and a list of which is available on http://www.sebi.gov.in, or at such other website as may be prescribed by SEBI

Term	Description
	from time to time.
Designated Date	the date on which funds are transferred from the Escrow Account to the Issue Account or the Refund Account, as appropriate, or the amount blocked by the SCSB is transferred from the bank account of the ASBA Bidder to the Public Issue Account, as the case may be, after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares to successful Bidders
Designated Stock Exchange/ DSE	[•]
Draft Red Herring Prospectus or DRHP	this draft red herring prospectus dated March 23, 2011 issued in accordance with Section 60B of the Companies Act and SEBI ICDR Regulations, approved by the Board of Directors and which does not contain complete particulars of the price at which the Equity Shares are issued and the size (in terms of value) of this Issue
Eligible Employee(s)	Other than Promoter or Immediate relative of the Promoter (any spouse of that person, any parent or any brother, sister or child of that person of the spouse) Eligible employees would include: (a) A permanent and full time employee of our Company or our Subsidiary as on the date of filing of the Red Herring Prospectus with the RoC and based, working and present in India as on the date of submission of the Bid-cum-Application Form and would continue to be in employment of the Company and/ or the Subsidiaries until the submission of the Bid-cum-application form. (b) A director of our Company, whether a whole time director, part time director or otherwise, as on the date of filing of the Red Herring Prospectus with the RoC and based and present in India as on the date of submission of the Bid-cum-Application Form and would continue to be in employment of the Company and/ or the Subsidiaries until the submission of the Bid-cum-application form and would continue to be a Director of the Company and/ or the Subsidiaries until the submission of the Bid-cum-application form. The above don't include employees of Corporate Promoters and Group Companies
Eligible NRIs	NRIs from jurisdictions outside India where it is not unlawful to make an issue or invitation under this Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares offered herein
Employee Discount	the difference of ₹[•] between the Issue Price and the differential lower price at which our Company has decided to allot the Equity Shares to the Eligible Employee
Employee Reservation Portion	the portion of the Issue, upto 200,000 Equity Shares, available for allocation to Eligible Employees on a proportionate basis, subject to such reservation not exceeding 5% of the Post Issue Equity Share Capital of our Company
Equity Shares	Equity Shares of our Company of face value of ₹10 each fully paid up unless otherwise specified in the context thereof
Escrow Account	account opened with the Escrow Collection Bank(s) for this Issue and in whose favour the Bidder (except ASBA Bidder) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	agreement to be entered into by our Company, the Selling Shareholders, the Registrar to the Issue, BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders on the terms and conditions thereof
Escrow Collection Bank(s)/ Banker(s) to the Issue	the banks which are clearing members and registered with SEBI as banker to an issue under SEBI (Bankers to an Issue) Regulations, 1994 at which the Escrow Account for this Issue will be opened, in this case being [•].
FII / Foreign Institutional Investors	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended) registered with SEBI under applicable laws in India.
First Bidder	the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form or the ASBA Bid-cum-Application Form or ASBA Revision Form
Floor Price	the lower end of the Price Band, at or above which the Issue Price will be finalized and below which no Bids will be accepted
Fresh Issue	fresh issue of [•] Equity Shares by our Company to be Allotted pursuant to this

Term	Description
	Issue aggregating upto ₹ 1,350 Million
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
IPO Grading Agencies	ICRA and CARE
Issue	this public issue of [•] Equity Shares of ₹10 each at the Issue Price, comprising a Fresh Issue of [•] Equity Shares of our Company aggregating upto ₹ 1,350 Million and an Offer for Sale of 6,172,607 Equity Shares by the Selling Shareholders aggregating to ₹[•]. This Issue comprises a Net Issue of [•] Equity Shares and an Employee Reservation Portion of upto 200,000 Equity Shares for subscription by Eligible Employees.
Issue Agreement	the agreement dated March 22, 2011 entered into among our Company, the Selling Shareholders and the BRLMs, pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Price	the final price at which the Equity Shares will be Issued and Allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the Book Running Lead Managers on the Pricing Date Our Company in consultation with the Book Running Lead Managers ("BRLMs") may decide to offer a discount of ₹[•] to the issue price to the Eligible Employees at the time of allotment
Issue Proceeds	the gross proceeds of this Issue that would be available to our Company after the final listing and trading approvals are received
Listing Agreement	the Listing Agreement to be entered into with the Stock Exchange(s) by our Company
Margin Amount	an amount of 100% of the Bid Amount paid by Bidders or blocked in the ASBA Account, as the case may be, at the time of submission of the Bid-cum-Application Form or the ASBA Bid-cum-Application Form, as applicable.
Mutual Funds	a mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Fund Portion	5% of the QIB Portion (excluding the Anchor Investor Portion, if any) or [•] Equity Shares available for allocation to Mutual Funds, out of the QIB Portion (excluding the Anchor Investor Portion, if any)
Net Issue	Issue less the Employee Reservation Portion, consisting of [•] Equity Shares available for allotment pursuant to this Issue
Net Proceeds of the Fresh Issue	proceeds of the Fresh Issue, after deducting the Company's share of the underwriting fees, issue management fees, selling commissions and other expenses associated with the Issue, including the listing fees
Non-Institutional Bidders	all Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than ₹200,000 (but not including NRIs other than eligible NRIs)
Non-Institutional Portion	the portion of the Net Issue being not less than [•] Equity Shares available for allocation to Non-Institutional Bidders
Non-Resident	a person resident outside India, as defined under FEMA and includes a Non Resident Indian
NRI(s) / Non-Resident Indian	a "*person resident outside India*", as defined under FEMA and who is a citizen of India or is a person of Indian origin (as defined under the Foreign Exchange Management (Deposit) Regulations, 2000, as amended).
Offer for Sale	transfer of 6,172,607 Equity Shares by the Selling Shareholders pursuant to this Issue
Pay-in-Date	with respect to Anchor Investors, it shall be the Anchor Investor Bid/ Issue Date and extending until two (2) Working Days after the Bid/ Issue Closing Date in the event the Anchor Investor is required to pay any additional amount due to the Issue Price being higher than the Anchor Investor Issue Price
Person/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.

Term	Description
Price Band	price band of a minimum price (Floor Price) of ₹[•] and the maximum price (Cap Price) of ₹[•] and includes revisions thereof. The Price Band and the minimum Bid lot size for this Issue will be decided by our Company in consultation with the Selling Shareholders and the BRLMs and advertised at least two (2) Working Days prior to the Bid/ Issue Opening Date, in an English and a Hindi national newspaper and in one Marathi newspaper with wide circulation
Pricing Date	the date on which our Company in consultation with the Selling Shareholders and BRLMs, finalises the Issue Price
Prospectus	the prospectus to be filed with the RoC in accordance with Section 60 of the Companies Act, containing, *inter alia*, the Issue Price that is determined at the end of the Book Building process, the size of this Issue and certain other information
Public Issue Account	account opened with the Bankers to the Issue to receive monies from the Escrow Account and the SCSBs from the bank accounts of the ASBA Bidders on the Designated Date
QIB Bid/ Issue Closing Date	Our Company in consultation with the Selling Shareholders and BRLMs may decide to close the Bidding Period for QIBs (except Anchor Investors) one day prior to the Bid/Issue Closing Date and our Company and Selling Shareholders shall notify the same in an English and a Hindi national newspaper and in one Marathi newspaper with wide circulation.
QIB Portion	the portion of the Net Issue being not more than [•] Equity Shares required to be allocated to QIBs. In case of Allotment to Anchor Investors, QIB Portion shall be net of Anchor Investor Portion.
Qualified Institutional Buyers or QIBs	public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FII and sub-account registered with SEBI, other than sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with Insurance Regulatory and Development Authority, provident fund with minimum corpus of ₹250 Million, pension fund with minimum corpus of ₹250 Million, National Investment Fund set up by Government of India and insurance funds set up and managed by army, navy or air force of the Union of India, Insurance funds set up and managed by the Department of Posts, India
Red Herring Prospectus/ RHP	the red herring prospectus 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 offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three (3) days before the Bid/Issue Opening Date and will become a Prospectus upon filing with the RoC after the Pricing Date
Refund Account	the account opened with Escrow Collection Bank(s), from which refunds (excluding to the ASBA Bidders), if any, of the whole or part of the Bid Amount shall be made
Refund Banks/ Refund Bankers	the bank(s) which have been appointed / designated for the purpose of refunding the amount to investors either through the electronic mode as prescribed by SEBI and / or physical mode
Refunds through electronic transfer of funds	refunds through electronic transfer of funds means refunds through NECS, Direct Credit, NEFT, RTGS or the ASBA process, as applicable
Registrar/ Registrar to the Issue	registrar to this Issue, in this case being Link Intime India Private Limited
Resident Retail Individual Investor /Resident Retail Individual Bidder	a Retail Individual Bidder who is a "person resident in India" (as defined in Foreign Exchange Management Act, 1999)
Retail Individual Bidder(s)	Individual Bidders who have Bid for Equity Shares for an amount not more than ₹200,000 in any of the bidding options in this Issue (including HUFs applying through their Karta and eligible NRIs and does not include NRIs other than Eligible NRIs)
Retail Portion	the portion of the Net Issue being not less than [•] Equity Shares available for allocation to Retail Individual Bidder(s)
Revision Form	the form used by the Bidders (excluding ASBA Bidders) to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Form or any

Term	Description
	previous Revision Form(s)
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time
Self Certified Syndicate Bank or SCSBs	a Banker to an Issue registered under SEBI (Bankers to an Issue) Regulations, 1994 which offers the service of making an Applications Supported by Blocked Amount and recognized as such by SEBI
Selling Shareholders	1. India Advantage Fund II; 2. India Advantage Fund V; 3. Rainbow Fund; 4. Dynamic India Fund - I; 5. Leverage India Fund; and 6. Swisstech VCF;
Stock Exchanges	BSE and NSE
Syndicate	BRLMs and the Syndicate Members
Syndicate Agreement	the agreement to be entered into between the Syndicate, our Company and the Selling Shareholders in relation to the collection of Bids (excluding Bids by ASBA Bidders) in this Issue
Syndicate Members / Members of the Syndicate	an intermediary registered with the SEBI to act as a syndicate member and who is permitted to carry on the activity as an underwriter, in this case being [•].
TRS/Transaction Registration Slip	the slip or document issued by the Syndicate or the SCSB (only on demand), as the case may be, to the Bidder as proof of registration of the Bid
Underwriters	the Book Running Lead Managers and the Syndicate Members
Underwriting Agreement	the agreement among the Underwriters, our Company and the Selling Shareholders to be entered into on or after the Pricing Date
Working Day(s)	all days other than a Sunday or a public holiday (except in reference to the Anchor Investor Bidding Date, and Bid/Issue Period where a Working Day means all days other than a Saturday, Sunday or a public holiday), on which commercial banks in Mumbai are open for business

Business/Industry Related Terms

Term	Description
ACE inhibitor	ACE inhibitors or Angiotensin-Converting Enzyme inhibitors, are a group of pharmaceuticals that are used primarily in treatment of hypertension and congestive heart failure.
ADL	Analytical Development Lab
AFSSAPS	Agence Française de Sécurité Sanitire des Produits de Santé
ANDA	Abbreviated New Drug Application
AODD pumps	Air-operated double diaphragm pumps
API(s)	Active Pharmaceutical Ingredients or Bulk Drugs or Bulk Actives are the principal ingredient used in making finished dosages in the form of capsules, tablets, liquid, or other forms of dosage, with the addition of other APIs or inactive ingredients. It shall mean 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.
Biocatalysts	Biocatalysts are enzymes or microbes that initiate or accelerate chemical reactions.
CCS	Contract Chemistry Services
CEP	Certificate of Suitability to the monographs of the European Pharmacopoeia
cGMP	Current Good Manufacturing Practice is part of a quality system covering the manufacture and testing of active pharmaceutical ingredients, diagnostics, foods, pharmaceutical products, and medical devices
CM	Contract Manufacturing
CMO	Contract Manufacturing Organisation
Codexis	Codexis Inc., USA
Codexis India	Codexis Laboratories India Private Limited
Controlled Substance	Controlled Substance is generally a drug or chemical whose manufacture, possession, and use are regulated by a government
Corning	Corning SAS, France

Term	Description
CR	Contract Research
CRAMS	Contract Research and Manufacturing Services
CoS	Certificate of Suitability
Custom Synthesis	Custom Synthesis is used for the production of organic drug compounds to the specification of the client for their specific development and research needs
DCGI	Drugs Controller General of India
DMF	Drug Master File
DM water tanks	demineralized water tanks
DSC	Differential scanning calorimetry
DSIR	Department of Scientific & Industrial Research
DSM	DSM Netherlands and DSM India, either referred jointly or severally
DSM India	DSM Anti-infectives India Limited
DSM Netherlands	DSM Anti-infectives B.V
EDQM	The European Directorate for the Quality of Medicines of the Council of Europe
EDMF	European Drug Master File
EIR CEP	Establishment Inspection Report- Certificate of Product or Certificate of Suitability
EHS	Environment, Health and Safety
Emerging Markets	Semi-regulated markets including developing countries such as Brazil, Russia, India and China
EPO	European Patent Organisation
ERP	Enterprise Resource Planning
ETP	Effluent Treatment Plant
FDA	Food and Drug Administration
FTE	Full Time Equivalent
GC	Gas Chromatography
GLP	Good Laboratory Practice
HPLC	High-performance liquid chromatography
HVAC	Heating, Ventilating, and Air Conditioning
ICP-MS	Inductively coupled plasma mass spectrometry
INDA	Investigational New Drug Application
Intermediate(s)	A material produced during the synthesis of an API. An intermediate undergoes molecular change or purification before it becomes the API.
MCC Panels	Motor Control Cubicle Panel
Merck	Merck & Co. Inc.
Mitsui	Mitsui & Co. Limited, Japan
MNCs	Multi National Companies
NCE	NCE stands for New Chemical Entity which is a chemical molecule developed by the innovator company in the early drug discovery stage, which after undergoing clinical trials could translate into a drug that could be a cure for some disease
NDA	New Drug Application
NSAIDs / NAIDs	Non-Steroidal Anti-Inflammatory Drugs, usually abbreviated to NSAIDs or NAIDs, are drugs with analgesic and antipyretic (fever-reducing) effects and which have, in higher doses, anti-inflammatory effects (reducing inflammation).
OHSAS	Occupational Health & Safety Advisory Services
Orochem	Orochem Technologies Inc., USA
PCT	Patent Co-operation Treaty
Pfizer	Pfizer Inc
PMDA	Pharmaceuticals and Medical Devices Agency, Japan
QA	Quality Assurance
QC	Quality Certificate
RA	Regulatory Affairs
Regulated Market	Developed countries such as the United States, the U.K., Germany, France, Italy, Canada, Japan and Australia
Simulated Moving Bed / SMB Technology(ies)	Simulated Moving Bed / SMB Technology is a variant of high performance liquid chromatography; it is used to separate particles and/or chemical compounds that would be difficult or impossible to resolve otherwise. This increased separation is brought about by a valve-and-column arrangement that is used to lengthen the stationary phase indefinitely

Term	Description
TGA	Therapeutic Goods Administration, Australia
USFDA	United States Food and Drug Administration
USPPI	United States Pharmacopeia Pharmaceutical Ingredient
USPTO	United States Patents and Trademark Office
WIPO	World Intellectual Property Organisation

Conventional and General Terms/ Abbreviations

Term	Description
A/c	Account
Act or Companies Act	The Companies Act, 1956, as amended from time to time
AGM	Annual General Meeting
AoA	Articles of Association
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
ASBA	Application Supported by Blocked Amounts
AY	Assessment Year
BIFR	Board for Industrial and Financial Reconstruction
BPLR	Bank Prime Lending Rate
BSE	Bombay Stock Exchange Limited
CAN	Confirmation of Allocation Note
CAGR	Compounded Annual Growth Rate
CARE	Credit Analysis and Research Limited
CB	Controlling Branch
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CENVAT	Central Value Added Tax
CESTAT	Central Excise and Services Tax Appellate Tribunal
CIN	Corporate Identification Number
CPC	Civil Procedure Code
CSE	Calcutta Stock Exchange Association Limited
DB	Designated Branch
Depositories	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time, being NSDL and CDSL
Depositories Act	The Depositories Act, 1996 as amended from time to time
DGFT	Directorate General of Foreign Trade
DIN	Director's Identification Number
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
DP ID	Depository Participant's Identity
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EGM	Extraordinary General Meeting
EIR	Establishment Inspection Report
EPS	Earnings Per Share i.e., profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares at the end of that fiscal year
FCL	Foreign Currency Loans
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FDBP	Foreign Documentary Bills for Purchase
FUDBP	Foreign Usance Discount Bill Purchase
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FEMA Regulations	FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000 and amendments thereto
FIs	Financial Institutions
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 and registered with SEBI under applicable laws in India
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board

Term	Description
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GoI/Government	Government of India
H1 2011	Six months period ended September 30, 2010
HNI	High Net worth Individual
HUF	Hindu Undivided Family
HSE	Hyderabad Stock Exchange Limited
ICAI	Institute of Chartered Accountants of India
ICICI	ICICI Bank Limited
ICRA	ICRA Limited
ICSI	Institute of Company Secretaries of India
ICWAI	Institute of Cost and Works Accountants of India
IEC	Importer Exporter Code
IFRS	International Financial Reporting Standards
IFSD	Interest Free Security Deposit
IIFL	India Infoline Limited
IP	Intellectual Property
IPO	Initial Public Offering
IPR	Intellectual Property Rights
ISO	ISO is an international-standard-setting body composed of representatives from various national standards organizations.
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India
KMP	Key Managerial Personnel
Kg/Kgs.	Kilogram(s)
Ltd.	Limited
MODVAT	Modified Value Added Tax
MICR	Magnetic Ink Character Recognition
Mn / mn	Million
MoA/ Memorandum/ Memorandum of Association	Memorandum of Association of our Company
MOU	Memorandum of Understanding
MSE	Madras Stock Exchange Limited
MVAT	Maharashtra Value Added Tax Act, 2002
NA	Not Applicable
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit and Loss account, divided by number of issued equity shares
NCR	National Capital Region
NECS	National Electronic Clearing System
NEFT	National Electronic Fund Transfer
Net Worth	The aggregate of share capital, reserve and surplus, surplus/deficit in profit and loss account
NOC	No Objection Certificate
NR	Non-Resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
NTA	Net Tangible Assets
OCB / Overseas Corporate	A company, partnership, society or other corporate body owned directly or indirectly

Term	Description
Body	to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000. **OCBs are not allowed to invest in this Issue**
OTCEI	OTC Exchange of India
p.a.	Per Annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the Income Tax Act, 1961
PAT	Profit after tax
PBT	Profit before tax
PHARMEXCIL	The Pharmaceutical Export Promotion Council
PIO	Persons of Indian Origin
PLR	Prime Lending Rate
R&D	Research and Development
RBI	The Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934, as amended from time to time
RHP	Red Herring Prospectus
RoC / Registrar of Companies	Registrar of Companies, Maharashtra, Mumbai, 100, Everest House Marine Lines Mumbai 400 020
RoNW	Return on Net Worth
₹/INR / Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SBI	State Bank of India
SBOP	State Bank of Patiala
SCADA	supervisory control and data acquisition
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SCSB	Self Certified Syndicate Bank
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992, as amended from time to time
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI ESOP Guidelines	SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time
SEBI ICDR Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
Sec.	Section
SICA	Sick Industrial Companies (Special Provisions) Act, 1995, as amended from time to time
State Government	The government of a state of the Union of India
Stock Exchange(s)	BSE and/ or NSE as the context may refer to
TIN	Taxpayers Identification Number
TAN	Tax Deduction Account Number
TDS	Tax Deducted at Source
TDER	Total Debt Equity Ratio
UIN	Unique Identification Number
UK	United Kingdom
US / USA	United States of America
US GAAP	Generally Accepted Accounting Principles in the United States of America
USD/ US$/U.S.$/$	United States Dollars
VAT	Value Added Tax
VCFs	Venture Capital Funds as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996
y-o-y	Year on year

Notwithstanding the foregoing:

1. In the chapter titled "***Main Provisions of the Articles of Association***" beginning on page 411, defined terms have the meaning given to such terms in that section.
2. In the chapter titled "***Financial Statements***" beginning on page 192, defined terms have the meaning given to such terms in that chapter.
3. In the paragraphs titled "***Disclaimer Clause of the Bombay Stock Exchange Limited***" and "***Disclaimer Clause of the National Stock Exchange of India Limited***" both beginning on page 355 and 355 respectively in the chapter "***Other Regulatory and Statutory Disclosures***" beginning on page 348, defined terms shall have the meaning given to such terms in those paragraphs.
4. In the chapter titled "***Statement of Tax Benefits***" beginning on page 64, defined terms have the meaning given to such terms in that chapter.
5. In the chapter titled "***Key Regulations and Policies***" beginning on page 115, defined terms have the meaning given to such terms in that chapter.
6. In the chapter titled "***Our Business***" beginning on page 86, defined terms have the meaning given to such terms in that chapter.

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

Certain Conventions

In this Draft Red Herring Prospectus, unless otherwise specified or the context otherwise indicates or implies the terms all references to "Arch Pharmalabs Limited", "Issuer", "we", "us", "our" and "our Company" are to Arch Pharmalabs Limited and its Subsidiaries, unless the context requires otherwise. All references to "India" are to the Republic of India and all references to the "Government" are to the Government of India. All references in this Draft Red Herring Prospectus to the "US", "USA" or "United States" are to the United States of America.

Financial Data

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated audited standalone financial statements and restated audited consolidated financial statements for financial years ended March 31, 2006, 2007, 2008, 2009 and 2010 and six month period ended September 30, 2010, prepared in accordance with Indian GAAP and the Companies Act, 1956, and restated in accordance with the SEBI ICDR Regulations as stated in the report of our Auditors, which are included in this Draft Red Herring Prospectus and set out in the chapter "***Financial Statements***" beginning on page 192. Our Fiscal Year commences on April 1 and ends on March 31 of the next year.

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

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

Currency and units of Presentation

In this Draft Red Herring Prospectus, all references to 'Rupees'/ 'Rs.' / 'INR'/ '₹' are to Indian Rupees, the official currency of the Republic of India. All references to '$'/ 'US$' / 'USD' / 'U.S. Dollar(s)' are to the United States Dollars, the official currency of the United States of America.

Except where stated otherwise in this Draft Red Herring Prospectus, all figures have been expressed in 'Millions'. All references to 'million' / 'Million' / 'Mn' refer to one million, which is equivalent to 'ten lakhs' or 'ten lacs', the word 'Lakhs / Lacs / Lac' means 'one hundred thousand' and 'Crore' means 'ten millions' and 'billion / bn. / Billions' means 'one hundred crores'.

Exchange Rates

This Draft Red Herring Prospectus contains translations of certain US Dollar ($) and other currency amounts into Indian Rupees (₹) that have been presented solely to comply with the requirements of Item (VIII) (G) of Part A of Schedule VIII to the SEBI ICDR Regulations.

Unless, otherwise stated, our Company has in this Draft Red Herring Prospectus used a conversion rate as mentioned below. Such translations should not be considered as a representation that such US Dollar ($) amounts have been, could have been or could be converted into Indian Rupees (₹) at any particular rate, the rates stated below or at all.

The US Dollar ($) exchange rate data as posted on the website of the Reserve Bank of India being *www.rbi.org.in* and is as given below:

1 USD = ₹44.61 as on March 31, 2006
1 USD = ₹43.59 as on March 30, 2007
1 USD = ₹39.97 as on March 31, 2008
1 USD = ₹50.95 as on March 31, 2009

1 USD = ₹45.14 as on March 31, 2010
1 USD = ₹44.92 as on September 30, 2010

In the Chapter titled "*Objects of the Issue"* exchange rate used for the purpose of converting

- US$ into Indian Rupees in this Draft Red Herring Prospectus is US$ 1 = ₹ 45.11
- Euro into Indian Rupees in this Draft Red Herring Prospectus is Euro 1 = ₹ 62.56

as per the reference rate posted on the website of the Reserve Bank of India being *www.rbi.org.in* on March 11, 2011.

In the Chapter titled "*Financial Indebtedness"* exchange rate used for the purpose of converting

- US$ into Indian Rupees in this Draft Red Herring Prospectus is US$ 1 = ₹ 45.95
- Euro into Indian Rupees in this Draft Red Herring Prospectus is Euro = ₹ 62.54

as per the reference rate posted on the website of the Reserve Bank of India being *www.rbi.org.in* on January 31, 2011.

Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Draft Red Herring Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly no investment decision should be made on the basis of such information. Although our Company believes that industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Also, data from these sources may not be comparable. Similarly, internal reports, while believed by us to be reliable, have not been verified by any independent sources.

The extent to which the market and industry data used in this Draft Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

In accordance with SEBI ICDR Regulations, we have included in the chapter titled "***Basis for Issue Price***" on page 61, information relating to peer companies. Such information has been derived from publicly available sources and our Company has not independently verified such information.

FORWARD LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain "forward-looking statements". These forward-looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "will", "will continue", "will pursue" "will likely result", "will seek to", "seek" or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements.

All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India and which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry. Important factors that could cause actual results to differ materially from our expectations include, but not limited to, the following:

- disruptions in our manufacturing facilities;
- disruptions in raw material supply;
- our ability to respond to competitive pressures;
- non-receipt of necessary regulatory clearances;
- regulatory changes pertaining to the industry in India in which our Company has its business and our ability to respond to them;
- our ability to successfully implement our strategy, our growth and expansion, technological changes;
- our exposure to market risks, including rising raw materials and personnel costs;
- General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- contingent liabilities that may materialise;
- the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates,
- foreign exchange rates, equity prices or other rates or prices;
- the performance of the financial markets in India and globally; and
- Competition;
- Changes in technology;
- Changes in political and social conditions in India or in countries that we may enter, the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- Our ability to attract and retain qualified personnel;
- Market fluctuations and industry dynamics beyond our control;
- Occurrence of natural disasters or calamities affecting the areas in which we have operations; and
- Any adverse outcome in the legal proceedings in which we are involved.

For further discussion of factors that could cause our actual results to differ from our expectations, please refer to the chapters titled "***Risk Factors***", "***Our Business***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" beginning on pages xviii, 86 and 270 respectively.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Forward looking statements speak only as on the date of this Draft Red Herring Prospectus. Neither our Company or the Selling Shareholders or the BRLMs, nor any of their respective affiliates has any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, Selling Shareholders and BRLMs will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

SECTION II: RISK FACTORS

*An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding, you should read this section in conjunction with the chapters titled "**Our Business**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" beginning on pages* 86 and 270 *respectively. Prior to making an investment decision, prospective investors should carefully consider all of the information contained in the chapter titled "**Financial Statements**" beginning on page 192. Unless stated otherwise, the financial data in this section is as per our financial statements prepared in accordance with Indian GAAP. There may also be other risks, presently unknown to us or which we currently deem immaterial, which could also materially impair our business, operations or prospects. Occurrence of any one or a combination of the following risks, as well as the other risks and uncertainties currently not known to us, could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of the Equity Shares to decline, which could result in the loss of all or part of your investment. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.*

Materiality

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

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

INTERNAL RISK FACTORS

Risks Related to our Business

1. ***There is a criminal case pending against our Promoter Directors which if decided against them could have an adverse effect on our reputation and prospects.***

   As on the date of this Draft Red Herring Prospectus, there is a criminal case pending against our Promoter Directors. Komal Gopal Chhabria has filed a Criminal Complaint 497/2009 dated June 26, 2009 before the Judicial Magistrate First Class at Ulhasnagar, alleging an offence under section 406, 420, 467, 468 and 471 read with section 34 of Indian Penal Code, 1860, against 15 entities and persons including our Promoter Directors and one of our Group Companies. She has alleged that a certain amount of money due to her from sale of certain premises to the concerned Group Company, at the time it was with its earlier management, were outstanding and that erstwhile directors of the concerned Group Company were allegedly in default had transferred the said premises in favour of the new directors (our Promoter Directors) by disposing of all shares of concerned company constituting a breach of the understanding between her and the persons named as accused in this case and thus the accused are liable to be prosecuted u/s 406, 420, 467,468 and 471 read with Section 34 of Indian Penal Code, 1860.

   No assurance can be given that this case will be settled in favour of our Promoter Directors or that no further liability will arise out of this claim. An adverse outcome in this case could have a material adverse effect on our Promoter Directors and thereby may affect the reputation and standing of our Corporate Promoters and our Company.

   For further details please refer to the chapter titled "***Outstanding Litigations and Material Developments***" beginning on page 302.

2. ***Our Company, our Subsidiaries, our Promoter Directors, Group Companies and Directors are involved in certain legal and regulatory proceedings that, if determined against us and/ or the above persons or entities, could have a material adverse impact on our business, financial conditions and results of operations.***

   Our Company, our Subsidiaries, our Promoter Directors, Group Companies and Directors are currently involved in certain legal and regulatory proceedings. These proceedings are pending at different levels of adjudication before various courts and tribunals. We cannot assure you that these proceedings will be decided favourably. Furthermore, should there be a change in law against our interest or an adverse outcome in one or more of the outstanding

proceedings; we may need to make appropriate provisions in our financial statements, which could adversely impact our business results.

A summary of these legal and regulatory proceedings is as below:

- Litigation against our Company

Nature of the litigation	Number of outstanding litigations	Aggregate amount involved (to the extent quantifiable) (₹ in Millions)
Civil	6	5.18
Tax	3	11.71
Labour	3	0.38
Total	**12**	**17.27**

- Litigation by our Company

Nature of the litigation	Number of outstanding litigations	Aggregate amount involved (to the extent quantifiable) (₹ in Millions)
Tax	2	22.27
Total	**2**	**22.27**

- Litigation against our Subsidiary

Name of the Subsidiary	Nature of litigation	Number of outstanding litigations	Aggregate amount involved (to the extent quantifiable) (₹ in Millions)
Avon	Civil	8	1.34
	Tax	1	0.17
Arch Life Sciences Limited	Tax	1	0.60
	Civil	1	1.86
Total		**11**	**3.97**

- Litigation by our Subsidiary

Name of the Subsidiary	Nature of litigation	Number of outstanding litigations	Aggregate amount involved (to the extent quantifiable) (₹ in Millions)
Avon	Civil	2	4.59
Avon	Criminal	2	4.18
Total		**4**	**8.77**

- Litigation against our Promoter Directors

Names of our Promoter Directors	Nature of litigation	Number of outstanding litigations	Aggregate amount involved (to the extent quantifiable) (₹ in Millions)
Ajit Kamath, Manoj Jain and Rajendra Kaimal	Civil	2	0.44
Ajit Kamath, Manoj Jain and Rajendra Kaimal	Criminal	1	0.70
Ajit Kamath	Labour	1	Not Ascertainable
Total		**4**	**Not Ascertainable**

- Regulatory proceedings against our Directors

Names of the Directors	Nature of litigation	Number of outstanding litigations	Aggregate amount involved (to the extent quantifiable) (₹ in Millions)
T Mallikarjuna Reddy	Civil	3	Not Ascertainable
Vandana Rajadhyaksha	Civil	1	Not Ascertainable
Total		**4**	**Not Ascertainable**

- Litigation against our Group Company, AMRA Industries Limited

Nature of the litigation	Number of outstanding litigations	Aggregate amount involved (to the extent quantifiable) (₹ in Millions)
Criminal	1	0.70
Civil	1	Not Ascertainable
Total	**2**	**Not Ascertainable**

For further details of the legal proceedings, please refer to the chapter "***Outstanding Litigations and Material Developments***" beginning on page 302.

3. ***Our Contingent Liabilities could adversely affect our financial condition.***

Our Contingent Liabilities on consolidated basis as on March 31, 2010 and September 30, 2010 is ₹599.55 Million and ₹687.92 Million respectively. Our Contingent Liabilities on un-consolidated basis as on March 31, 2010 and September 30, 2010 is ₹1,634.10 Million and ₹1,678.30 Million respectively. We have not provided for certain Contingent Liabilities as on September 30, 2010, which if materialise could adversely affect our financial position.

The break-up of our Contingent Liabilities on consolidated basis as on September 30, 2010 is as follows:

(Amount ₹ in Millions)

Particulars	As on September 30, 2010
Guarantees by banks on behalf of the Company	17.84
Letter of Credit	498.57
Claim against the company/disputed liabilities not acknowledged as debts	5.05
Bills discounted	166.47
Total	**687.92**

For further details please refer to the chapter titled "***Outstanding Litigations and Material Developments***" beginning on page 302 and "***Annexure XVI - Consolidated Statement of Contingent Liabilities, as restated***" on page 229 in the chapter "***Financial Statements***" beginning on page 192.

4. ***Our Company had negative net cash flows in recent fiscals.***

Our Company had negative net cash flows in the past three fiscals (on consolidated basis), the details of which is summarized below:

(Amount ₹ in Millions)

Particulars	Period Ended September 30, 2010	Fiscal 2010	Fiscal 2009	Fiscal 2008
Net cash from /(used in) Operating Activities	728.75	(289.60)	(1,751.72)	(126.37)
Net cash from /(used in) Investing Activities	(1,480.60)	(1,302.81)	(3,256.41)	(1,832.53)
Net cash from /(used in) Financing Activities	546.73	1,792.22	4,454.14	2,442.03
Net increase in Cash & Cash Equivalents	**(205.12)**	**199.81**	**(553.99)**	**483.13**

With changes in our working capital over these period / fiscals the net cash generated from / (used in) Operating Activities have been negative. Our increase in working capital were ₹787 Million, ₹2,886 Million, ₹3,497 Million and ₹1,100 Million for H1 2011, Fiscal 2010, Fiscal 2009 and Fiscal 2008 respectively as a result of increase in turnover and our working capital needs. During these periods / fiscals we had significant additions in our Fixed

Assets primarily attributable to our inorganic initiatives viz., acquisitions of manufacturing facilities and changes in our product mix, pursuant to long term contracts and for regular maintenance and upgradation of manufacturing facilities thereby the net cash generated from / (used in) Investing Activities have been negative.

For further details please refer to "***Annexure III – Consolidated Cash Flow Statement, as restated***" on page 198 in the chapter titled ***"Financial Statements"*** and chapter titled *"**Management's Discussion and Analysis of Financial Condition and Results of Operations**"* beginning on pages 192 and 270 respectively.

5. ***We have in the past entered into related party transactions and may continue to do so in the future.***

We have, in the course of our business, entered into transactions with related parties. The transactions by our Company with related parties as summarized from the "***Annexure VII – Consolidated Statement of Related Party Transactions***" in the year ending March 31, 2008, 2009 and 2010 and for the period ended September 30, 2010 on a consolidated basis, is as given below:

(Amount ₹ in Millions)

Nature of Transactions	Period Ended September 30, 2010	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital Issued	12.50	-	-	-
Security Premium Received	488.75	-	-	-
Share Application Money received	100.00	300.00	-	-
Share Application Money adjusted / refunded	400.00	-	-	-
Debenture Issued	-	50.00	750.00	-
Debenture Reedemed	100.00	700.00	-	-
Loan Taken	-	-	3.65	-
Inter Corporate Deposit Given	-	-	0.20	-
Salaries Paid	7.75	15.57	14.81	7.84
Rent Paid	1.23	3.04	2.90	1.24
Interest on Debentures paid	7.14	113.99	10.74	-

While all such transactions have been conducted on an arms-length basis and contain commercial terms, there can be no assurance that we could not have achieved more favourable terms had such transactions not been entered into with related parties. Such related party transactions may give rise to potential conflicts of interest with respect to dealings between us and the related parties. Furthermore, it is likely that we will continue to 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 operations. For more information regarding our related party transactions, please refer to "***Annexure VII – Consolidated Statement of Related Party Transactions" and*** "***Annexure VII – Un-consolidated Statement of Related Party Transactions, as restated"*** in the chapter titled "***Financial Statements***" beginning on page 211 and 249 respectively and the chapter titled "***Related Party Transaction***" on page 187.

6. ***We have made capital investments and commitments to our Subsidiaries and any failure in performance, financial or otherwise, of our Subsidiaries in which we have made investments and commitments could have a material adverse effect on our business, financial conditions and results of operations.***

Our Company has made and may continue to make capital investments and other commitments to our Subsidiaries in future for augmenting their respective businesses. These investments and commitments may include capital contributions to enhance the financial condition or liquidity position of our Subsidiaries. Further, in the recent past, our Company has made acquisitions of companies which are now our Subsidiaries and may incur capital investments for similar acquisitions in the future. Such capital investments may be financed through additional debt, including through debt of our Subsidiaries. If the business and operations of these Subsidiaries deteriorate, our Company's investments may be required to be written down or written off. Additionally, certain advances may not be repaid or may need to be restructured or receivables may not be collected or our Company may be required to outlay further capital under its commitments to support such companies.

The details of our investments, outstanding advances to and receivables from our Subsidiaries as on September 30, 2010 is as follows:

(Amount ₹ in Millions)

Subsidiaries	Nature of Transactions	Amount
Arch Pharmalabs (USA) Inc.	Investments	0.004
	Advances Receivable	166.63
Arch Life Sciences Limited	Investments	147.37
Arch Finechemicals Limited	Investments	47.82
Avon Organics Limited	Investments	294.51
	Advances/ Deposits Receivable	186.10
	Debtors Receivables	13.53
Total		**855.96**

7. ***Some of our Subsidiaries, Corporate Promoters and Group Companies had negative net worth and had incurred losses in the past.***

The following of our Subsidiaries, Corporate Promoters and Group Companies had negative net worth in the immediately preceding three fiscals.

(Amount ₹ in Millions)

Name of the company	Fiscal 2010	Fiscal 2009	Fiscal 2008
Subsidiaries			
Arch Pharmalabs (USA) Inc.	(124.82)	(86.80)	(33.62)
Corporate Promoters			
Arch Phytochemicals Private Limited	0.18	(9.74)	(10.25)
Avant Capital Services Private Limited	(0.14)	(0.14)	(0.12)
Arch Impex Private Limited	(56.45)	(30.17)	(13.34)
AMR Investments Private Limited	3.83	0.46	(0.17)
Group Companies			
Arch Herbals Private Limited	(0.99)	(0.97)	(1.21)

The following of our Subsidiaries, Corporate Promoters and Group Companies had incurred losses in the immediately preceding three fiscals.

(Amount ₹ in Millions)

Name of the company	Fiscal 2010	Fiscal 2009	Fiscal 2008
Subsidiaries			
Avon Organics Limited	89.02	55.83	(85.04)
Arch Finechemicals Limited	(0.02)	(6.12)	21.30
Arch Pharmalabs (USA) Inc.	(38.02)	(53.18)	(11.41)
Corporate Promoters			
Avant Capital Services Private Limited	(0.01)	(0.02)	-
Arch Impex Private Limited	(25.70)	(4.02)	(0.27)
AMR Investments Private Limited	3.33	0.58	(0.04)
Arch Pharmachem Limited	(29.07)	(1.65)	0.20
Group Companies			
Arch Herbals Private Limited	(0.02)	0.24	0.18
Marm Realty Private Limited	(0.02)	(0.01)	(0.01)
Arch Infra Ventures Limited	(0.03)	(0.01)	(0.01)

Furthermore, two of our Subsidiaries, namely, Arch Life Sciences Limited and Arch Finechemicals Limited have incurred losses during the period ended September 30, 2010 of ₹0.34 Million and ₹0.07 Million respectively.

There can be no assurance that any of our Subsidiaries, Corporate Promoters and Group Companies will not incur further losses or have a negative net worth in the future. For further details please refer to the chapters titled "***History and Certain Corporate Matters***" and "***Our Promoters, Promoter Group and Group Companies***" beginning on page 129 and 169 respectively.

8. ***We, being a pharmaceutical company, operate in a highly regulated and controlled industry. Our business is dependent on approvals from relevant regulatory and health authorities. Any delay or failure to obtain or renew***

such required regulatory approvals or any change in the regulatory environment in relation to manufacturing or for marketing our products in regulated markets may significantly impact our business and strategy.

We being a pharmaceutical company operate in an industry which is highly regulated and controlled. There are stringent and restrictive norms in relation to quality standards -. Further, entry barriers in regulated markets in which we currently operate and seek to expand are very high and have extensive regulations pertaining to research, testing, and manufacturing, selling and marketing of pharmaceutical products. In most regulated markets, including the USA and the European Union, pharmaceutical products must be registered after being tested for safety, efficacy and environmental impact and the regulations differ from country to country. Currently, we have 36 DMFs filed with USFDA and 8 CoS received from EDQM. Additionally, 2 more applications for CoS have been filed with EDQM.

Some of our customers operate in such highly regulated markets and liaise/ do business with our Company based on our Company being the approved source of supply. Also, some of our existing registered products need to be renewed after their expiry. There is no assurance that DMFs and CoS applications filed by us with the relevant regulatory authorities will be approved, or that the patent applications filed by us will result in patents being registered in our favour. Further, from time to time we will have to apply for the renewal of these approvals and ensure that the products comply with all current standards, which may have become more stringent since the prior registration. There is no assurance that we will be able to obtain the necessary approvals / renewals for all our products, which could adversely impact our ability to sell some of our products in certain markets.

9. ***We have made applications for the registration of 20 patents (18 process and 2 product patents) with Indian Patent office. Further, we have also made applications for 2 patents with USPTO and one application with the EPO. Unless our patents are approved, we cannot restrict other persons from exploiting these processes commercially, which can have material and adverse effect on our business and results operations.***

We have filed applications, for registration of product and process patents for some of our new products in India and the developed markets. In addition to patents on pharmaceutical products, many drug innovators make proprietary claims with respect to the processes for the manufacture of the pharmaceutical products. In order to sell our APIs into regulated markets where process patents have been issued or sought, we must develop non-infringing processes for their manufacture or an existing process must come off patent or be determined to be non-patentable. Non-infringing process patent applications are time consuming and we are not assured of being granted such a patent. Failure to get non-infringing process patent registered will prevent us from prohibiting other persons from exploiting these processes, which may have a material adverse effect on our business prospects.

10. ***We intend to further our growth in CRAMS, however, there is no assurance that our increasing presence in CRAMS will yield the expected or desired benefits.***

We have witnessed growth in CRAMS through its increasing share in our total revenues which increased from approximately 5% in Fiscal 2009 to approximately 15% in Fiscal 2010 to approximately 20% for the period ended September 30, 2010. We intend to focus on moving up the value chain by targeting higher end projects from innovator firms and generic players. These projects typically involve customised research and manufacturing services and comprise of drug development process, customised synthesis of drug intermediates, small scale manufacturing of APIs for clinical trials and commercial scale manufacture of patent protected APIs. We have contractual obligations with our CRAMS clients including maintaining confidentiality rights of the technology transferred under non-disclosure agreements. If such confidentiality rights of our client's are infringed in violation of any applicable confidentiality agreements and/ or our customers perceive any deficiency and/ or delay in service, our customers may consider us liable for that act and seek damages from us. There is no assurance that we will be able to leverage and sustain our relationships with existing customers over a longer period of time, or broaden our customer base by establishing long term research and manufacturing contracts with other customers which could affect our business and results of operations. Additionally, if there is a slowdown in the business of innovator firms and generic players from whom we source our CRAMS business, we may not be able to achieve expected or desired growth.

11. ***We operate in overseas markets and may, in future, continue to access markets which are new to us. Our limited experience in facing entry barriers including stringent regulatory requirements in such markets like Japan, may adversely affect our business, financial conditions and results of operations.***

During Fiscal 2011, we have entered into a commercial understanding with Mitsui & Co. Limited (Mitsui) from Japan whereby Mitsui shall act as a distributor on an exclusive basis (except a few customers in Japan with whom

our Company had existing relationship prior to entering of the agreement with Mitsui), in Japan, of our products (raw material chemicals for pharmaceutical companies and APIs). We have partnered with Mitsui in the past to service Japanese clients. We believe that with this relationship our business is set to grow deeper and wider in Japan. We cannot assure that despite our commercial understanding with Mitsui we will be able to achieve the desired results in Japan. Our failure to successfully enter and establish our presence in Japan and other newer markets that we may enter into in future could affect our business and results of operations.

On March 11, 2011, Japan was hit by a massive earthquake, followed by a series of aftershocks. The massive earthquake triggered tsunami, which hit the east coast of Japan, leading to widespread disruption, destruction of infrastructure and loss to the economy. As a result of this natural calamity we may not be able to achieve our desired business objectives.

12. ***We derive a large portion of our revenues from a limited number of clients. The loss of, or a significant reduction in the revenues we receive from, one or more of these clients, may adversely affect our business.***

We derive a large portion of our revenues from our top ten clients. For the period ended September 30, 2010, and for Fiscal 2010, Fiscal 2009 and Fiscal 2008, our top ten clients accounted for 41.72%, 39.46%, 31.59% and 38.12%, respectively, of our revenues. Likewise, for the period ended September 30, 2010, and for the Fiscal 2010, Fiscal 2009 and Fiscal 2008, our top client, Codexis, accounted for 9.61%, 7.01%, 5.85% and 5.99% respectively, of our revenues. We have entered into commercial understandings with Codexis including product supply agreements and technology transfer agreements, pursuant to which we supply our products to a number of Generic and Innovator companies in India and abroad. Though our clientele is broad-based, loss of Codexis or any of our top ten clients may lead to reduction in revenues that we receive from them which will adversely affect our business and profitability.

For further details please refer to the paragraph '***Revenue Segmentation***' under the chapter titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" beginning on page 270.

13. ***We use certain proprietary technologies not owned by us to manufacture some of our products, the non-availability of which could adversely affect our revenues and profitability. Further if we fail to keep pace with advancements in technology in the pharmaceutical industry or respond to changes in market demand or client requirements, our business, financial condition and results of operations would be materially and adversely affected.***

We manufacture some of our products using certain proprietary technologies imparted upon us under technology sharing agreements. These technologies are considered to improve the manufacturing processes both in terms of costs and efficiencies. For implementation and/or integration of these technologies we are also required to make certain additional expenditures. In case we cease to have access to these technologies in future or if we are unable to implement and/or integrate them despite our efforts it will adversely affect our revenues and thereby our profitability.

The pharmaceutical industry is characterised by frequent advancements in technology fuelled by high expenses incurred on research and development. To meet our clients' needs as well as to keep pace with our competitors, we regularly update existing technology and acquire or develop new technology for our pharmaceutical manufacturing activities. In addition, rapid and frequent advancements in technology and changes in market demand can often render existing technologies obsolete, requiring substantial capital expenditures and/or write-downs of assets. Our competitors may have filed patent applications, or may hold patents, relating to products or processes which compete with those we are developing or have access to or their patents may impair our ability to do business in a particular geographic area. Our failure to anticipate or to respond adequately to advancements in technology, changes in market demand or client requirements could adversely affect our financial condition and results of operations.

14. ***Certain commercial agreements entered into by us impose several contractual obligations upon us. If we are unable to meet these contractual obligations and / or our customers perceive any deficiency in our service we may face legal liabilities and consequent damage to our reputation which may in-turn adversely impact our business, financial condition and results of operations.***

The commercial agreements entered into by us impose several contractual obligations upon us including compliance with certain quality norms, non-infringement, confidentiality, non-compete clauses and completion schedules as is typical of agreements entered into by companies in pharmaceutical sector. If we cannot perform the

services undertaken by us in accordance with the requisite quality norms or if our client's proprietary rights are infringed by our employees in violation of any applicable confidentiality agreements and / or our customers perceive any deficiency or delay in service or breach of stipulated terms of these agreements, our customers may consider us liable for that act and seek damages from us.

In the ordinary course of our business we enter into contractual agreements with large domestic or global companies for technology transfer and for supply of products used for formulations. These companies could be in a better position to negotiate terms which may not be entirely favourable to us. There are also some contracts which may be terminable by our clients without cause on a short notice period affecting our business and creating uncertainty about our revenue flow at a particular point of time. Further, certain of the commercial agreements that we have entered into restrict us from providing services to competitors of our existing customers or restrict our ability to approach customers in certain jurisdictions.

Such clauses may restrict our ability to offer services to customers on terms preferred by our customers/ more favourable than those offered by our competitors. Further, given the stringent nature of obligations imposed by our commercial contracts, we face the risk of potential liabilities from lawsuits or claims by our customers for the breach of the terms of our contractual obligations and cannot assure you that such restrictions will not have an adverse effect on our business, financial condition and results of operations in the future.

15. ***We are dependent on our research and development for our success and the failure to keep developing/ improving products/ processes could adversely affect our business.***

Our success depends on our ability to continue to develop and improve our products and processes for which we make continuous investments in R&D. For the Fiscal 2010 our R&D expenses (as per audited consolidated financial statements) were ₹174 Million i.e. 1.5% of our consolidated Income from Operations for that Fiscal. We cannot assure you whether we will be able to enhance our R&D investments or continue the current level of R&D investments in our business, or that our R&D investments will yield satisfactory results if at all. The upgradation and development of new processes could be a lengthy and costly affair and there can be no assurance that a new/ improved product or process developed by us will be commercially successful. Further, research undertaken by our competitors may lead to the launch of a competing or improved product or process that may affect the sales of our products and adversely affect our business, results of operations and financial condition.

16. ***We are dependent on imports of raw materials and are to that extent exposed to risks including that of cost of raw materials, duties placed on imports from other countries, regulatory/ market concerns regarding quality of raw materials which is sourced from such countries, fluctuations in global commodity prices and foreign currency exchange fluctuations.***

We source some of our raw materials from countries outside India. For the Fiscal 2010, the value of raw material imported by us (as per audited consolidated financial statements) was ₹2,398 Million i.e. 35% of our total raw material purchases. We import raw materials primarily from China, Japan, East Asia and Europe. While we are not significantly dependent on any single manufacturer of such raw materials, raw material costs are dependent on global commodity prices, which are subject to fluctuation. In the event the prices of such ingredients were to rise substantially or if imports from regions like China, Japan, East Asia and Europe were to be restricted in any manner, we may find it difficult to find alternative suppliers for our raw materials, on term acceptable to us, and our business, results of operations and financial condition could be adversely affected. Also, in the event of any regulatory restriction or market concerns regarding the quality of such raw materials we may be required to find alternative suppliers for such raw materials, or to incur additional costs in testing such raw materials or defending any claims for liabilities that may arise against us for the use of such products. Further, our dependence on imported raw materials exposes us to foreign currency exchange fluctuation risks. There is no long term supply agreements for the supply of raw materials required for manufacturing of our products. 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. In such a situation we may not be able to obtain raw materials from new suppliers on acceptable terms and at reasonable prices, or at all.

17. ***We are subject to risks arising from foreign exchange rate movements.***

We export our products to over 60 countries and also import our raw materials. For the Fiscal 2010 our exports comprised of 38.9% of our consolidated Income from Operations and our import of raw materials was 35% of our total raw material purchases for that fiscal (as per audited consolidated financial statements). The foreign exchange fluctuation, thus, affects both our revenues and expenditures. To this extent, the revenues and expenditures will be

higher or lower depending on the depreciation or appreciation of Indian Rupee in foreign currency terms. Foreign Exchange gain / (loss), credited / (debited) to profit and loss Account for the period ended September 30, 2010 and Fiscal 2010, 2009 and 2008 were net gain of ₹10.42 Million, net gain of ₹14.7 Million, net loss of ₹72.05 Million and net loss of ₹6.22 Million respectively, which represented 0.17%, 0.13%, 0.78%, and 0.01% of our total revenues, respectively. The exchange rate of Indian Rupees has been volatile in recent years and may fluctuate in the future. Therefore, changes in the exchange rate between the Indian Rupee and foreign currencies may have a material adverse effect on our revenues, other income, cost of services, operating costs and net income, which may in turn have a negative impact on our business, operating results and financial condition.

For further details please refer to the chapter titled **"*Management's Discussion and Analysis of Financial Condition and Results of Operations*"** beginning on page 270.

18. We are subject to product liability claims in relation to the quality and use of our products in India as well as in the countries where we sell our products. Any claims arising from such liabilities may harm our reputation and/or have an adverse impact on our business, financial conditions and results of operations.

We are exposed to claims in relation to the quality and use of our products including public liability claims. We deal with products, which are made from raw materials, which are hazardous and poisonous and/or chemicals, which are combustible and flammable. 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. We have procured consolidated public liability insurance cover up to ₹1,110 Million for all of our facilities. However, in the event that our insurance does not adequately cover the liability arising from such accidents, our financial performance and results of operations may be adversely affected. Further, 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.

19. Our inability to protect our proprietary information and that of our clients, may adversely affect our business and expose us to liabilities

Our Company enters into confidentiality agreements with various clients before entering into contracts, intended to prevent either party from revealing, or disclosing to anyone their confidential information, directly or indirectly. However, there are inherent risks in the protection of any intellectual property of proprietary nature and while we believe that our safety protocols in this regard are adequate and stringent, they may not be adequate to exclude all possibilities of breach thereof. If, due to factors beyond our control, there are breaches in protection of proprietary information (ours or that of our clients) our business may be adversely affected. We may also, consequently, be exposed to liabilities arising from breach of contract.

20. We may not be able to enter into long term contracts with our customers and may operate on the basis of purchase orders, which could adversely impact our revenues and profitability.

We may or may not be able to enter into any formal agreements or contracts with customers for sale of our products as there are a number of factors which influence our customers' decisions with regards to entering into long term contracts, which are beyond our control. Thus, our operations are at times on the basis of purchase orders raised on them. Further, our business is dependent on the decisions and actions of our customers, and there are a number of factors which influence our customers' decisions, which are beyond our control, that might result in the termination of contract or the loss of any customer. Any of these factors could adversely affect our business operations and in turn adversely affect our financial operations.

21. We may incur substantial costs as a result of various proceedings relating to patent and other intellectual property rights including litigations and injunctions.

The pharmaceutical industry is driven by innovations and fierce competition for acquiring intellectual property rights over processes and products. There are a large number of patents, and it may not always be clear to industry participants, which patents cover various types of products or processes. The patent coverage is subject to interpretation by the courts in various jurisdictions, and the interpretation is not always uniform. Moreover, as some patent applications may be maintained in confidentiality until the patents are issued, and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent

applications for inventions covered by our products. Any such patent application filed by others may have priority over our patents or applications.

Third parties may claim that any of the products being manufactured or any processes being used for manufacture of a product by us or our customers are infringing the third party's patent rights and may go to court to stop us from engaging in our normal operations and activities, including making or selling our products and marketing them in various jurisdictions. In the event that we are found to infringe any valid claim of a patent held by a third party, we may, among other things, be required to pay substantial damages, cease the development, manufacture, use and sale of our products that infringe the patent rights of others through a court-imposed sanction such as an injunction all of which could adversely affect our business, results of operations and financial condition. We do not have product liability insurance, which may have a further adverse impact on our business. Further, patent infringement lawsuits, especially in certain foreign jurisdictions, are costly and could affect our results of operations and divert the attention of management and development personnel.

22. ***There are certain licenses and approvals that we have applied for or made application for renewal but for which grant/ approval have not yet been received and there are certain licenses and approvals that we have not applied for. If we are unable to obtain such licences in the ordinary course of business in a timely manner or at all, it may adversely affect our business, financial conditions and results of operations.***

We are required to maintain certain licences and approvals in the normal course of the business. We have applied for certain licences and approvals but for which grant/ approval have not yet been received or are pending renewals as on the date of this Draft Red Herring Prospectus, which have been summarised below:

Sr. No.	License	License number	Manufacturing Facilities
i.	Renewal of license to store compressed gas in cylinders	G/SC/AP/06/195 (G3723)	Medak Unit 2
ii.	Renewal of certificate for use of boiler	AP-2777	Medak Unit 2
iii.	Renewal of license to manufacture for sale (or for distribution) of drugs other than those specified in Schedules C, C(1) and X	44/MD/AP/2005/B/CC	Medak Unit 3
iv.	Renewal of license to Import and Store Petroleum in Installation	P/HQ/AP/15/3301 (P129337)	Medak Unit 3
v.	Renewal of World Health Organisation Good Manufacturing Practice (WHO GMP) Certificate	9737/M2A/2009	Medak Unit 3
vi.	Renewal of license to work a factory	GGN/V-127/6617	Gurgaon Unit
vii.	Renewal of Contract labour licences for 180 labourers	CLA/CID-310/DLC-I/RC-994/DLG/204/231/2556	Gurgaon Unit
viii.	Renewal of Good Manufacturing Practices Certificate	GMP Cert./389-09/3	Badlapur Unit
ix.	Renewal of license to manufacture for sale (or for distribution) of drugs other than those specified in Schedules C, C (1) and X	KD-594	Badlapur Unit
x.	Renewal of Certificate of Registration of Consumer by the Controller of Rationing and Director of Civil Supplies, Mumbai	CONSUMER/133/2007	Badlapur Unit
xi.	Certificate of Registration (ISO 9001: 2008)	QAIC/IN/088-A	Badlapur Unit
xii.	Renewal of license to work a factory	092264	Taloja Unit
xiii.	Renewal for water and air consent to operate	BO/RO-NM/PCI-I/1035-07/OA/CC-125	Taloja Unit
xiv.	Renewal provisional no objection certificate by fire department	MIDC/FIRE/208	Dombivli Unit
xv.	Renewal of Factory Licences	095351	Corporate R& D Center

Additionally, the following licences have not been applied for as on the date of this Draft Red Herring Prospectus:

Sr. No.	License	License Status	Manufacturing Facilities

Sr. No.	License	License Status	Manufacturing Facilities
i.	Certificates of verification by District Inspector, Legal Metrology (Weights and Measures)	0181076 – Expired and not applied for renewal	Tarapur Unit 2
ii.	Certificate of Registration (ISO 9001: 2008)	QAIC/IN/709-A – Expired and not applied for renewal	Medak Unit 3
iii.	Licenses to store petroleum under Petroleum/Explosives Act	Not applied	Tarapur Unit 2
iv.	Fire safety certification	Not applied	Tarapur Unit 2
v.	Certificate of Stability	Not applied	Dombivli Unit

Any failure to obtain or renew such licences in the ordinary course of business in a timely manner or at all may adversely affect our business, financial conditions and results of operations.

23. ***We have not filed annual updates for some of our DMFs filed with USFDA. If we are unable to file the updates and USFDA considers such DMF closed it may adversely affect our ability to conduct business in US for the products/ processes for which these DMFs had been filed and it may affect our reputation, business and results of operations.***

    We have filed 36 DMFs with USFDA. The guidelines issued for DMFs (Guidelines for Drug Master Files, 1989) recommends that DMF holders have to update their DMFs annually. USFDA can, in order to ensure that DMFs are current, issue "Overdue Notification Letters" (ONLs) to DMF holders for DMF that are overdue for update. If a DMF holder does not respond to this letter within 90 days, the DMF will be considered closed by the USFDA.

    Our Company has not filed annual updates for some of the DMFs filed with USFDA. We have not received any ONLs from USFDA for any of the products or processes; however we cannot guarantee that any of our DMFs will not get cancelled if we are unable to file the updates. If these DMFs are closed, it may adversely affect our ability to conduct business in US for the products/ processes for which the DMFs had been filed or used and it may affect our reputation, business and results of operations.

    For further information, please refer to the chapter titled "***Licences and Approvals"*** beginning on page 312.

24. ***Our operations are subject to various employees, health and safety laws and regulations. Our failure to comply with environmental laws and similar regulations in India, including improper handling of raw materials, may result in significant damages and may have an adverse effect our business, financial condition and results of operations.***

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

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

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

25. There were certain qualifications in our Company's Auditors' report for Fiscal 2009.

There were qualifications in our Company's Auditors' report for Fiscal 2009 wherein the auditors have commented that the capitalisation of borrowing cost/ interest is not in accordance with provisions of accounting (AS) 16 "Borrowing Costs", that the inventory valuation is not in accordance with Accounting Standard (AS) 2 "Valuation of Inventories" and that the Company has capitalised project development expenses in the nature of revenue as at March 31, 2009. In view of the limitations faced by the management to capture the data as required as the financial system was under implementation/ development, and explanations given, the then auditors could not comment on the correctness of the amount capitalised and cannot ascertain its impact, if any, on the depreciation charge for the year as also the results for the year.

In Fiscal 2010, the Joint Statutory Auditors have adjusted/ modified the opening balances of relevant accounts to comply with those observations as follows:

- Interest charge of ₹171.1 Million capitalized in previous year has been reworked and excess amount of ₹104 Million has been charged off under the head interest and finance charges
- Project development expenses of ₹250.2 Million capitalized in the previous year and an amount of ₹12 Million has been charged off under the respective head of expenses
- Overhead allocation has been reworked due to which inventory valuation has been lower by ₹62.9 Million

Profits for Fiscal 2010 were lower by ₹116 Million on account of the above adjustments/ modification of opening balance by the Joint Statutory Auditors. Profits for Fiscal 2010 were further lower by ₹62.9 Million on account of reworking of overhead allocation on closing inventories as at March 31, 2009 by the Statutory Auditors. No adjustment/ modification were made in the accounts for this as the reworked amount was off-setted by way brought forward opening balances of inventories in profit and loss account.

In addition in our Company's Auditors' report for Fiscal 2009 the auditors have further commented that the apportionments of assets were not in accordance with AS 10 "Accounting of Fixed Assets" as the Company had acquired various units through business transfer agreements during this fiscal. During Fiscal 2010, the Company appointed the valuers to carry out the valuation of the acquired assets and the values derived by them were substantially same or near to the values accounted. Apart from the above the Auditors made the following observations:

- Balances with banks have not been confirmed independently and as such the auditors are unable to effectively comment upon the adequacy of disclosures of hypothecation, collaterals, mortgages as also of the guarantees and liens given against such balances in the financial statements.
- All balances under sundry creditors, loans and advances and sundry debtors are subject to confirmation.
- The Company has not updated its fixed asset register showing full particulars including quantitative details and situation of fixed assets except for three units and is in process of preparing/updating the fixed asset register for the units acquired during the year.
- The scope and coverage of internal audit system requires to be further enhanced to be commensurate with its size and the nature of its business.
- Due to dearth of information, auditors cannot comments as to whether the company has used the funds raised on short term basis for long term investment.

For further information, please refer to "***Annexure V – Statement of Adjustments in the Consolidated Financial Statements***" and "***Annexure V – Statement of Adjustments in the Unconsolidated Financial Statements, as restated***" on pages 207 and 245 respectively in the chapter titled "***Financial Statements"*** beginning on page 192.

26. Our success depends significantly upon our senior management team and skilled manpower particularly for R&D. In the event any of our senior management or key personnel ceases to be associated with us, it would adversely impact our business, revenues and profitability.

Our senior management team comprises of experienced personnel and our success is significantly dependant on their continued association with us. Further, our ability to sustain our growth also depends on our ability to attract and retain skilled personnel. Our inability to recruit skilled employees or to manage attrition for our experienced employees would adversely affect our growth strategy. Further, some of our customers seeking to develop in-house

capabilities in API or Intermediates business segments may seek to hire some of our key employees. In the event we are unable to retain such employees, we may find it difficult to replace or redeploy key employees, and to such extent, our operations may be adversely affected.

27. Any inability to manage our growth could disrupt our business and reduce our profitability.

We have experienced significant growth in recent years. Our consolidated Income from Operations has grown to ₹11,619 Million for the Fiscal 2010 at a three year CAGR of 47%. Likewise our EBITDA and PAT witnessed a three year CAGR (ending Fiscal 2010) of 58% and 36% respectively, in large part due to strategic acquisitions during this period.

Any future organic growth and other acquisitions may place significant demands on our operational, financial and internal controls across the organization. It may also impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees; adhering to our high quality and process execution standards; maintaining high levels of client satisfaction; integrating expanded operations while preserving our culture, values and entrepreneurial environment; and developing and improving our internal administrative infrastructure, particularly our financial, operational, communications, and other internal systems. We may, thus, face difficulties in executing our strategy including the proposed expansion plans and any future growth strategy. If we are unable to manage our growth, it could have an adverse effect on our business, results of operations and financial condition. Our future financial performance and our ability to commercialize our products and to compete effectively will depend, in part, on our ability to manage any growth effectively, and our failure to do so could adversely affect our business, financial condition, results of operations and growth prospects.

For further details on our financial performance please refer to the chapter titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" beginning on page 270.

28. Our insurance coverage may not adequately protect us against certain operating hazards and this may have a material adverse effect on our business.

Operating and managing a business involves many risks that may adversely affect our Company's operations, and the availability of insurance is therefore important to our operations. Our Company believes that our insurance coverage is generally consistent with industry practice. However, to the extent that any uninsured risks materialize or if it fails to effectively cover itself for any risks, we could be exposed to substantial costs and losses that would adversely affect financial condition. In addition, our Company cannot be certain that the coverage will be available in sufficient amounts to cover one or more large claims, or that our insurers will not disclaim coverage as to any claims. A successful assertion of one or more large claims against our Company that exceeds our available insurance coverage or that leads to adverse changes in our insurance policies, including premium increases or the imposition of a large deductible or coinsurance requirement, could adversely affect our financial condition and results of operations. Further, our Company has not availed of business interruption insurance cover.

29. We cannot assure you that we will be able to secure adequate financing in the future on acceptable terms, in time, or at all. Further, we cannot assure you that for the financing secured by us we will be able to continue servicing the principal amount, interest or both.

We may require additional funds in connection with future business expansion and development initiatives. In addition to the Net Proceeds of this Fresh Issue and our internally generated cash flow, we may need additional sources of funding to meet these requirements, which may include entering into new debt facilities with lending institutions or raising additional debt in the capital markets. If we decide to raise additional funds through the incurrence of debt, our interest obligations will increase, and we may be subject to additional covenants. Such financings could cause our debt to equity ratio to increase or require us to create charges or liens on our assets in favour of lenders. We cannot assure you that we will be able to secure adequate financing in the future on acceptable terms, in time, or at all. Our failure to obtain sufficient financing could result in the delay or abandonment of any of our business development plans and this may affect our business and future results of operations.

Any failure by us to service our indebtedness, maintain the required security interests, comply with the restrictive covenants, obtain required consents or otherwise perform our obligations under our financing agreements could lead to a termination of one or more of our credit facilities, trigger default provisions, result in penalties and acceleration of amounts due under such facilities. Additionally, as some of our borrowings are secured against

some of our assets, lenders may be able to take control of and sell those assets. Furthermore, our financing arrangements may contain cross-default clauses which could be automatically triggered if we default under our other financing arrangements. Moreover, the amounts under our unsecured borrowings can be recalled by the lenders at any time. As of January 31, 2011, our unsecured loan, amounting to ₹1,004 Million, was repayable on demand. Any of these factors may adversely affect our business, financial condition and results of operations. For further details please refer to the chapter titled ***"Financial Indebtedness***" on page 294.

30. ***Our lenders have imposed certain restrictive conditions on us under our financing arrangements and we are required to obtain consents from our lenders for undertaking certain activities. Any inability to obtain lender consent on time, or at all, may restrict our ability to pursue our growth plans.***

As of January 31, 2011, our outstanding loans on an unconsolidated basis aggregated to ₹12,564 Million. In respect of such loans, we have entered into various agreements with our lenders and bankers. We are required to obtain prior consent of our lenders for, among other matters, effecting any merger, amalgamation, reconstruction or consolidation which would have the effect of seconding the security position of the lenders, encumbering or seeking to encumber the mortgaged property under the loan agreement, or declaring or paying any dividend after the occurrence of an event of default. We have also undertaken to inform the lenders of any litigation, arbitration or other proceedings or any material event which may affect our ability to perform our obligations under the facility agreement or the mortgage deed, maintain insurance on and in relation to the mortgaged property under the loan agreement. While we have obtained the consents of all of our lenders for this Issue, there can be no assurance that we will be able to obtain lender consents in the future, as and when required, in time or at all. If we are not able to obtain such consents in future, it may limit our ability to pursue our growth plans.

For further information, please refer to the chapter titled "***Financial Indebtedness***" beginning on page 294.

31. ***We have high working capital requirements. If we experience insufficient cash flows to allow us to make required payments on our debt or fund working capital requirements or if we are not able to provide collateral to obtain letters of credit, bank guarantees, etc in sufficient quantities, there may be an adverse effect on our business and results of operations.***

Our business requires a significant infusion of working capital. In certain cases, significant amounts of working capital are required to finance the purchase of materials and the performance of manufacturing, distribution and other work before payments are received from our clients. Our working capital requirements may increase if, under certain contracts, payment terms do not include advance payments or such contracts have payment schedules that shift payments toward the end of a contract or otherwise increases our working capital burdens. In addition, our working capital requirements have increased in recent years due to the growth of our Company's business. All of these factors may result, and have in the past resulted, in increases in our working capital needs.

If we are unable to provide sufficient collateral to secure the letters of credit, bank guarantees, etc., our ability to enter into new contracts or obtain adequate supplies could be limited. Providing security to obtain letters of credit and bank guarantees increases our working capital needs. We may not be able to continue obtaining letters of credit, bank guarantees, etc. in sufficient quantities to match our business requirements. Any such situation would adversely affect our business and results of operations.

For further details, please refer to the chapter titled "***Financial Statements***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" beginning on pages 192 and 270, respectively.

32. ***Several of the contracts and agreements entered into by our Company with our business partners both in India and abroad contain clauses which provide for dispute resolution in foreign jurisdictions which may escalate the cost of litigations.***

Several of our contracts and agreements entered into with our business partners across the world contain clauses which provide for dispute resolution in foreign jurisdictions. In case any disputes arise with such business partners which require us to approach judicial or alternative dispute resolution fora, the costs of dispute resolution could escalate and may have an adverse effect on the financials of our Company.

33. ***We rely extensively on our systems, including quality assurance systems, products processing systems and information technology systems, the failure of which could adversely affect our business, financial condition and results of operations.***

We depend extensively on the capacity and reliability of the quality assurance systems, product processing systems and information technology systems, supporting our operations. In the year 2008, we initiated the implementation of ERP comprising of various modules viz. purchasing cycle, stores and inventory, sales and financial accounting which completed by the end of the year 2009. We have now procured licenses of SAP ECC 6.0 and are in the process of implementing it. This will include modules on financial accounting, controlling, materials management, plant maintenance, production planning, quality management, project system and sales & distribution. Considering the fact that we have several manufacturing units located across various geographical locations, it is imperative for us to have a robust information technology platform. If our data capturing, processing and sharing cannot be integrated and/ or we experience any defect or disruption in the use of, or damage to, our information technology systems, it may adversely affect our operations and thereby our business and financial condition.

Our systems are also subject to damage or incapacitation by natural disasters, human error, power loss, sabotage, computer viruses, hacking, acts of terrorism and similar events or the loss of support services from third parties. Any disruption in the use of, or damage to, our systems may adversely affect our business, financial condition and results of operations.

Risks Related to Objects of the Fresh Issue

34. Our funds requirements are based on internal management estimates / quotations / purchase orders of manufacturers / suppliers of equipment, prevailing market prices, etc. and have not been independently appraised by any bank or financial institution. Any increase in the actual deployment of funds may cause an additional burden on our finance plans. Further, we have not entered into any definitive agreements to utilize a portion of the proceeds of the Fresh Issue. Any failure to enter into arrangements on favorable terms and conditions, in a timely manner or at all, may have an adverse affect on our business and financial results.

We intend to utilize part of the Net Proceeds of the Fresh Issue, i.e. ₹476.28 Million towards capital expenditures towards our existing manufacturing facilities, investments in EHS infrastructure and R&D infrastructure. This is [•] % of our total objects funded through the proceeds of the Fresh Issue.

Our fund requirements for the objects of the Fresh Issue and deployment thereof are based on internal management estimates of our current business plans and have not been independently appraised by any bank or financial institution or any independent organisation. These are based on current conditions, estimated requirements, prevailing market prices, etc. and are subject to revisions in light of changes in external circumstances or costs or other financial conditions, business or strategy, as discussed further below.With increase in costs, our actual deployment of funds may exceed our estimates and may result in cost overrun and cause us an additional burden on our finance plans.

Further, we have estimated the requirement of equipments as per existing process/technology/product specifications and existing market requirements and based our cost estimates on the quotations / purchase orders of manufacturers / suppliers of equipment, prevailing market prices and/ or our internal estimates and we have neither placed any firm order for the proposed procurement of equipments nor have entered into definitive agreements/ understandings as on the date of filing this Draft Red Herring Prospectus. Thus, there can be delay in the implementation schedule of the objects for which the funds are being raised in this Fresh Issue. Any delay or failure to enter into arrangements on favorable terms and conditions, in a timely manner or at all, may have an adverse affect on our business and financial results.

For further details please refer the chapter titled "***Objects of the Issue***" beginning on page 52.

35. The deployment of the proceeds of the Fresh Issue is entirely at our discretion and will not be subject to any monitoring by any external, independent agency or a Monitoring Agency but will be utilized through our Board of Directors.

There will be no external, independent or a Monitoring Agency which would monitor the utilization of the proceeds of the Fresh Issue. However, our Board will monitor the utilization of these proceeds. We will disclose the details of their utilization, including interim use, under a separate head in our financial statements specifying the purpose for which such proceeds have been utilized or otherwise disclose as per the disclosure requirements of our listing agreements with the Stock Exchanges and in particular clause 49 of the Listing Agreement.

36. Some of our loans have been repaid and charges created thereon are yet to be satisfied / modified. Until such charges are vacated, the assets charged will be shown to be encumbered in the records of the Registrar of Companies.

Our Company has repaid the amount due to some of our lenders in respect of Working Capital/ Term Loans that our Company had availed. However, our Company has not yet received the no dues certificates from these banks, confirming no dues by us to the bank. In the absence of these no dues certificate, our Company has not yet filed Form 17 and the charge created on the assets of our Company has not been vacated. Any delay or failure to receive the no dues certificate may result in us being unable to enter into further loan agreements and may have an adverse affect on our business and financial results.

Risks Related to our Company

37. Our Company in the past has failed to meet the requirements as stipulated under the Debt Listing Agreement. Further there has been no trading in our listed debt instruments.

Our Non-Convertible Debentures for ₹ 400 Million (outstanding as on date ₹ 100 Million) issued to Axis Bank Limited are listed on the Wholesale Debt Market Segment of the Bombay Stock Exchange Limited. As per the debt listing agreement dated June 11, 2007 entered into with the Bombay Stock Exchange Limited we are required to make certain filings. However, there have been delays/ non-compliances in making some of the filings in the past and we have not complied with the requirement of publishing the audited financial results on a half yearly basis. Further there has been no trading in our listed debt instruments.

38. Some of our secretarial records are either not available or not in order.

Our Company has in the past undergone changes in its control and management. The current management has been in control of our Company since the Reverse Merger in the year 2003. Further in the year 2004, our Company's registered office was shifted from Medak District in Andhra Pradesh to its current address in Mumbai. Some of our secretarial records including some of the minutes of our Board meetings for the years 1999-2000, certain RoC filings in relation to the BIFR order, documents regarding appointment and removal of the BIFR nominated director on our Board are not available in our records/ not in order. We cannot assure you that we will be able to get these records or put them in order.

39. We have been subject to BIFR proceedings in the past. While implementing the Scheme of Rehabilitation our public shareholding fell below the minimum listing requirement of 25% and our Company opted for voluntary delisting. We have also not complied with some of the requirements of the Takeover Code while we were listed earlier. Our history may result in negative sentiments about our Company.

We made a public offering of the Equity Shares of our Company in the year 1994 to part finance the greenfield Merven Project. There were time and cost overruns in the implementation of the Merven Project for various reasons including delay in tying up financing by way of term loan from the Original Lenders and public issue, midstream change in the scope of the Merven Project by increase in the installed capacity thereof and change of the product mix to include drug intermediates to suit the market demand. This affected our financial position and we had to make references to BIFR, the first of which was made in the year 1999. Subsequently BIFR accepted the fourth reference made along with the proposed scheme of reverse merger of ACPL into our Company in the year 2003 and approved the Scheme of Rehabilitation. As part of the Scheme of Rehabilitation we entered into one time settlement with the Original Lenders and ACPL got reverse merged into our Company. This one time settlement was noted by BIFR and it was recorded that we have paid all dues with interest in full and final settlement as per the approved scheme. All these BIFR references (except the last reference in which the Scheme of Rehabilitation was approved) were made by our Company while it was under a different management and had different promoters controlling it.

Pursuant to the Scheme of Rehabilitation our Company made applications for the listing of the reconstituted capital. BSE communicated to our Company that the listing would be permitted only after our Company raises the non-promoter shareholding to above 25% and presented our Company with the options, namely, dilution of equity by the Promoters of our Company, fresh issue of Equity Shares by way of public issue and a further option of voluntary delisting of our securities. After having received necessary approvals our Company decided to voluntarily delist the Equity Shares of our Company as per the SEBI (Delisting of Securities Guidelines), 2003.

Further, trading in the Equity Shares of our Company was suspended on BSE w.e.f November 12, 2003 for implementation of the Scheme of Rehabilitation. We have also not complied with some of the requirements of the Takeover Code in the years 1997 to 2000. Our Company had entered into a settlement with SEBI for an amount of ₹0.2 Million, for its failure to comply with the terms of the Takeover Regulation, and SEBI has *vide* its Consent Order (CO/934/217/2009) dated May 11, 2009 has declared that it shall not take enforcement action against our Company. Our history may result in negative sentiments about our Company.

For further details please refer to chapter titled "***History and certain Corporate Matters***" beginning on page 129.

40. We operate from leased and licensed premises, including our Registered Office, and therefore our operations and in turn our profitability will be adversely affected if the formalities for such leases and licenses are not completed or they are not renewed, or there is any disruption in business activities due to deficiency of title of the leased properties.

The Registered Office of our Company is situated on leased premises. In terms of the lease agreement that we have entered into dated January 1, 2011, we are entitled to renew the lease after a period of 36 months. If the lease under which we are operating is not renewed upon expiry on terms favourable to us or at all, it could disrupt our business. We may in the future further enter into such arrangements with third parties. Any adverse impact on the title, ownership rights and/or development rights of the our landlords from whose premises we operate, or breaches of the contractual terms of such leave and license agreements, may impede our operations. In the event such leases or licenses are not renewed on favourable terms or at all, or there is any disruption in our business activities due to deficiency of title, our operations and in turn profitability will be adversely impacted.

Further, registration formalities form some of our facilities that are located on land leased from MIDC on long term leases, have not been completed as on date of this Draft Red Herring Prospectus. If the lease formalities for these properties are not completed or the lease is cancelled by MIDC, it could disrupt our business and in turn profitability will be adversely impacted.

For further details on all of our leased premises please refer to chapter titled "***Our Business***" beginning on page 86.

41. Two of our Corporate Promoters and two of our Group Companies are in a similar line of business that may be a potential source of conflict of interest for us and which may have an adverse effect on our operations.

Two of our Corporate Promoters and two of our Group Companies are involved in businesses that are similar to our business or could offer services that are related to our business, which could lead to potential conflicts of interest. Such entities include Arch Pharmachem Limited, AMRA Industries Limited, Arch Impex Private Limited and AMRA Remedies Limited. The memorandum of association of each of these entities entitles each of them to undertake and carry out businesses that are similar or related to our business. There can be no assurance that these companies will not provide comparable services, expand their presence or acquire interests in competing ventures in the locations in which we operate. Whilst they are not currently carrying on any business in conflict with our Company, there is no assurance that a conflict of interest may not occur between our business and the business of these companies in the future, or that we will be able to suitably resolve such a conflict without an adverse effect on our business or operations.

Further, there may be conflicts of interest in addressing business opportunities and strategies where other companies in which our Promoters, our Promoter Group and Group Companies have equity interests are also involved. In addition, new business opportunities may be directed to these affiliated companies instead of us. We may also be prevented from entering into certain businesses which relate to our business and which may be important for our future growth, as our Promoters, members of our Promoter Group or Group Companies may already have interests in such businesses. For further details, please refer to the chapter titled "***Our Promoters, Promoter Group and Group Companies***" beginning on page 169.

42. Two of our Group Companies having names, logo and objects similar to that of our Company that may present a potential conflict of interest for us.

Two of our Group Companies, Arch Impex Private Limited and Arch Pharmachem Limited, are authorized under their Memorandum of Association and the Articles of Association to engage in similar business as ours. Since our Company has not signed any non-compete or such other agreement with these Group Companies there could be possibilities where business opportunities which could be available to us may be available to these companies instead and to this extent there exists a conflict of interest. Whilst they are not currently carrying on any business in

conflict with our Company, there is no assurance that such a conflict will not arise in future, or that we will be able to suitably resolve such a conflict without an adverse effect on our business or operations.

Further, while we have entered into agreements with Arch Impex Private Limited, Arch Investments Private Limited and Arch Pharmachem Limited have names and logos similar to that of our Company, any adverse finding with regard to any act committed by any such companies could be perceived to be committed by us which could have an adverse effect on our reputation.

43. Our Promoters and Directors have interest in our Company other than reimbursement of expenses incurred or normal remuneration or benefit, including amounts payable as rent/ lease by our Company for certain properties taken on leasehold basis from our Promoters.

Our Promoters and Directors may be deemed to be interested to the extent of the Equity Shares held by them or their relatives or our Group Entities, and benefits arriving from their directorship in our Company and our Subsidiaries. Our Promoters are interested in the transactions entered into between our Company and themselves as well as between our Company and our Group Companies, including amounts payable as rent/ lease by our Company for certain properties taken on leasehold basis from one of our Corporate Promoters. For further details, please refer to the chapters titled "***Our Business***", "***History and Certain Corporate Matters***", "***Our Management***" and "***Our Promoters, Promoter Group and Group Companies***", beginning on pages 86, 129, 148 and 169 respectively and the chapter titled "***Financial Statements***" beginning on page 192.

44. We have, in the past, relied on our Promoter Directors to provide guarantees to our lenders which may not necessarily be available in the future.

We have been dependent on guarantees provided by our Promoter Directors' to our lenders in the past. However, they may not commit to provide such forms of credit support on a going-forward basis and we may not be able to obtain future funds from lenders on favourable terms or at all without such support, and without such support our growth plans may be curtailed.

For further information, please refer to the chapter "***Financial Indebtedness***" beginning on page 294.

45. Registration of Arch Investment Private Limited, one of our Group Companies, as a Dealer registered with the OTCEI was suspended pending payment of outstanding fees and that OTCEI has imposed a penalty on Arch Investment Private Limited.

Arch Investment Private Limited, one of our Group Companies, as a Dealer registered with the OTCEI. SEBI had suspended the certificate of registration of Arch Investment Private for nonpayment of prescribed fee for a period of 6 months or till the time the outstanding fee is paid. Further OTCEI has imposed a penalty of ₹ 4,000, including processing fees on Arch Investment Private Limited *vide* its letter dated December 15, 2010 for changes in shareholding pattern for which prior permission had not been taken from OTCEI. Arch Investment Private Limited has paid the said fees and penalty on November 16, 2010 and February 15, 2011 respectively.

For further information please refer the chapter titled '***Outstanding Litigations and Material Developments***' beginning on page 302.

Risks Related to the Equity Shares and our Shareholders

46. Certain rights of our current shareholders under their respective investment agreements can adversely affect the interests of other shareholders.

We have entered into a common shareholders' agreement dated September 26, 2006 along with amendment agreements thereto dated January 6, 2010, September 3, 2010 and November 3, 2010 ("CSA"), with certain shareholders of our Company, which provide them with special rights, including management rights and the right to veto certain actions of our Company and other rights namely the right to nominate a director on the Board of our Company as long as the shareholding of each of the investors who are party to the CSA, in our Company does not reduce below 5%. Currently, one of these shareholders has nominated a Director to our Board. There can be no assurance that such shareholders or the nominee Director will not have conflicts of interest with our other shareholders or Directors which may have an adverse effect on our business. These shareholders have agreed to this Issue and/or the termination of their special rights, as above, subject to the commencement of trading of the Equity Shares of our Company on the BSE and the NSE pursuant to this Issue within a specified time. If any of

these conditions are not met or cease to exist, then the respective special rights pursuant to these agreements shall not be terminated.

We have also entered into a shareholders' agreement with Mitsui where-in certain conditions have been laid down which have to be complied by our Company within six (6) months from September 22, 2010. The Investor may, if not satisfied with compliance with such conditions, may exit our Company and can also under the Put-option agreement entered into with our Promoter Directors cause our Promoter Directors or any other investor procured by our Promoter Directors to buy Equity Shares held by Mitsui in our Company at a minimum price as determined in the agreement. Our reputation and business may suffer or the trading price of the Equity Shares of our Company may suffer from any negative sentiment that may emanate as a consequence of exit of Mitsui from our Company. Further, if they opt to exit through secondary markets, it could increase the public float and affect the trading price of the Equity Shares of our Company, once listed.

For further details of these agreements, please refer to the paragraph titled "***Shareholders' Agreement***" in the chapter "***History and Certain Corporate Matters***" beginning on page 129.

47. The Offer for Sale proceeds will not be available to us.

This Issue includes an Offer for Sale of 6,172,607 Equity Shares aggregating to ₹[•] Million by the Selling Shareholders. The object of the Offer for Sale is to carry out the disinvestment of 6,172,607 Equity Shares by the Selling Shareholders. Therefore, the proceeds to the Offer for Sale shall be remitted to the Selling Shareholders and our Company will not benefit from such proceeds.

48. Certain of our existing shareholders together may be able to exert substantial voting control over us after this Issue and you or our Promoters and Promoter Group may not be able to affect the outcome of shareholder voting.

Currently our Promoters and Promoter Group collectively hold 34.27% of our Pre-Issue Equity Share Capital. Upon completion of this Issue, certain of our existing Shareholders (other than Promoters and Promoter Group), holding more than 1% of the pre-Issue paid-up capital, as mentioned below may beneficially own significant portion of our outstanding Equity Shares.

Sr. No.	Name of the Shareholders	Number of Equity Shares Pre-Issue	% of Pre-Issue Equity Shares
1.	India Advantage Fund V	5,230,067	21.11
2.	Leverage India Fund	1,804,099	7.28
3.	Mitsui and Co Limited	1,300,000	5.25
4.	Dataline Investments Limited	1,000,000	4.03
5.	GHIOF Mauritius	297,550	1.20

Concentration of ownership with the aforementioned existing Shareholders will enable them to exercise considerable influence on major policy decisions over all matters requiring shareholders approval and could limit the ability of our Promoters and our Promoter Group to influence corporate matters requiring shareholders approval. This could materially and adversely affect our business, financial condition and results of operations and conflict with the interests of our other shareholders, including Promoters and Promoter Group.

Subsequent to the expiry of the one year lock-in, as applicable to these Shareholders, if they opt to exit through secondary markets, it could significantly increase the public float and there can be no certainty about the control of our Promoters and Promoter Group. Further, as and when our Company would opt to issue Equity Shares for financing their business and growth plans our Promoters and Promoter Group Shareholding would further dilute.

For further details, please refer to the chapter titled "***Capital Structure***" beginning on page 28.

49. We have in the last 12 months issued Equity Shares at a price that could be lower than the Issue Price.

On September 29, 2010, our Company has made the following issuances of Equity Shares on preferential basis, including allotments to our Corporate Promoters at a price that may be lower than the Issue Price.

Allotees	Number of Equity Shares	Issue Price (in ₹)	Reasons for the Issue
AMR Investments Private Limited*	875,000	400	To finance up-gradation and expansion of facilities, repayment of short term and /or long term loans, working capital requirements, other organic initiatives and general corporate purposes.
Arch Pharmachem Limited*	125,000	400	
Arch Impex Private Limited*	250,000	400	
Dataline Investments Limited	1,000,000	450	
Mitsui & Co. Limited.	1,300,000	490	

** Our Corporate Promoters*

Besides the above, we have not issued Equity Shares in the last 12 months at a price that could be lower than the Issue Price. For details, refer to the chapter titled "***Capital Structure***" beginning on page 28.

50. ***Any further issuance of Equity Shares by our Company or sales of Equity Shares by any of our significant shareholders may lead to dilution of investors' shareholding in our Company and adversely affect the trading price of the Equity Shares.***

Any future issuance of Equity Shares by our Company could dilute existing shareholders ownership. Any such future issuance of Equity Shares or sales of Equity Shares by any of our significant shareholders may also adversely affect the trading price of the Equity Shares, and could impact our ability to raise further capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

After the completion of the Issue, our Promoters and Promoter Group will own approximately [•] % of the issued subscribed and paid-up share capital of our Company. Sales of a large number of the Equity Shares of our Company by our Promoters could adversely affect the market price of our Equity Shares. There can be no assurance that we will not issue additional Equity Shares or that our significant shareholders will not dispose of, pledge or otherwise encumber their Equity Shares in the future.

Any future equity issuances by us or issuances of stock options under an employee stock option plan/scheme may lead to the dilution of investor shareholding in our Company or affect the trading price of the Equity Shares of our Company.

51. ***Our revenues, expenses and profits may vary significantly from period to period, and could cause the market value of the Equity Shares of our Company to decline.***

Our operating results may vary significantly from period to period. A major portion of any period's revenues is derived from existing customers, and revenue is therefore highly dependent upon project start-and-stops and customer-specific situations. In addition, revenue from new customers also varies from period to period. Factors that may cause our revenues, expenses or profits to fluctuate include variations in the duration, size, timing and scope of our projects; changes in the ratio of onsite and offshore services; pricing policies; unanticipated attrition and the time required to hire, train and productively utilize new employees; loss of clients; increases in compensation of our employees; size and timing of expansion of facilities or other capital expenditures; contract terminations or deferrals of projects; variations in foreign exchange rates and changes in our employee utilization ratios. Many of these factors cannot be predicted with any accuracy. There are also a number of other factors outside our control that could cause fluctuations in our operating results, including currency exchange rate movements, the outcome of any tax, legal or regulatory review, action or litigation, and other general economic factors.

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

Our Company has not paid any dividends to the Equity Shareholders till date. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. Further, some of our loan agreements impose restrictions on payment of dividends. There can be no assurance that we will be able to paying dividends in future. For further details please refer to the chapter titled "***Dividend Policy***" beginning on page 191.

53. You may not be able to sell immediately on Stock Exchanges any of the Equity Shares you purchase in this Issue until this Issue receives the appropriate trading approvals

Under the SEBI ICDR Regulations, we are permitted to allot equity shares within twelve (12) Working Days of the Bid/Issue Closing Date. You can start trading in the Equity Shares only after they have been credited to your demat account and listing and trading permissions are received from the Stock Exchanges. The Equity Shares of our Company will be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two (2) Working Days of the date on which the basis of allotment is approved by Designated Stock Exchange. Thereafter trading in the Equity Shares is expected to commence within twelve (12) Working Days of the Bid Closure date. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that the trading in Equity Shares will commence within the specified time periods.

54. There is no existing market for the Equity Shares of our Company since delisting. The Issue Price of the Equity Shares of our Company may not bear any relationship to the market price of the Equity Shares of our Company after the Issue and the price of the Equity Shares may be volatile and fluctuate significantly in response to various factors and you may not able to sell your share at or above the Issue Price or at all. We have however, prior listing history, which also does not reflect the market price of the Equity Shares of our Company after this Issue.

Since the delisting of our Equity Shares, there has been no public market for our Equity Shares and we cannot assure whether an active trading market on the Stock Exchanges may develop or sustain after this Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after this Issue. The market price of the Equity Shares of our Company after this Issue will be subject to significant fluctuations in response to, among other factors:

- variations in our operating results and the performance of our business;
- adverse media reports about us or the pharmaceutical industry;
- regulatory developments in our target markets affecting us, our clients or our competitors;
- changes in financial estimates by securities research analysts;
- addition or loss of executive officers or key employees;
- loss of one or more significant clients;
- significant developments in India's economic liberalization and deregulation policies, and the fiscal regime;
- the performance of the Indian and global economy; and
- Volatility in the Indian and global securities markets.

Many of these factors are beyond our control. There can be no assurance that an active trading market for the Equity Shares of our Company will develop or be sustained after this Issue, or that the price at which the Equity Shares of our Company are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue. There has been recent volatility in the Indian stock markets and our share price could fluctuate significantly as a result of such volatility in the future. As there is no existing market for our Equity Shares, we are not sure how the market would develop for the Equity Shares of our Company post listing and subsequent stock price movements going forward.

For further details please refer to the chapter titled "***History and Certain Corporate Matters***" beginning on page 129.

55. There will be restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.

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

56. Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. The Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges, and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected.

EXTERNAL RISK FACTORS

Risks Related to India

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

We operate in a highly competitive environment. The players in the industry in which we operate differentiate with each other on key attributes such as technical competence, quality of products and services, pricing and track record. Several of our competitors are larger international and national companies and have access to greater resources or may be able to develop or acquire technology or partner with innovators or customers at terms which are not presently feasible for us, due to our current scale of operations. Any failure to keep abreast with technological advancements might place our competitors at an advantageous position in terms of cost, efficiency and timely delivery of final products. While we are focused on R&D to develop cost and time efficiencies and to broaden our product range, in particular in certain niche segments, in the event our competitors develop better process technology or improved process yield or are able to source raw materials at competitive prices, and are therefore able to create new products or substitutes for our products at competitive prices, we may not be able to maintain our growth rate and revenues and our profitability may decline. Further, we cannot assure you that our competitors will not develop or gain access to trade secrets or proprietary information relating to our manufacturing processes and/or technical know-how. The occurrence of any of these 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.

Our industry has been frequently subject to intense price competition. Prices of our products are subject to fluctuations, depending on, among other factors, the number of producers and their production volumes, changes in demand in the markets we serve and availability of better/ cheaper technologies/ techniques for manufacture of these products. While one of the aims of our various R&D initiatives is to develop cost and time efficiencies, there is no assurance that we will be able to maintain our low cost of operations or to further reduce costs or develop new cost effective processes in the future. Further, there could be a number of competitors who have achieved greater market penetration than we have in the markets in which we compete, and have greater access to capital, superior manufacturing techniques, research and development, marketing and other resources than we do. As a result, we may need to accept lower contract margins in order for us to compete against competitors that have the ability to accept awards at lower prices. If we are unable to compete successfully in such markets, our relative market share and profits could be reduced. There can be no assurance that we can continue to effectively compete with our competitors in the future, and our failure to compete effectively may have an adverse effect on our business, financial condition and results of operations. There is no assurance that we will continue to compete successfully in future.

Should there be any significant increase in domestic or global competition or if we are unable to meet the requirements of the changing market conditions, our business and results of operations could be adversely affected.

58. The economic downturn of 2008 has impacted our industry, and uncertain conditions may continue.

Negative trends in the general economy have in the past and may in future continue to cause a downturn in the market for our products and services. The developed economies of the world *viz*. U.S., Europe, Japan and others are in the midst of a downturn affecting their economic condition and markets. General business and consumer sentiment has been adversely affected due to the global slowdown and there can be no assurance whether the

developed economies or the emerging market economies will see good economic growth in the near future. Our performance and growth is directly related to the performance of the Indian economy. This recent financial crisis has adversely affected our operating results and may continue to do so if it results, for example, in the insolvency of a key customer or the inability of our customers to obtain credit to finance their operations. Tight credit markets could also delay or prevent us from acquiring or making investments in other technologies, products or businesses that could enhance our technical capabilities, complement our current products, or expand the breadth of our markets. If we are unable to execute such strategic investments, our operating results and business prospects may suffer.

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

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

The global financial crisis and economic downturn that occurred in 2008 or similar financial crisis in the future, and an increase in interest rates or other fiscal or monetary policies implemented by the Government to control the rate of economic recovery and curb inflation, may materially and adversely impact our business, financial condition, results of operations and prospects in a number of ways, such as, decrease in demand for our exports, delay or deference or cancellation of purchases from us by distributors, non-availability of financing and other sources of liquidity on reasonable terms, reduction of discretionary spending by consumers on formulations, and fall in price of our Equity Shares.

60. Our business could be adversely impacted by economic, political and social developments in India and abroad.

External factors such as potential terrorist attacks, terror threats, pandemics, acts of war or geopolitical and social turmoil in many parts of the world could prevent or hinder our ability to do business, increase our costs and negatively affect our stock price. For example, increased instability may adversely impact investment in industrial infrastructure, our ability to obtain adequate insurance at reasonable rates or require us to incur increased costs for security measures for our domestic and international operations. These uncertainties make it difficult for us and our customers to accurately plan future activities. More generally, these geopolitical social and economic conditions could result in increased volatility in India and worldwide financial markets and economy.

Our performance and growth are to a large degree dependent on the health of the Indian economy. The Indian economy could be adversely affected by various factors, such as political and regulatory action, including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in the Indian economy, or prolonged continuation of the downturn that has affected the global economy since August 2007, could adversely impact our business, our results of operations and our financial condition.

In addition, any political instability in India or geopolitical stability affecting India will adversely affect the Indian economy and the Indian securities markets in general, which could also affect the trading price of our Equity Shares

61. Most of our manufacturing facilities are located in few geographical areas. Any breakdown of services in such areas could have a material and adverse effect on our results of operations and financial conditions.

Out of the 11 manufacturing units we own and operate 6 units are located in the State of Maharashtra and 4 units in the State of Andhra Pradesh. As a result, we are exposed to risks including any change in policies relating to these states, any localized social unrest, any natural disaster and any event or development which could make projects in

such states less economically beneficial. Any such risk, if materializes, could have material adverse effect on the business, financial position and results of operations of our Company.

62. Our ability to raise foreign capital may be constrained by Indian law, which could adverse effect on our business growth, financial condition and results of operations.

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

As a pharmaceutical company, while we are classified by the Indian government for automatic approval of foreign direct equity investment, we do require regulatory approvals to raise more than US$500 Million of foreign currency denominated indebtedness outside India in a single transaction. The need to obtain such regulatory approval could constrain our ability to raise cost effective funding for our optimisation, modernisation, acquisition and other strategic transactions, which may adversely affect our future growth. We cannot assure you that any required approvals will be given when needed or at all or that such approvals if given will not have onerous conditions.

Current Indian government policy allows 100% foreign ownership of Indian companies in the pharmaceutical sector. However, the Indian government may change this policy in the future, and restrict foreign investors from holding in excess of a prescribed amount of ownership of an Indian pharmaceutical company. If such change restricted our ability to issue and foreign investors' ability to hold Equity Shares above such specified limited, we may be restricted in our ability to raise additional funding through equity issuances in the future to foreign investors, which could adversely affect our business, financial condition and results of operations.

63. Government regulation of foreign ownership of Indian securities may have an adverse effect on the price of the Equity Shares.

Foreign ownership of Indian securities is subject to Government regulation. Under foreign exchange regulations currently in effect in India, the RBI must approve the sale of the Equity Shares from a non-resident of India to a resident of India if the sale does not meet the requirements of an RBI Circular dated October 4, 2004. The RBI must approve the conversion of the Rupee proceeds from any such sale into foreign currency and repatriation of that foreign currency from India unless the sale is made on a stock exchange in India through a stock broker at the market price. As provided in the foreign exchange controls currently in effect in India, the RBI will approve the price at which the Equity Shares are transferred based on a specified formula, and a higher price per share may not be permitted. The approval from the RBI or any other government agency may not be obtained on terms favorable to a non-resident investor in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

64. We are subject to risks arising from interest rate fluctuations, which could adversely affect our business, financial condition and results of operations.

Changes in interest rates could significantly affect our financial condition and results of operations. As of January 31, 2011, ₹12,206.68 Million or 97.16 % of our total borrowings from banks and financial institutions were at floating rates of interest. If the interest rates for our existing or future borrowings increase significantly, our cost of servicing such debt will increase. This may adversely impact our results of operations, planned capital expenditures and cash flows.

65. Foreign Investors may have difficulty enforcing foreign judgments against us or our management.

Our Company is a limited liability company incorporated under the laws of India. As a result, it may not be possible for investors to affect service of process upon our Company, or to enforce against our Company judgments obtained in courts outside India based upon the liability provisions of foreign countries, including the civil liability provisions of the federal securities laws of the United States. India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of CPC. Section 13 of the CPC provides that a foreign

judgment shall be conclusive as to any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; and (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of the CPC provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India which the Central Government has by notification declared to be in a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the CPC is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty.

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

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

67. Significant differences exist between Indian GAAP, and other accounting principles with which investors may be more familiar.

Our financial statements are prepared in conformity with Indian GAAP, consistently applied during the periods stated and no attempt has been made to reconcile any of the information given in this Draft Red Herring Prospectus to IFRS or to other principles or to base it on any other standards. Indian GAAP and Indian auditing standards may differ from accounting principles and auditing standards with which prospective investors may be familiar in other countries. Significant differences exist between Indian GAAP and IFRS which may be material to the financial information contained in the Draft Red Herring Prospectus. We have made no attempt to quantify the effect of any of these differences and Indian GAAP does not require such quantification. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information contained in the Draft Red Herring Prospectus.

68. Our failure to successfully adopt IFRS effective April 2013 could have a material adverse effect on the price of our Equity Shares.

Public companies in India, including our Company, are required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, the IFRS announced by the Ministry of Corporate Affairs, Government of India through a press note dated January 22, 2010 (the "**IFRS Convergence Note**"). The Ministry of Corporate Affairs *vide* a press release on February 25, 2011 has notified that 35 Indian Accounting Standards are to be converged with IFRS. Pursuant to the IFRS Convergence Note, all companies whether listed or not having a net worth exceeding ₹5000 Million but not above ₹10000 Million will be required to convert their opening balance sheets as at April 1, 2013 in compliance with the notified accounting standards which are convergent with IFRS. We have not yet determined with certainty what impact the adoption of IFRS will have on our financial reporting. Our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under IFRS than under Indian GAAP or our adoption of IFRS may adversely affect our reported results of operations or financial condition. This may have a material adverse effect on the amount of income recognised during that period.

In addition, in our transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems and internal controls. Moreover, our transition may be hampered by increasing competition for the relatively small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that our adoption of IFRS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt IFRS by April 2013 could have a material adverse effect on the price of our Equity Shares.

69. The complexity of transfer pricing regulations across countries may result in substantial tax liabilities to us.

Each country's transfer pricing regulations require that international transactions involving associated enterprises be at an arm's-length price. Transactions between our Company and our Subsidiaries in other countries fall into this classification, at least for purposes of Indian tax laws and regulations. Accordingly, we will determine the pricing among our associated enterprises on the basis of detailed functional and economic analysis involving benchmarking against transactions with entities that are not under common control. If the applicable income tax authorities, on review of our tax returns, determine that the transfer price we applied was not appropriate, we may incur increased tax liability, including accrued interest and penalties. These penalties could be substantial and have an adverse effect on our business.

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

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

Prominent Notes:

1. Investors may contact any of the BRLMs for any complaint, clarifications and information pertaining to the Issue. Any clarification or information relating to this Issue shall be made available by the BRLMs to the public and investors at large and no selective or additional information would be made available only to a section of the investors in any manner. All grievances relating to ASBA process may be addressed to the Registrar to the Issue, with a copy to the relevant SCSBs, giving full details such as name, address of the applicants, application number, number of Equity Shares applied for, Bid Amounts blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Bid-cum-Application Form has been submitted by the ASBA Bidder. For contact details please refer to the chapter titled "***General Information***" beginning on page 17.

2. Issue of [•] Equity Shares of face value of ₹10 each for cash at a price of ₹[•] per Equity Share (including share premium of ₹[•] per Equity Share), comprising of a Fresh Issue of [•] Equity Shares by our Company aggregating upto ₹1,350 Million and an Offer for Sale of 6,172,607 Equity Shares by the Selling Shareholders aggregating to ₹[•] Million. This Issue comprises of a Net Issue of [•] Equity Shares of ₹10 each to the public and an Employee Reservation Portion of upto 200,000 Equity Shares of ₹10 each for subscription by Eligible Employees on a competitive basis. This Issue will constitute upto [•] % of the fully diluted post Issue paid-up capital of our Company and the Net Issue will constitute [•] % of the fully diluted post Issue paid-up capital of our Company.

3. This Issue is being made under Sub-Regulation (1) of Regulation 26 of the SEBI ICDR Regulations and through a Book Building Process wherein not more than 50% of the Net Issue will be available for allocation on a proportionate basis to QIBs. Our Company in consultation with the Selling Shareholders and the BRLMs may consider participation by Anchor Investors in the Net Issue for upto 30% of the QIB Portion, in accordance with the SEBI ICDR Regulations at or above the Anchor Investor Price, out of which atleast one-third will be available for allocation to the domestic Mutual Funds only. In the event of under-subscription or non-allocation, if any, in the Anchor Investor Portion, the balance Equity Shares shall be added to the remaining QIB Portion. 5% of the QIB Portion (excluding Anchor Investor Portion, if any) shall be available for allocation on a proportionate basis to Mutual Funds only and the remaining QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If the aggregate demand by Mutual Funds is less than 5% of the QIB Portion (excluding the Anchor Investor Portion, if any), the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion (excluding the Anchor Investor Portion, if any) and be available for allocation proportionately to the QIB Bidders. Further not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders subject to valid Bids being received from them at or above the Issue Price. Further, upto 200,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price, provided that the value of allotment to a single Eligible Employee does not exceed ₹ 200,000. For further details please refer to the chapter titled "***Issue Procedure***" on page 373.

4. Under-subscription, if any, in any category would be allowed to be met with spill-over from any of the other categories at the discretion of our Company in consultation with the Selling Shareholders, the BRLMs and the Designated Stock Exchange and in accordance with applicable laws, rules, regulations and guidelines, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in the Employee Reservation Portion, will be added back to the Net Issue. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

5. In the event that the aggregate demand in the QIB Portion (excluding the Anchor Investor Portion, if any) and/or Non-Institutional Portion and/or Retail Portion has not been met, under-subscription, if any, 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 Selling Shareholders, BRLMs and the Designated Stock Exchange and in accordance with applicable laws, rules, regulations and guidelines, subject to valid bids being received at or above the Issue Price.

6. It is to be understood that the requirement for minimum subscription is not applicable to the Offer for Sale. On receipt of minimum subscription i.e. 90% of the Fresh Issue and in case of under-subscription in the Issue, the entire subscription amount would first be adjusted towards the Fresh Issue and thereafter towards the Offer for Sale.

7. The Net Worth of our Company was ₹6,286.16 Million as on September 30, 2010 and ₹4,612.99 Million as on March 31, 2010, as per the restated consolidated financial statements and ₹6306.16 as on September 30, 2010 and ₹4624.23 as on March 31, 2010 as per the restated unconsolidated financial statements of our Company prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI ICDR Regulations. For more information, please refer the chapter titled "***Financial Statements***" beginning on page 192.

8. The Net Asset Value per Equity Share was ₹253.64 as on September 30, 2010 and ₹217.24 as on March 31, 2010, as per the restated consolidated financial statements; and ₹254.44 as on September 30, 2010 and ₹217.77 as on March 31, 2010 as per the restated unconsolidated financial statements of our Company prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI ICDR Regulations. For more information, please refer the chapter titled "***Financial Statements***" beginning on page 192.

9. The following table represents average cost of acquisition of Equity Shares by our Promoters and the Selling Shareholders as on date of this Draft Red Herring Prospectus. For details please refer to the table titled "***Build-up of Promoters' Shareholding, Promoters' Contribution and Lock-in***" and "***Build-up of Selling Shareholders***" beginning on pages 35 and 42, respectively, under the chapter titled "***Capital Structure***" beginning on page 28.

Sr. No.	Particulars	Average Cost of Acquisition (₹)
Promoters		
1.	Ajit Kamath	39.43*
2.	Manoj Jain	39.44*
3.	Rajendra Kaimal	10.00*
4.	Vidya Kamath	10.00*
5.	Bindu Jain	10.00*
6.	Ajit Annu Kamath (HUF)	10.00*
7.	Manoj Jain (HUF)	10.00*
8.	Arch Phytochemicals Private Limited	23.49*
9.	Avant Capital Services Private Limited	22.17*
10.	Arch Impex Private Limited	273.73*
11.	AMR Investments Private Limited	350.12
12.	Arch Pharmachem Limited	323.14
Selling Shareholders		
1.	India Advantage Fund II	38.65
2.	India Advantage Fund V	240.27
3.	Rainbow Fund	261.00
4.	Dynamic India Fund - I	249.91
5.	Leverage India Fund	125.00
6.	Swisstech VCF	83.05

**Promoters have acquired certain shares by way of reverse merger between Arch Commerz Private Limited & Merven Drug Products Limited. Costs of such shares are taken at face value.*

Note: The average cost of acquisition of Equity Shares by our Promoters and the Selling Shareholders has been computed on a gross basis i.e. dividing the total consideration paid for Equity Shares acquired by them by the No. of Equity Shares acquired by them (on cumulative basis).

10. Neither our Promoters nor the members of our Promoter Group nor the directors of our Corporate Promoter nor our Directors and their immediate relatives and as defined under the SEBI ICDR Regulations have financed the purchase by any other person of Equity Shares of our Company during the period of six months immediately preceding the date of this Draft Red Herring Prospectus with SEBI.

11. The Group Companies are interested parties to the extent of the related party transactions. Summary of our related party transactions on a consolidated basis are as follows:

Nature of Transactions	Period ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008
Equity Share Capital Issued	12.50	-	-	-
Security Premium Received	488.75	-	-	-
Share Application Money received	200.00	300.00	-	-

Nature of Transactions	Period ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008
Share Application Money Adjusted/ Refunded	500.00	-	-	-
Debenture Issued	-	50.00	750.00	-
Debenture Reedemed	100.00	700.00	-	-
Loan Taken	-	-	3.65	-
Business acquisition	-	-	473.08	-
Purchases of Fixed Assets	-	1.60	-	-
Investment	-	-	323.33	361.37
Advances/Deposit Given	31.75	46.33	204.28	446.25
Inter Corporate Deposit Given	-	-	0.20	-
Guarantee Given	1,045.00	1,045.00	575.00	-
Sales	23.54	34.40	139.16	223.88
Interest on Deposit	1.38	-	-	-
Purchases	26.41	70.80	124.10	628.93
Conversion Charges paid	8.49	14.55	-	-
Rent paid	1.23	3.04	2.90	1.24
Salary	7.75	15.57	14.81	7.84
Interest on Debentures paid	7.14	113.99	10.74	-

Details of transactions by our Company with our Subsidiaries, KMPs, Promoter Group, Group Companies during year ending March 31, 2006, 2007, 2008, 2009 and 2010 and for the period ended September 30, 2010 please refer to "***Annexure VII – Un-consolidated Statement of Related Party Transactions, as restated"*** on page 249 in the chapter titled "***Financial Statements***" beginning on page 192.

12. There has been no change in the name of our Company during the last three years immediately preceding the date of this Draft Red Herring Prospectus. For details pertaining to change in name of our Company and changes in Memorandum of Association of our Company please refer to the chapter titled "***History and Certain Corporate Matters***" beginning on page 129.

13. Bidders are advised to refer to the chapter titled "***Basis for Issue Price***" beginning on page 61 before making an investment in this Issue.

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

SECTION III: INTRODUCTION

SUMMARY OF INDUSTRY

The Indian Pharmaceutical Market

The Indian pharmaceutical market grew from $6.9Billion to reach $17Billion at a CAGR of 20% over the period 2002-03 to 2007-08. Exports during this period grew at a CAGR of 27% to reach $8.6Billion in the year 2007-08. This industry is expected to grow at a CAGR of 14.2% to assume the size of around $50Billion in the year 2015-16. Exports are expected to grow by ~16% while the Domestic market is expected to grow by 12.5% to reach ~$28Billion and $21.5Billion respectively in the year 2015-16.

India has emerged as a leading pharmaceutical supplier to the international markets. This is not only because of low-cost manufacturing, operations and research base but also a combination of additional factors like process improvements in API, faster recruitment for conducting clinical trials, availability of skilled manpower and developed regulatory skills. With low costs, highly competitive market and only process patents till recently, Indian companies have developed expertise in process innovation. The above factors have resulted in India producing low cost high quality products, which have spurred exports of Indian products to international markets, especially to the higher regulated markets like USA and Western Europe.

Exports account for 47% of total industry growing at a 5-year CAGR of 27% while the Domestic market grew at a 5-year CAGR of 14%. Bulk Drugs aided by exports grew at a CAGR of 28%. Contract Research, a nascent industry in India, grew significantly in the past couple of years. With a growth of 11% over the past five years, the global industry reached $90Billion in 2007. Indian Bulk Drug exports have grown parallel to reach $4.2Billion in 2007-08 from $1.2Billion in 2002-03. International generic industry growth will continue to spur the Bulk Drug industry worldwide. Also, India has emerged as an important contract manufacturing destination due to cost benefits and high quality consciousness. Contract manufacturing in India is expected to grow from around $0.625Billion in 2005 to $3.2b, thereby contributing to 25% of the total API exports from India in 2015. Overall, it is estimated that the Indian Bulk Drugs exports will reach $12.6Billion in the year 2015-16.

The global API industry has grown substantially over the past few years due to growth in the generic industry. Global Bulk Drug demand increased at a CAGR of 11% over the last five years to reach $84Billion in 2006. It is estimated to have reached $90Billion in 2007. The production of Bulk Drugs worldwide was estimated at 505 mn kgs in 2005, having increased by a CAGR of 5% over a period of five years. Merchant API accounted for around 41% of the total Bulk Drug market in 2005 vis-à-vis 51% share of Captive API. Most of the companies that purchase Bulk Drugs are generic manufacturers. In the pharmaceutical industry, India has carved a niche for itself by being one of the largest Bulk Drug suppliers. India's Bulk Drug / API exports accounts for 21% of India's pharmaceutical industry, which, in contrast to many developed countries is significantly higher as Bulk Drugs are mainly manufactured for internal consumption. Bulk Drugs exports grew robustly by 28% CAGR between 2001-02 and 2007-08 to reach an estimated $4.2b.

Growth Drivers for APIs and APIs Exports:

- Growth in International Generics Industry
- Higher share of Merchant API
- Increasing share in DMF filings
- Contract Manufacturing opportunities

Indian Pharmaceutical Outsourcing Market:

The Indian pharmaceutical outsourcing market was valued at US$1700 million in 2008, and was estimated at US$2500 million in 2009. It is further expected to reach US$3800 million by 2010, reflecting a CAGR of 51.2% (2007-2010). Consequently, India's contribution to the global pharmaceutical outsourcing market is expected to increase from2.5% in 2007 to 5.7% in 2010. Major part of the outsourcing market is dominated by contract manufacturing services, which Indian pharmaceutical companies provide to the outside world.

(Source: Indian Pharmaceutical Industry: Vision 2015)

*Of the overall DMF filings to the US FDA, the proportion of filings by **Indian players** has jumped from around 14% in 2000 to **46% of total filings** in 2008 (Jan-Jun). While India has recorded **1,671 filings**, China shows a tally of 520, the second-largest number of DMF filings after India. Even in 2008 (Jan-Jun), India's DMF filings were around 3.5 times that of China – 187 from India vis-à-vis 51 from China. Although a DMF filing does not necessarily result in business, it provides an indication about the capabilities of players.*

(Source: Indian Pharmaceutical Industry: Vision 2015)

***India is one of the largest API producers for the US market outside of the USA with the largest number of US FDA approved plants outside of the USA.** It is followed by China and Italy but leading by a large margin. Also the products registered by India vary in complexity and range of therapeutic areas ensuring restricted competition for Indian companies and thereby steady demand for Indian APIs.*

India has emerged as one of the prime destinations for contract manufacturing due to its low cost, high-efficient manufacturing processes. Many international companies have invested in contract manufacturing assets in India. India has a cost advantage unrivalled by many countries, while offering state of the art manufacturing facilities. Considering the advantages offered by India, innovator companies are also opting contract manufacturing out of India. This is further strengthened by the fact that many innovator companies have focused on cost cutting and thereby have closed down or sold their manufacturing units.

Growth Drivers for CRAMS in India

India offers distinct economic advantages to large pharmaceutical companies who are looking to reduce their time-to-market on new products and save at the same time. These include:

- Strong development skills as demonstrated in the international market - APIs and dosage forms
- Low R&D cost
- Cost of manufacturing is 40-50% lower as compared to western countries
- Integrated business model creating a one-stop shop for innovators
- India has six times the number of trained chemists as compared with the US
- With over 175 USFDA approved plants, India has the highest number of FDA approved plants outside the US
- Most importantly, Indian companies have adapted to international regulatory norms & respect IPR

Contract research in India reached to US$0.9 billion in 2009 and is estimated to reach US$1.5 billion in 2010, maintaining the CAGR of 65% from 2007-2010. India is emerging as one of the most competitive CRO markets with more than 70 clinical research organisations and central labs available. The Indian CMO market stood at US$1.6 billion in 2009. It is expected to grow with a CAGR of 43% from 2007-2010 to reach US$2.3 billion by the end of 2010. Chemical synthesis constituted 60% of the total outsourcing market by CMOs in India, followed by formulation and packaging, which constituted about 40%.

For further details please refer to the chapter titled "***Industry Overview***" on page 72.

SUMMARY OF BUSINESS

OVERVIEW

We are a pharmaceutical company aligned across two business verticals *viz.* Products and Services. Our Products business comprises manufacture and sale of Active Pharmaceutical Ingredients ("**API**") and Intermediates to innovator and generic pharmaceutical players in both domestic and international markets including the regulated markets. We have evolved our business and have, over the years, extended from manufacturing APIs and Intermediates to add Contract Research and Manufacturing Services ("**CRAMS**") to our offerings, which has significant potential for the growth of our business.

We offer a diversified product mix of APIs and Intermediates with more than 120 products (over 65 APIs and over 55 Intermediates) across various therapeutic segments. The therapeutic segments we cater to include side chains of Semi-Synthetic Isoxazole Penicillins under Antibiotics, Lipid Lowering Agents (Atorvastatin and its intermediates), Oncology (Gemcitabine, Docetaxel, Paclitaxel, Imatinib and others), Anti-Platelet Agents (Clopidogrel), Anti-Asthmatic (Montelukast), Anti-Retroviral (Efavirenz and Zidovudine), Decongestant (Pseudoephedrine HCL), Anti-Herpes (Valacyclovir), Anti-Malarial (Piperaquine Phosphate), NSAIDs, Anti-Anginal and others. Under CRAMS, we provide services ranging from route selection / process development / optimization, analytical development, stability studies, safety studies, scale-up to technology transfer / clinical-trial manufacturing to commercial manufacture. We are geared to meet a wide range of requirements ranging from manufacturing of APIs and Intermediates to specific research on diverse chemistries from gram-scale to multi-ton.

Over the years, we have pursued both organic and inorganic growth strategies to strengthen our manufacturing infrastructure. We currently own and operate 11 multipurpose manufacturing facilities in the western, southern and northern regions of India i.e. 6 facilities are located in Maharashtra, 4 facilities in Andhra Pradesh and 1 facility in Gurgaon, Haryana, with reactor capacities of around1500 KL. Out of the 11 facilities, 5 namely, Gurgaon Unit, Dombivli Unit, Avon Solapur Unit (owned by our Subsidiary Avon), Medak Unit 3 and Tarapur Unit 2 are API manufacturing facilities and the rest are Intermediate manufacturing facilities. Out of the 5 API manufacturing facilities, 3 facilities, i.e. Gurgaon Unit, Dombivli Unit and Avon Solapur Unit (owned by our Subsidiary Avon), are inspected and approved by USFDA. Additionally, the Dombivli Unit has also been inspected and approved by EDQM, TGA-Australia and PMDA-Japan. 6 of our facilities are ISO 9001:2008 certified and Medak Unit 1 and Gurgaon Unit are also ISO 14001:2004 and OHSAS 18001:2007 certified. As on the date of this Draft Red Herring Prospectus, we have filed 46 DMFs and dossiers with the relevant regulatory authorities to increase our penetration in the regulated markets. This includes 36 USDMFs filed with USFDA and 10 dossiers filed with the EDQM, out of which we have received CoS for 8 of the dossiers to supply the APIs to the European markets.

We have capabilities to handle several complex reactions in a cost-effective manner across a scale of operations ranging from multiple, multi-product facilities with capacities varying from gram to kilograms and multi tons. These complex reaction capabilities include bio-catalysis, cryogenics, cyanation, chlorination, carboxylation, hydrogenation, SMB technology, continuous process & micro-reactor and organoborane chemistry – across lab-scale, pilot-scale and commercial scale. We are strategically backward integrated with combination of technologies, for instance we are backward integrated in the manufacturing of Montelukast and side chains of Semi-Synthetic Isoxazole Penicillins. We are fully backward integrated in the manufacturing of Atorvastatin intermediates.

Our Corporate R&D Center, set up in the year 2006 at Taloja, near Mumbai is a DSIR recognized unit. We also have 5 in-house R&D labs at our manufacturing units to support technology transfer for new products and on-site process improvement. Our Corporate R&D Center provides custom synthesis and contract research services in addition to process development of new products-APIs and Intermediates. As on the date of this Draft Red Herring Prospectus, we have a team of 275 process and analytical resources (26 PhDs) and 7 process engineers in our 5 R&D Centers.

Our R&D capabilities enable us to support our growth strategy by developing new products and processes which enhance our products and services range. Our continued focus on R&D has enabled us to foray into the area of custom synthesis business by forging partnership and development relationship with both innovator and generic majors. The focus of our R&D has been to strive for continuous process improvements and achieving manufacturing cost efficiencies for existing as well as new APIs and Intermediates. Our revenue expenditures towards R&D activities on consolidated basis were ₹112 Million, ₹174 Million and ₹128 Million in H1 2011, Fiscal 2010 and Fiscal 2009 which is 1.8%, 1.5% and 1.3% of our consolidated Income from Operations respectively.

Our dedicated focus on research and ability to generate innovative research ideas has resulted in filing of 19 process

and 2 product patent applications including process patents that have been granted. To illustrate, we have been granted process patents for the manufacture of Clopidogrel and that of DKT III (an Atorvastatin intermediate) from the Indian Patent Office and USPTO, respectively. We have filed 20 patent applications (18 for process and 2 for product) with the Indian Patent Office. We have also filed PCT applications for 9 process patents with WIPO. In addition, two patent applications (for Gemcitabine and Montelukast) have been filed with the USPTO. We have also made another process patent application for DKT III with the European Patent Office.

We have access to proprietary technologies through agreements with Codexis, DSM and Orochem which provides us with clean, green and cost effective technology platforms for those products that we manufacture under these agreements. Codexis is a global player having proprietary technology of biocatalytic chemical processes (two-time recipient of the U.S. Environmental Protection Agency's Presidential Green Chemistry Challenge Award – years 2006 and 2010) that enables efficient, cost-effective and environment friendly pharmaceutical manufacturing, by replacing traditional synthetic chemical compounds. Our relationship with Codexis began in the year 2005 and has grown over the years and today, our Company has acquired an exclusive right to manufacture certain key APIs and intermediates using Codexis' proprietary enzymes and technology for a period of 10 years. Pursuant to our agreements with Codexis we can supply the said products to third party innovator companies across the world and third party generic companies located in US, Canada, Israel and Europe and the other identified companies in India.

Pursuant to our agreement with DSM, a global multi-specialty chemical company, in December, 2007, we have developed processes for the manufacture of Atorvastatin API using their biocatalysis technology and have commenced commercial-scale manufacturing from October, 2009.

We have also entered into an agreement with Orochem in the year 2009 for the use of SMB Technology in the manufacture of APIs and Intermediates which has higher throughput and provides high yield and high purity in a relatively short time, and can reduce time to market while being eco-friendly.

Our Company is in possession of a Corning® Advanced-Flow™ glass reactor procured from Corning that we are currently evaluating. Corning's Advanced-Flow glass reactor embodies Corning's proprietary reactor technology. Corning believes that the Advanced-Flow glass reactor brings performance benefits to industrial chemical processing because it enables high-throughput and is easily scalable thereby providing a cost-effective solution for a single reaction or a wide portfolio of reactions. This technology is expected to increase the efficiency, scalability and quality of chemical processing and at the same time reduce environmental impact, performance variability and costs. The Advanced-Flow glass reactor is still being evaluated by our Company and the preliminary conclusions have been positive.

We cater to over 400 customers including global innovator and generic companies from over 60 countries including the regulated markets, across continents, namely, USA and Canada in North America; Germany, Italy, Spain, Switzerland, Turkey, UK and Ireland in Europe; Japan and Korea in the Far East; Argentina, Brazil and Chile in South America; Oman and UAE in the Middle East; Bangladesh in the South of Asia; Hong Kong and Singapore in the South East of Asia, to name some.

Further, through our collaboration agreement with Mitsui in September 2010, we have gained easier access to the Japanese pharmaceutical market, the second largest in the world, after the US. As per this agreement, Mitsui, a general trading company from Japan having global presence through it's over 150 offices in more than 60 countries across the world, is an exclusive distributor of our products in Japan, with the exception of certain customers and a non-exclusive distributor everywhere else in the world.

Our consolidated Income from Operations has grown at a 3-Year CAGR (Fiscal 2010) of 47.4% achieving ₹11,619 Million in Fiscal 2010. Our consolidated EBITDA grew at a 3-Year CAGR (Fiscal 2010) of 58.6% with ₹2,719 Million in Fiscal 2010 i.e. 23.4% of our consolidated Income from Operations. Our consolidated PAT grew at a 3-Year CAGR (Fiscal 2010) of 36.3% with ₹626 Million in Fiscal 2010 i.e. 5.4% of our consolidated Income from Operations. As on September 30, 2010, our Net Worth on consolidated basis was ₹6,286 Million and our Gross Block on consolidated basis was ₹8,116 Million.

STRENGTHS AND STRATEGIES

Our Competitive Strengths

We believe the following are our competitive strengths:

Diversified Offering Portfolio

We have diversified our offering portfolio to include a product mix of more than 120 products (over 65 APIs and over 55 Intermediates) across various therapeutic segments including side chains of Semi-Synthetic Isoxazole Penicillins under Antibiotics, Lipid Lowering Agents, Oncology, Anti-Platelet Agents, Anti-Asthmatic, Anti-Retroviral, Decongestant, Anti-Herpes, Anti-Malarial, NSAIDs, Anti-Anginal segments. We have increased our presence in therapeutic segments treating lifestyle diseases like Lipid Lowering and Anti-Platelet Agents and have forayed into growth potential segments like Oncology and Controlled Substances. Over the years we have extended our business offerings to add a range of services under CRAMS starting from route selection / process development / optimization, analytical development, stability studies, safety studies, scale-up to technology transfer / clinical-trial manufacturing to commercial manufacture.

De-risked Business Model

We believe we have de-risked our business model as we cater to over 400 customers worldwide including global innovator and generic companies from over 60 countries including the regulated markets, across continents. We cater to pharmaceutical players from USA and Canada in North America; Germany, Italy, Spain, Switzerland, Turkey, UK and Ireland in Europe; Japan and Korea in the Far East; Argentina, Brazil and Chile in South America; Oman and UAE in the Middle East; Bangladesh in the South of Asia; Hong Kong and Singapore in the South East of Asia, to name some. Our collaboration agreement with Mitsui gives us an access to the Japanese pharmaceutical market, the second largest in the world, after the US. We focus on broadening the geographies we cater and continuously strive to maintain and enlarge our customer base to reduce our dependence on specific markets or customers. Our sales to our top customer and to top 10 customers in Fiscal 2010 amounted to 9.61% and 41.72% of our consolidated Income from Operations, respectively.

Key Technology Tie-Ups

We believe that technologies we have developed or have access to, give us a competitive edge. We have developed our quality and efficiencies in delivery of our products and services through our R&D and key technology tie-ups. We have capabilities to handle several complex reactions in a cost-effective manner with scale of operations ranging from multiple, multi-product facilities with capacities varying from gram to kilograms and multi tons. We benefit from proprietary technologies availed through technology agreements with Codexis, DSM and Orochem and through our recent dealing with Corning. The use of these technologies enables us to work towards implementing various green chemistry initiatives which besides being environment friendly, also help us in reducing the product costs and improving the quality of the products which we manufacture under the above agreements.

Strength in R&D Capabilities

Our Corporate R&D Center has a team of 199 process and analytical resources (23 PhDs) and 7 process engineers and we also have 4 in-house R&D labs, apart from our lab at Avon Medak Unit (owned by our Subsidiary Avon), to support on-site process improvement. We have R&D capabilities for the identification and development of potential API and Intermediate products and towards process development, analytical research and clinical research. Our R&D capabilities have enabled us to make inroads into the Custom Chemical Synthesis business where we have developed relationships with both innovator and generic companies, and to develop non-infringing processes, filing process patents and striving to achieve process improvement and to drive production cost efficiencies for existing as well as new APIs and Intermediates. Our dedicated focus has resulted in various patent applications with Indian, US and European patent offices. We have been granted process patents for the manufacture of Clopidogrel and that of DKT III (an Atorvastatin intermediate) from the Indian Patent Office and USPTO, respectively.

Manufacturing Infrastructure - equipped for regulated market supplies and to deliver multiple products

We believe our strength lies in our cGMP compliant manufacturing assets inspected and approved by global regulatory agencies. All our 11 multipurpose manufacturing facilities are compliant with internationally accepted Environment, Health and Safety (EHS) standards. 6 of our facilities are ISO 9001:2008 certified and Medak Unit 1 and Gurgaon Unit are also ISO 14001:2004 and OHSAS 18001:2007certified. 3 of our API manufacturing facilities viz., Gurgaon Unit, Dombivli Unit and Avon Solapur Unit (owned by our Subsidiary Avon), are inspected and approved by the USFDA. Our Dombivli Unit is also inspected and approved by EDQM, TGA-Australia and PMDA-Japan. As on the date of this Draft Red Herring Prospectus, we have filed 46 DMFs with the relevant regulatory authorities to increase our penetration in the regulated markets. This includes 36 USDMFs filed with USFDA and 10 dossiers filed with the EDQM.

Our manufacturing facilities are designed to manufacture a variety of APIs and Intermediates using a combination of processes. Our flexible manufacturing infrastructure enables us to expand our product range and change our product mix in response to changes in customer demand and to serve customer requirements ranging from laboratory scale research to commercial production. We have integrated our operations over the years through strategic acquisitions, integrating them together and deriving synergies to make our business model achieve efficiencies in both cost and delivery. As a result of our continuous integration process, we are strategically backward integrated with combination of technologies, for instance we are backward integrated in the manufacturing of Montelukast and side chains of Semi-Synthetic Isoxazole Penicillins. We are fully backward integrated in the manufacturing of Atorvastatin intermediates.

Experienced Management and well-qualified Workforce

We are led by first generation entrepreneurs who have track record of turnaround and building synergies from inorganic initiatives. Our senior management team is well placed to provide strategic leadership and direction to explore new emerging opportunities as well as constantly improve our current operations. Under their direction and guidance we have grown both organically and inorganically over the years. Our management team is entrepreneurial and growth oriented, and has a proven ability to manage high growth in rapidly changing business environment and delivery of high quality products at sustainable cost.

As on March 04, 2011, we have a workforce of 2,323 employees comprising 322 R&D resources, 366 resources for QC/QA and Regulatory Affairs, 41 resources for EHS initiatives, 1,145 resources for production, 68 resources for sales and marketing and 115 resources for supply chain. We believe our management bandwidth with domain knowledge and expertise provides us a competitive advantage to expand, diversify and manage the challenges of growth effectively.

Key Business Strategies

Our key business strategies aim at differentiating ourselves through our increased presence in CRAMS, continued focus on Oncology, increased access to regulated markets like Japan and emerging markets, and our technology alliances, ensuring our distinct positioning against our competitors.

To increase presence in CRAMS

Our success in CRAMS is reflected in its increasing share in our consolidated Income from Operations from 0.8% in Fiscal 2008 to 15.2% in Fiscal 2010 achieving ₹1,763 Million during Fiscal 2010. We have increased our focus in CRAMS and intend to grow this business further. With various drugs going off-patent in the US and EU markets we believe there are significant opportunities available to Indian CRAMS players. We have developed capabilities to provide a wide range of CRAMS suited to US/ EU/ other regulatory requirements. Our cGMP compliant manufacturing facilities provide us opportunities to partner with innovator and generic companies for on-patent / off-patent APIs/ Intermediates. With more and more innovator companies going in for launch of on-patent APIs in India and other emerging markets, we believe that our R&D and low-cost manufacturing capabilities can position us to be a partner of choice for manufacturing such APIs/ Intermediates.

Further, our experience in executing multiple CRAMS projects helps us in leveraging our existing relationships to secure new projects from them while at the same time developing new customer relationships. We focus on targeting projects from large innovator as well as generics players. Under our CCS portfolio we have supplied key Advanced Intermediates to innovator companies out of which two are pipeline drugs. We have been associated with both of these products from early phase-II trials. We have developed a wide spectrum of differentiating capabilities that we can offer in CRAMS and we believe that executing CCS projects successfully is an opportunity to clinch commercial scale manufacturing deals with our clients.

To focus on Oncology therapeutic segment, both in Products and CRAMS

We intend to differentiate ourselves from other Indian API manufacturers by offering technologically advanced and non-commoditized products having better margins. With this strategy in mind, going ahead, we are targeting growth in Oncology and Controlled Substances segment. There exists a rising global need for Oncology drugs. At the same time, the drug pipeline of most of the innovator companies is concentrated in this therapeutic segment with the objective of developing more effective drugs. This growing demand for Oncology drugs brings in growth opportunities for API supplies. However, the capital investment required in setting up a cGMP compliant Oncology API manufacturing facility is high and thus acts as an entry barrier. This has restricted the number of players having Oncology API manufacturing capabilities. Moreover, most companies which have Oncology API manufacturing capabilities are

forward integrated into finished dosage forms. We have, therefore, targeted this segment and positioned ourselves as a non-competing standalone manufacturer of Oncology APIs whereby our customers are those who manufacture only finished dosage forms.

We, today, offer 8 Oncology APIs on a commercial scale from our cGMP compliant facility, Tarapur Unit 2. We are also developing another 6 APIs to be launched during the next 12 months. Our revenues from Oncology have grown from 6.6% of our consolidated Income from Operations in Fiscal 2009 to 8.2% in Fiscal 2010 to 18.7% (contributing highest to our total revenues) in H1 2011.

To increase presence in regulated markets including Japan and emerging markets

We have presence in the regulated markets like the US, the EU, Japan and Australia. We believe that the regulated markets will continue to provide growth opportunities for us. We will focus on leveraging our existing relations to penetrate further into the regulated markets like the US and the EU, and increase our presence in other regulated markets, particularly in Japan. We intend to increase the number of DMF filings in the US and other regulated markets and develop long term manufacturing relationships with customers there from. We seek to strengthen our existing relationships with leading innovator and generic companies and plan to grow our business further in regulated markets through license and supply arrangements.

We intend to explore benefits from our access to the Japanese pharmaceutical companies through our recent collaboration agreement with Mitsui. Traditionally Japan, which is second largest pharmaceutical market in the world, after the US with sales of around USD 66.5 billion, has been one of the most difficult markets to access and penetrate for global pharmaceutical companies. We have been supplying key Intermediates to a Japanese innovator company through Mitsui; a general trading company from Japan having global presence through it's over 150 offices in over 60 countries across the world. Pursuant to this collaboration agreement, we sell the products to Mitsui for resale. Both parties have agreed to use their business relations and resources to expand business in Japan. Mitsui is the exclusive distributor for our products in Japan, except for a few customers. We have also formed a Steering Committee with Mitsui under this agreement for the purpose of expanding our business in Japan. Mitsui will not only make the Japanese market more accessible to us but its global presence will help us in other markets as well. Our business strategy with Mitsui for other markets is different. For existing, established markets such as the European and US markets, we shall endeavor to create business opportunities and formulate profit sharing schemes for the conduct of business activities with them. For markets we have identified as emerging markets (i.e. Asia Pacific, Middle East, South America, Africa, Russia and others), we shall first survey marketability and potential along with the regulatory framework and accordingly formulate a sales strategy with them.

As existing blockbuster drugs go off patent in regulated markets, more and more innovator companies are focusing on their generic product portfolio through increasing their presence in the emerging markets. These innovator companies have identified manufacturing partners including in India, to supply generic drugs to them for the emerging markets. The manufacturing partners in turn outsource the APIs and Intermediates from companies such as ours. It is this opportunity that we aim to capitalize on.

To explore innovative and new technology platforms

Our access to proprietary technologies through agreements with Codexis, DSM and Orochem has helped us to develop our competence and capabilities to handle several complex reactions in clean, green and cost effective manner for those products that we manufacture under these agreements. Biocatalyst−enabled manufacturing processes are advantageous and may address a number of drawbacks of conventional chemistry−based manufacturing. We currently use Codexis biocatalyst technology to manufacture various API / Intermediates on a commercial scale and DSM biocatalyst technology to manufacture Atorvastatin API on a commercial scale. Further, we have been using biocatalyst technology for manufacturing advanced intermediates for new drug candidates in advanced clinical trials which exhibit potential for commercialization.

We use SMB Technology for manufacturing APIs through our technology agreement with Orochem, which has higher throughput and provides high yield and high purity in a relatively short time, and can reduce time to market while being eco-friendly. Our Company is in possession of a Corning® Advanced-Flow™ glass reactor procured from Corning, the technology of which is expected to increase the efficiency, scalability and quality of chemical processing and at the same time reduce environmental impact, performance variability and costs. We believe these technologies are environmental friendly, contribute in reducing the product costs, improve processes and thereby leading to improvement in margins across products. We will continue in future to explore, invest in and utilize new, innovative and cost effective technology platforms as a strategy to stay ahead in competition.

SUMMARY FINANCIAL INFORMATION

*The following tables set forth summary financial information derived from our restated standalone and consolidated financial statements as of and for the six months period ended September 30, 2010 and for the financial years ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006. These financial statements have been prepared in accordance with the Indian GAAP, the Companies Act and the SEBI Regulations and presented under the chapter titled "**Financial Statements"** on page 192. The summary financial information presented below should be read in conjunction with our restated standalone and consolidated financial statements, the notes thereto and the sections titled "**Financial Statements**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" on pages 192 and 270, respectively.*

CONSOLIDATED STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

Particulars	Half Year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
						(Rs. in Millions)
A. Fixed Assets						
Gross Block	8,116.29	7,982.49	6,118.97	3,435.67	2,081.80	1,621.33
Less: Depreciation	1,953.00	1,637.43	1,129.60	521.84	260.39	137.15
Net Block	6,163.29	6,345.07	4,989.36	2,913.83	1,821.41	1,484.18
Add: Capital Work in Progress/Capital Advances	2,373.93	972.22	1,347.70	317.65	85.40	-
Total	**8,537.22**	**7,317.28**	**6,337.06**	**3,231.48**	**1,906.81**	**1,484.18**
B. Goodwill on Consolidation	**96.33**	**96.33**	**174.14**	**74.20**	**-**	**-**
C. Investment	**2.75**	**2.75**	**3.69**	**187.53**	**31.23**	**1.23**
D. Foreign Currency Monetary Item Translation Difference Account	**0.78**	**0.54**	**4.74**	**(0.39)**	**-**	**-**
E. Current Assets, Loans and Advances						
Inventories	4,478.43	4,359.44	3,608.82	1,747.46	1,193.07	719.49
Sundry Debtors	5,662.41	5,361.18	3,552.90	1,640.00	1,179.51	820.81
Cash and Bank Balances	428.69	633.81	433.99	987.99	495.68	80.85
Loans and Advances	3,480.64	2,571.54	1,638.43	788.73	564.73	152.00
Total	**14,050.18**	**12,925.97**	**9,234.14**	**5,164.18**	**3,432.99**	**1,773.16**
F. Liabilities and Provisions						
Secured Loans	9,795.19	10,064.26	7,563.28	3,130.52	2,463.16	1,763.93
Unsecured Loans	2,714.06	2,419.77	1,973.67	1,065.53	405.98	5.35
Current Liabilities	3,052.76	2,510.29	1,908.32	771.35	571.41	453.66
Provisions	156.96	61.18	23.24	49.87	52.19	54.06
Total	**15,718.97**	**15,055.49**	**11,468.51**	**5,017.27**	**3,492.74**	**2,277.00**
G. Deferred Tax Liability (Net)	**422.30**	**423.60**	**301.79**	**210.18**	**137.18**	**69.19**
H. Minority Interest	**259.83**	**250.80**	**293.24**	**28.77**	**-**	**-**
Net Worth (A+B+C+D+E-F-G-H)	**6,286.16**	**4,612.99**	**3,690.23**	**3,400.78**	**1,741.10**	**912.38**
Represented by						
1. Equity Share Capital	**247.84**	**212.34**	**212.34**	**212.34**	**160.86**	**136.86**
2. Preference Share Capital	**-**	**-**	**-**	**-**	**100.00**	**100.00**
3. Share Application Money	**-**	**300.00**	**-**	**-**	**-**	**-**
4. Reserves and Surplus:	**6,038.32**	**4,100.65**	**3,477.89**	**3,188.44**	**1,480.24**	**675.51**

4.1. Capital Reserve	0.95	0.95	0.95	0.95	0.95	2.45
4.2. Securities Premium Account	3,803.58	2,252.08	2,252.08	2,252.08	846.15	279.75
4.3. General Reserve	41.03	41.03	41.03	41.03	41.03	39.53
4.4. Debenture Redemption Reserve	150.28	180.60	216.70	132.20	3.87	-
4.5. Profit & Loss Account Balance	2,042.47	1,625.99	967.13	762.18	588.24	353.78
Net Worth (1+2+3+4)	**6,286.16**	**4,612.99**	**3,690.23**	**3,400.78**	**1,741.10**	**912.38**

Note: The above statement should be read with the Significant Accounting Policies and Notes appearing in Annexure IV and Annexure V, respectively.

CONSOLIDATED STATEMENT OF PROFIT & LOSS, AS RESTATED

Particulars	Half Year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
	(Rs. in Millions)					
Income						
Income From Operations/Sales						
- Manufactured Products	5,386.60	10,403.52	8,124.30	4,069.79	2,931.82	2,021.82
- Traded Products	838.16	1,214.99	1,683.09	1,324.36	693.70	446.45
Other Income	30.52	82.10	24.48	29.93	15.56	7.74
Total (A)	**6,255.28**	**11,700.62**	**9,831.87**	**5,424.08**	**3,641.08**	**2,476.01**
Expenditure						
Cost of Materials	3,638.75	7,162.72	6,554.18	3,538.85	2,367.79	1,583.72
Manufacturing Expenses and Other Expenses	514.34	869.08	880.77	429.15	304.92	222.62
Selling, Distribution and Administration Expenses	579.32	1,015.59	940.04	450.18	283.04	213.78
Interest and Finance Charges	713.95	1,325.73	920.60	378.40	249.60	151.56
Depreciation	322.33	516.46	326.23	187.20	125.81	82.59
Less: Transfer to Project Development Expenses	49.47	133.04	251.77	42.61	11.14	-
Total (B)	**5,719.24**	**10,756.54**	**9,370.04**	**4,941.16**	**3,320.03**	**2,254.27**
Profits before Tax and Extra-Ordinary Items (A-B)	**536.04**	**944.09**	**461.82**	**482.92**	**321.05**	**221.74**
Less:						
Taxation						
Current Tax	122.29	148.55	66.95	73.31	46.42	47.03
Deferred Tax	10.43	121.82	56.40	67.53	67.99	30.02
Fringe Benefit Tax	-	-	4.87	3.27	2.00	1.10
Profits after Tax and before Extra-Ordinary Items	**403.31**	**673.72**	**333.60**	**338.80**	**204.65**	**143.58**
Less: Investment in Associate	-	-	-	10.81	-	-
Share of Profit transferred to Minority	17.15	30.96	29.31	7.79	-	-
Pre-Acquisition Profit	-	-	14.85	12.43	-	-
Loss on Disposal of Subsidiary	-	16.18	-	-	-	-
Net Profits before Extra-Ordinary Items	**386.17**	**626.58**	**289.45**	**307.77**	**204.65**	**143.58**
Add: Extra-Ordinary Items (net of tax)	-	-	-	-	42.46	-
Net Profits after Extra-Ordinary Items	**386.17**	**626.58**	**289.45**	**307.77**	**247.10**	**143.58**
Add:						
Balance in Profit and Loss Account, as Restated brought forward	1,625.99	967.13	762.18	588.24	353.78	213.31

Less:						
Dividend on Preference Shares	-	-	-	4.69	7.50	2.73
Distribution Tax	-	3.82	-	0.80	1.27	0.38
Transfer to/ (from) Debenture Redemption Res.	(30.32)	(36.10)	84.50	128.33	3.87	-
Balance carried to Consolidated Statement of Assets & Liabilities, as Restated	**2,042.47**	**1,625.99**	**967.13**	**762.18**	**588.24**	**353.78**

Note: The above statement should be read with the Significant Accounting Policies and Notes appearing in Annexure IV and V, respectively.

CONSOLIDATED CASH FLOW STATEMENT, AS RESTATED

Particulars	Half Year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
						(Rs. in Millions)
A) Cash flow from Operating Activities:						
Profits before Tax and Extra-Ordinary Items	**536.04**	**944.09**	**461.82**	**482.92**	**321.05**	**221.74**
Add: Extra-Ordinary Items (gross of tax)	-	-	-	-	64.00	-
Profits before Tax and After Extra-Ordinary Items	**536.04**	**944.09**	**461.82**	**482.92**	**385.05**	**221.74**
Add/ (Less) Adjustments for:						
- Depreciation	322.33	516.46	326.23	187.20	125.81	82.59
- Interest Income	(19.57)	(64.60)	(15.54)	(5.90)	(4.40)	(4.80)
- Dividend Income	(0.08)	(0.23)	(0.23)	(0.15)	(0.04)	(0.05)
- Interest and Finance Charges	713.95	1,325.73	920.60	378.40	249.60	151.56
- Miscellaneous Expenditure written off	-	-	1.36	5.42	-	2.37
- Goodwill arising on Consolidation	-	-	(144.10)	-	-	-
- Minority Interest	-	-	264.47	-	-	-
- (Profit)/Loss on sale of investments (net)	1.28	-	-	-	0.36	-
- (Profit)/Loss on sale of fixed assets (net)	-	0.89	24.08	1.81	-	-
- Effect of De-subsidiarisation	-	(11.78)	-	-	-	-
Operating Profit before working capital change	**1,553.96**	**2,710.56**	**1,838.71**	**1,049.69**	**756.39**	**453.40**
Working Capital Changes :						
(Increase) / Decrease in Trade Receivables	(301.22)	(1,808.29)	(1,912.90)	(587.00)	(358.70)	(348.27)
(Increase) / Decrease in other Current Assets	(909.21)	(928.79)	(854.70)	(376.34)	(312.73)	(26.28)
(Increase) / Decrease in Inventories	(118.99)	(750.62)	(1,861.36)	(425.57)	(473.58)	(200.53)
Increase / (Decrease) in Current liabilities	542.47	601.97	1,131.48	288.85	117.75	50.66
Cash generated from / (used in) Operating Activities	**767.00**	**(175.16)**	**(1,658.76)**	**(50.37)**	**(270.86)**	**(71.02)**
Income tax and Fringe Benefit tax paid	(38.25)	(114.43)	(92.96)	(76.00)	(77.49)	-
Net Cash generated from / (used in) Operating Activities (A)	**728.75**	**(289.60)**	**(1,751.72)**	**(126.37)**	**(348.36)**	**(71.02)**
B) Cash flow from Investing Activities:						

Purchase of Fixed Assets and Capital Work in Prog.	(1,504.12)	(1,371.10)	(3,456.30)	(1,179.06)	(548.80)	(544.16)
Proceeds from Sale of Fixed Assets	3.87	2.53	0.28	-	-	-
Purchase of Investments	-	(0.17)	(2.45)	(659.52)	(130.00)	(0.65)
Sale of Investments	-	1.10	186.30	-	-	-
Dividend Income	0.08	0.23	0.23	0.15	0.04	0.05
Interest Income	19.57	64.60	15.54	5.90	4.40	4.80
Net Cash generated from / (used in) Investing Activities (B)	**(1,480.60)**	**(1,302.81)**	**(3,256.41)**	**(1,832.53)**	**(674.37)**	**(539.96)**
C) Cash flow from Financing Activities:						
Proceeds from Long Term Borrowing	390.14	1,675.07	5,339.76	397.00	917.75	767.19
Repayment of Long Term Borrowings	(209.21)	(539.71)	-	(27.98)	(17.89)	(89.77)
Short Term Loans (net)	(155.70)	1,811.71	1.14	808.50	200.00	-
Proceeds from issue of Share Capital/Share Application Money	1,287.00	300.00	-	1,655.64	590.40	106.30
Dividend Paid	(8.12)	-	-	(8.77)	(3.11)	-
Effect of Deferred Tax on account of subsidy	-	-	35.22	-	-	-
Interest & Finance Charges Paid	(757.38)	(1,454.86)	(920.60)	(378.40)	(249.60)	(151.56)
Preliminary & Issue Expenses incurred	-	-	(1.37)	(3.96)	-	(2.37)
Net Cash generated from / (used in) Financing Activities (C)	**546.73**	**1,792.22**	**4,454.14**	**2,442.03**	**1,437.55**	**629.79**
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	**(205.12)**	**199.82**	**(553.99)**	**483.13**	**414.82**	**18.82**
Cash and cash equivalents at the beginning of the period/ year	633.81	433.99	987.99	495.68	80.85	62.03
Cash and cash equivalents of the subsidiary acquired during the year.	-	-	-	9.18	-	-
Cash and cash equivalents at the end of the period/ year	**428.69**	**633.81**	**433.99**	**987.99**	**495.68**	**80.85**

UNCONSOLIDATED STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

Particulars	Half Year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
	(Rs. in Millions)					
A. Fixed Assets						
Gross Block	7,010.91	6,877.54	5,148.27	2,999.55	2,081.80	1,436.45
Less: Depreciation	1,397.25	1,111.82	660.96	422.73	260.39	137.15
Net Block	5,613.66	5,765.72	4,487.31	2,576.83	1,821.41	1,299.30
Add: Capital Work in Progress/Capital Advances	1,935.64	674.16	1,172.20	114.50	85.40	184.89
Total	**7,549.30**	**6,439.88**	**5,659.51**	**2,691.33**	**1,906.81**	**1,484.19**
B. Investment	**492.43**	**492.43**	**717.87**	**392.61**	**31.23**	**5.18**
C. Foreign Currency Monetary Item Translation Difference Account	**0.78**	**0.54**	**4.74**	**(0.39)**	**-**	**-**
D. Current Assets, Loans and Advances						
Inventories	4,003.78	3,743.40	3,046.45	1,491.21	1,193.07	719.49
Sundry Debtors	4,879.97	4,771.51	3,112.70	1,569.87	1,179.51	820.81
Cash and Bank Balance	358.91	501.35	408.30	960.32	495.52	78.40
Loans and Advances	3,800.25	2,889.18	1,682.25	1,126.69	587.10	161.66
Total	**13,042.91**	**11,905.44**	**8,249.70**	**5,148.09**	**3,455.20**	**1,780.36**
E. Liabilities and Provisions						
Secured Loans	8,674.56	9,001.35	6,730.27	2,837.62	2,463.16	1,763.93
Unsecured Loans	2,556.30	2,259.51	1,818.69	1,011.18	405.98	5.35
Current Liabilities	3,001.58	2,468.65	2,083.39	703.32	571.41	453.66
Provisions	138.60	75.01	11.48	46.43	52.19	54.06
Total	**14,371.04**	**13,804.53**	**10,643.83**	**4,598.56**	**3,492.74**	**2,277.00**
F. Deferred Tax Liability (Net)	408.23	409.54	287.73	201.37	137.18	69.19
Net Worth (A+B+C+D-E-F)	**6,306.16**	**4,624.23**	**3,700.25**	**3,431.72**	**1,763.32**	**923.54**
Represented by						
1. Equity Share Capital	**247.84**	**212.34**	**212.34**	**212.34**	**160.86**	**136.86**
2. Preference Share Capital	**-**	**-**	**-**	**-**	**100.00**	**100.00**
3. Share Application Money	**-**	**300.00**	**-**	**-**	**-**	**-**
4. Reserves and Surplus	**6,058.32**	**4,111.90**	**3,487.92**	**3,219.37**	**1,502.45**	**686.66**
4.1. Capital Reserve	0.95	0.95	0.95	0.95	0.95	2.45
4.2. Securities Premium Account	3,803.58	2,252.08	2,252.08	2,252.08	846.15	279.76
4.3. General Reserve	41.03	41.03	41.03	41.03	41.03	39.53
4.4. Debenture Redemption Reserve	150.28	180.60	216.70	132.20	3.87	-
4.5. Profit & Loss Account Balance	2,062.50	1,637.23	977.15	793.12	610.45	364.94
Net Worth (1+2+3+4)	**6,306.16**	**4,624.23**	**3,700.25**	**3,431.72**	**1,763.32**	**923.54**

Note: The above statement should be read with the Significant Accounting Policies and Notes appearing in Annexure IV and Annexure V, respectively.

UNCONSOLIDATED STATEMENT OF PROFIT & LOSS, AS RESTATED

Particulars	Half Year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
	(Rs. in Millions)					
Income						
Income from Operations/Sales						
- Manufactured Products	4,700.62	9,018.73	5,450.18	3,817.63	2,931.82	2,021.82
- Traded Products	838.16	1,214.99	1,683.09	1,324.36	693.70	446.45
Other Income	44.22	69.27	20.70	27.81	15.56	7.74
Total (A)	**5,583.00**	**10,302.99**	**7,153.97**	**5,169.80**	**3,641.08**	**2,476.01**
Expenditure						
Cost of Materials	3,219.08	6,340.14	4,745.55	3,442.81	2,367.79	1,583.72
Manufacturing Expenses and Other Expenses	445.68	721.76	686.73	395.46	304.92	222.62
Selling, Distribution and Administration expenses	489.05	813.41	654.43	418.65	272.00	202.64
Interest and Finance charges	658.74	1,208.43	700.41	336.31	249.58	151.55
Depreciation	292.25	457.95	239.54	166.62	125.81	82.59
Less: Transfer to Project Development Expenses	(49.47)	(133.04)	(251.77)	(42.61)	(11.14)	-
Total (B)	**5,055.33**	**9,408.65**	**6,774.89**	**4,717.24**	**3,308.96**	**2,243.12**
Profits before Tax and Extra-Ordinary Items (A-B)	**527.67**	**894.34**	**379.08**	**452.56**	**332.12**	**232.89**
Less :						
Taxation						
Current Tax	122.29	148.55	20.27	68.90	46.42	47.03
Deferred Tax	10.43	121.82	86.35	64.19	67.99	30.02
Fringe Benefit Tax	-	-	3.90	3.00	2.00	1.10
Net Profits before Extra-Ordinary Items	**394.95**	**623.97**	**268.56**	**316.47**	**215.71**	**154.74**
Add:-						
Extra-Ordinary Items (net of tax)	-	-	-	-	42.46	-
Net Profits after Extra-Ordinary Items	**394.95**	**623.97**	**268.56**	**316.47**	**258.17**	**154.74**
Add:						
Balance in Profit and Loss Account, as Restated brought forward	**1,637.24**	**977.16**	**793.11**	**610.45**	**364.92**	**213.31**
Less:						
Dividend on Preference Shares	-	-	-	4.69	7.50	2.73
Distribution Tax	-	-	-	0.80	1.27	0.38
Transfer to/(from) Debenture Redemption Reserve	(30.32)	(36.10)	84.50	128.33	3.87	-
Balance carried to Unconsolidated Statement of Assets & Liabilities, as Restated	**2,062.51**	**1,637.23**	**977.17**	**793.10**	**610.45**	**364.94**

Note: The above statement should be read with the Significant Accounting Policies and Notes appearing in Annexure IV and Annexure V, respectively.

UNCONSOLIDATED CASH FLOW STATEMENT, AS RESTATED

Particulars	Half Year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
						(Rs. in Millions)
A) Cash flow from Operating Activities:						
Profit before Tax and Extra-Ordinary Items	527.66	894.33	379.08	452.55	332.12	232.88
Add: Extra-Ordinary Items (gross of tax)	-	-	-	-	64.00	-
Profit before Tax and After Extra-Ordinary Items	**527.65**	**894.34**	**379.07**	**452.57**	**396.12**	**232.88**
Add/(Less) Adjustments for:						
- Depreciation	292.25	457.95	239.54	166.62	125.81	82.59
- Interest Income	(19.69)	(61.85)	(11.86)	(4.50)	(4.40)	(4.80)
- Dividend Income	(14.38)	(0.23)	(0.15)	(0.15)	(0.04)	(0.05)
- Interest and Finance charges	658.74	1,208.43	700.41	336.31	249.58	151.55
- Miscellaneous Expenditure written off	-	-	1.56	3.96	-	2.37
- (Profit)/Loss on sale of investments (net)	1.28	-	-	-	3.38	-
- (Profit)/Loss on sale of fixed assets (net)	-	0.50	0.57	1.58	0.44	-
Operating Profit before working capital change	**1,445.85**	**2,499.13**	**1,309.15**	**956.38**	**770.89**	**464.53**
Working Capital Changes :						
(Increase) / Decrease in Trade Receivables	(108.46)	(1,658.81)	(1,542.83)	(390.37)	(358.70)	(348.27)
(Increase) / Decrease in Loans and advances	(911.18)	(1,202.61)	(975.88)	(241.35)	(325.45)	(35.94)
(Increase) / Decrease in Inventories	(260.38)	(696.95)	(1,555.24)	(298.14)	(473.58)	(200.53)
Increase / (Decrease) in Current liabilities	532.93	368.17	1,442.10	131.91	117.75	50.66
Cash generated from / (used in) from Operations	**698.77**	**(691.07)**	**(1,322.70)**	**158.42**	**(269.09)**	**(69.54)**
Income tax **and** Fringe Benefit tax paid	(70.44)	(67.93)	(53.63)	(74.37)	(77.49)	-
Net Cash generated from / (used in) Operating Activities (A)	**628.33**	**(759.00)**	**(1,376.33)**	**84.05**	**(346.56)**	**(69.54)**
B) Cash flow from Investing Activities:						
Purchase of Fixed Assets and Capital Work in Progress	(1,363.52)	(1,109.98)	(3,208.71)	(953.45)	(548.50)	(544.16)
Proceeds from Sale of Fixed Assets	3.87	0.16	0.28	1.11	0.19	-
Purchase of Investments	-	(0.17)	-	(659.62)	(130.00)	(4.59)
Sale of Investments	-	225.60	72.98	-	-	-
Dividend Received	14.38	0.23	0.15	0.15	0.04	0.05
Interest Received	19.69	61.85	11.86	4.50	4.40	4.80
Net Cash generated from / (used in) Investing Activities (B)	**(1,325.58)**	**(822.31)**	**(3,123.44)**	**(1,607.31)**	**(673.88)**	**(543.90)**
C) Cash flow from Financing Activities:						
Proceeds from Long Term Borrowings	332.42	1,439.89	4,648.59	199.13	917.75	767.19
Repayment of Long Term Borrowings	(209.21)	(539.71)	-	(27.98)	(17.89)	(89.77)
Short Term Loan (net)	(153.22)	1,811.71	1.14	808.50	200.00	-
Proceeds from issue of Share Capital/Share Application Money	1,287.00	300.00	-	1,357.40	590.40	106.30
Dividend Paid	-	-	-	(8.77)	(3.11)	-
Interest & Finance Charges Paid	(702.17)	(1,337.56)	(700.41)	(336.31)	(249.58)	(151.55)
Preliminary & Issue Expenses incurred	-	-	(1.56)	(3.96)	-	(2.37)
Net Cash generated from / (used in) Financing Activities - (C)	**554.82**	**1,674.34**	**3,947.75**	**1,988.01**	**1,437.57**	**629.80**
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	**(142.44)**	**93.04**	**(552.01)**	**464.79**	**417.12**	**16.37**
Cash and cash equivalents at the beginning of the period / year	501.35	408.30	960.32	495.52	78.40	62.03

Cash and cash equivalents at the end of the period/year	**358.91**	**501.35**	**408.30**	**960.32**	**495.52**	**78.40**

Note: The above statement should be read with the Significant Accounting Policies and Notes appearing in Annexure IV and V, respectively.

THE ISSUE

Particulars	No of Equity Shares
Issue	[•] Equity Shares
of which	
A. Fresh Issue	[•] Equity Shares
B. Offer for Sale	6,172,607 Equity Shares
Of which	
Offer for Sale by India Advantage Fund II	360,209 Equity Shares
Offer for Sale by India Advantage Fund V	2,847,621 Equity Shares
Offer for Sale by Rainbow Fund	5,075 Equity Shares
Offer for Sale by Dynamic India Fund – I	438,457 Equity Shares
Offer for Sale by Leverage India Fund	500,000 Equity Shares
Offer for Sale by Swisstech VCF	2,021,245 Equity Shares
This Issue comprises of	
Employee Reservation Portion[1] of upto	200,000 Equity Shares
Net Issue	[•] Equity Shares
Of which:	
1. QIB Portion[2]	Not more than [•] Equity Shares.
Of which	
(a) Available for Allocation to Mutual Funds only	[•] Equity Shares
(b) Balance for all QIBs including Mutual Funds	[•] Equity Shares
2. Non Institutional Portion	Not less than [•] Equity Shares
3. Retail Portion	Not less than [•] Equity Shares
Equity Shares outstanding prior to this Issue	24,784,022 Equity Shares
Equity Shares outstanding after this Issue	[•] Equity Shares
For information on the use of Issue proceeds, please refer to chapter titled "***Objects of the Issue***" beginning on page 52.	

[1] *Subject to such reservation not exceeding 5% of the post Issue Equity Share Capital.*

[2] *Our Company may in consultation with the Selling Shareholders and the BRLMs Allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors. For further details, please refer to chapters titled "**Issue Structure**" and "**Issue Procedure**" on page 362 and page 373 respectively.*

Allocation to all categories, except Anchor Investor Portion, if any, shall be made on a proportionate basis subject to valid Bids received at or above the Issue Price. Under-subscription, if any, in any category would be allowed to be met with spill over from any other category or combination of categories at the sole discretion of our Company in consultation with the Book Running Lead Managers and the Designated Stock Exchange and in accordance with applicable laws, rules, regulations and guidelines, subject to valid bids being received at or above the Issue Price. On receipt of minimum subscription i.e. 90% of the Fresh Issue and in case of under-subscription in the Net Issue, the entire subscription amount would first be adjusted towards the Fresh Issue, before adjustment towards the Offer for Sale. Any under-subscription in the Employee Reservation Portion shall be added to the Net Issue. For further details please refer to the chapter titled "***Issue Procedure***" beginning on page 373.

GENERAL INFORMATION

Our Company was incorporated on April 2, 1993 as "Merven Drug Products Private Limited" under Certificate of Incorporation bearing number 01- 15571 of 1993-94 issued by the Registrar of Companies, Andhra Pradesh, Hyderabad. Our Company was converted into a public limited company *vide* special resolution passed on April 24, 1993 and our name was changed to "Merven Drug Products Limited" pursuant to grant of Fresh Certificate of Incorporation consequent on conversion dated September 13, 1993 by the Registrar of Companies, Andhra Pradesh, Hyderabad. Subsequently, with changes in control of our Company, our Company's name was changed to "Vitara Merven Limited" and then to "Merven Drug Products Limited" pursuant to grant of Fresh Certificate of Incorporation consequent on change of Name dated January 9, 1998 and September 10, 1999, respectively, by the Registrar of Companies, Andhra Pradesh, Hyderabad. In accordance with the Scheme of Rehabilitation, ACPL (promoted by our Promoter Directors) reverse-merged with our Company in the year 2003 and pursuant thereto the name of our Company was changed to "Arch Commerz Limited" *vide* Fresh Certificate of Incorporation consequent on change of Name dated January 2, 2004 issued by the Registrar of Companies, Andhra Pradesh, Hyderabad. The name of our Company was then changed to "Arch Pharmalabs Limited", to reflect the business activities of our Company, *vide* Fresh Certificate of Incorporation consequent on change of name dated March 11, 2004 issued by the Registrar of Companies, Andhra Pradesh, Hyderabad.

Registered Office and Corporate Office of our Company

'H' Wing, 4th Floor
Tex Center
Off Saki Vihar Road,
Chandivali, Andheri (East)
Mumbai 400 072
Maharashtra, India
Tel.: + 91 22 3308 9200
Fax: +91 22 2847 1234
Email: ipo@archpharmalabs.com
Website: www.archpharmalabs.com

Corporate Identification Number: U24231MH1993PLC150891

Our Company is registered with:

Registrar of Companies, Maharashtra, Mumbai

100, Everest House
Marine Lines
Mumbai 400 020
Maharashtra, India

For details of changes in the name and registered office of our Company, please refer to the chapter titled "***History and Certain Corporate Matters***" beginning on page 129.

Board of Directors

The following table sets out the details regarding our Board as on the date of this Draft Red Herring Prospectus.

Name, Designation and DIN	Age (years)	Address
Ajit Kamath **Designation**: Chairman and Managing Director **DIN**: 00032799	41	404, ILA Apartment Charkop, Kandivali (West) Mumbai – 400 067 Maharashtra, India
T Mallikarjuna Reddy	50	B – 13, Madhuranagar Colony S.R. Nagar

Name, Designation and DIN	Age (years)	Address
Designation: Executive Vice-Chairman **DIN**: 00298545		Hyderabad – 500 038 Andhra Pradesh, India
Manoj Jain **Designation**: Deputy Managing Director **DIN**: 00034727	40	4A, Markand Society Veer Savarkar Marg, Mahim (West) Mumbai – 400 016 Maharashtra, India
Rajendra Kaimal **Designation**: Executive Director **DIN**: 00032839	37	Flat No 1202, C/Wing 12th Floor, Orchid Enclave Nahar Amrit Shakti Sector Road 3, Chandivali Andheri (East) Mumbai – 400 072 Maharashtra, India
Vandana Rajadhyaksha **Designation**: Nominee Director **DIN**: 00164120	38	301, 3rd Floor, Laxmi Gopal Hatiskar Marg, Prabhadevi Mumbai – 400 025 Maharashtra, India
Dr. Hira Sadhak **Designation**: Additional Director, Independent **DIN**: 00203098	60	B – 2/9, Jeevan Shanti, S.V. Road, Santacruz (West) Mumbai – 400 054 Maharashtra, India
Dr. Shailesh Mehta **Designation**: Additional Director, Independent **DIN**: 01633893	61	401 EL Cerrito Ave Hillisborough California – 94010 United States of America
Dr. Shantilal Jain **Designation**: Additional Director, Independent **DIN**: 00053142	48	306, Shivam – A 28B, Gopi Tank Road, Mahim Mumbai - 400 016 Maharashtra, India
Puthenveetil J. Vincent **Designation**: Additional Director, Independent **DIN**: 00096857	66	D – 15, Sector 52 Noida – 201 301 Uttar Pradesh, India
Ramakant Nayak **Designation**: Additional Director, Independent **DIN**: 00129854	65	A/11, Anand Dham 9th Prabhat Colony Near Hotel Yatri, Santacruz (East) Mumbai – 400 055 Maharashtra, India

For further details of our Directors, please refer to chapters titled "***Our Management***" and "***Our Promoters, Promoter Group and Group Companies***" beginning on page 148 and 169 respectively.

Company Secretary and Compliance Officer

Vikas Kedia

'H' Wing, 4th Floor, Tex Center
Off Saki Vihar Road, Chandivali, Andheri (East)
Mumbai 400 072
Maharashtra, India
Tel.: + 91 22 2847 0588
Fax: +91 22 2847 1234
Email: vikas.kedia@archpharmalabs.com

Investors can contact our Company Secretary and Compliance Officer and/or the Registrar to the Issue and/ or the BRLMs in case of any pre- Issue or post-Issue related problems, such as non-receipt of letters of Allotment, credit of Allotted Equity Shares in the respective beneficiary account and refund orders, etc. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the designated branch or the collection Center of the SCSB where the ASBA Bid-cum-Application Form was submitted by the ASBA Bidders.

Book Running Lead Managers

India Infoline Limited

8th Floor, IIFL Centre, Kamala City
Senapati Bapat Marg, Lower Parel (West)
Mumbai 400 013, Maharashtra, India
Tel: +91 22 4646 4600
Fax: +91 22 4646 4700
E-mail: archpharma.ipo@iiflcap.com
Investor Grievance Mail: ig.ib@iiflcap.com
Website: www.iiflcap.com
Contact Person: Satish Ganega
SEBI Registration Number: INM000010940

Enam Securities Private Limited

801, Dalamal Towers
Nariman Point
Mumbai 400 021, Maharashtra, India
Tel: + 91 22 6638 1800
Fax: + 91 22 2284 6824
E-mail: archpharma.ipo@enam.com
Investor Grievance Mail:complaints@enam.com
Website: www.enam.com
Contact Person: Sonal Sinha
SEBI Registration No.: INM000006856

Syndicate Members

[•]
[Address]
Tel.: [•]
Fax: [•]
E-mail: [•]
Website: [•]
Contact Person: [•]
SEBI Registration Number: [•]

[•]
[Address]
Tel.: [•]
Fax: [•]
E-mail: [•]
Website: [•]
Contact Person: [•]
SEBI Registration Number: [•]

Registrar to the Issue

Link Intime India Private Limited

C- 13 Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai 400 078, Maharashtra.
Tel: +91 22 2596 0320; Tel (toll free): 1-800-220320
Fax: +91 22 2596 0329
Email: archpharma.ipo@linkintime.co.in
Investor Grievance mail: archpharma.ipo@linkintime.co.in
Website: www.linkintime.co.in
Contact Person: Chetan Shinde
Registration Number: INR000004058

Legal Counsel to the Company

Khaitan & Co

One Indiabulls Centre, 13th Floor,
841 Senapati Bapat Marg,
Elphinstone Road,
Mumbai 400 013,
Maharashtra, India.
Tel: + 91 22 6636 5000
Fax: + 91 22 6636 5050

Legal Counsel to the Underwriters

M/s Crawford Bayley & Co.

State Bank Buildings, 4th Floor,
N.G.N. Vaidya Marg, Fort,
Mumbai 400 023,
Maharashtra, India.
Tel: +91 22 2266 8000
Fax: +91 22 2266 0355

Joint Statutory Auditors to our Company

M/s Chaturvedi & Shah

Chartered Accountants,
912-913, Tulsiani Chambers, 212,
Nariman Point,
Mumbai 400 021,
Maharashtra, India.
Tel: + 91 22 4009 0500
Fax: + 91 22 2284 6585
Email: amit.c@cas.ind.in
Contact Person: Amit Chaturvedi
Membership No: 103141
Firm Registration Number: 101720W

M/s Nayak & Rane

Chartered Accountants,
501, "C" Wing, Siddhi Vinayak Annexe,
Sitaram Jadhav Road, Lower Parel (West),
Mumbai 400 013,
Maharashtra, India.
Tel: + 91 22 2498 4555
Fax: + 91 22 2495 5773
Email: kishore@nayakrane.com
Contact Person: Kishore Rane
Membership No: 100788
Firm Registration Number: 117249W

Bankers to the Issue/ Escrow Collection Banks
[•]

Refund Bank(s)
[•]

Self Certified Syndicate Banks

The lists of banks that have been notified by SEBI to act as SCSBs for the Applications Supported by Blocked Amount ("***ASBA***") process are available at www.sebi.gov.in. Details relating to the Designated Branches of SCSBs collecting the ASBA Bid-cum-Application Forms are available at the above-mentioned link. Syndicate/ sub-syndicate members may procure ASBA Bid-cum-Application Forms from the investors and submit it to the SCSBs.

Bankers to our Company

Axis Bank Limited

7th floor RMG Department
Bombay Dyeing Mills Compound
Pandurand Budhkar Marg

Canara Bank

Maker Tower – F
20th Floor
85, Cuffe Parade

State Bank of India

2nd Floor, The Arcade
World Trade Centre
Cuffe Parade

Worli, Mumbai – 400 285
Maharashtra, India
Tel: + 91 22 2425 3734
Fax: + 91 22 2425 1700
Email: kankan.chatterjee@axisbank.com
Contact Person: Kankan Chatterjee

Mumbai – 400 005
Maharashtra, India
Tel: + 91 22 2215 6018
Fax: + 91 22 2215 6021
Email: mcity2630@canarabank.com
Contact Person: B Ashok Kumar

Mumbai – 400 005
Maharashtra, India
Tel: + 91 22 2218 9161
Fax: + 91 22 2218 6611
Email: rajesh.sheth@sbi.co.in
Contact Person: Rajesh Sheth

ICICI Bank Limited

ICICI Bank Towers
Bandra Kurla complex
Mumbai – 400 051
Maharashtra, India
Tel: + 91 22 2653 1414
Fax: + 91 22 2563 1206
Email: shah.ashish@icicibank.com and
akash.parekh@icicibank.com
Contact Person: Ashish Shah/ Akash Parekh

IDBI Bank Limited

IDBI Tower, Mid Corporate Group
5th Floor, WTC Complex
Cuffe Parade
Mumbai – 400 005
Maharashtra, India
Tel: + 91 22 6655 2878
Fax: + 91 22 2216 0785
Email: ss.ingale@idbi.co.in
Contact Person: Shivkumar Ingale

Brokers to the Issue

All the members of the recognised stock exchanges would be eligible to act as Brokers to the Issue and shall be finalised by our Company in consultation with the Selling Shareholders and the BRLMs.

Credit Rating

As this is an Issue of Equity Shares, credit rating for this Issue is not required.

IPO Grading Agencies and IPO Grading

ICRA Limited

Electric Mansion, 3rd Floor
Appasaheb Marathe Marg
Prabhadevi, Mumbai 400 025
Maharahstra, India
Tel: +91 22 2433 1046
Fax: +91 22 2433 1390
Email: mumbai@icraindia.com
Contact Person: L Shivakumar
Website: www.icra.in

Credit Analysis & Research Limited

4th Floor, Godrej Coliseum
Somaiya Hospital Road
Off Eastern Express Highway
Sion (East), Mumbai 400 022
Maharahstra, India
Tel: +91 22 6754 3456
Fax: +91 22 6754 3457
Email: care@careratings.com
Contact Person: Milind Gadkari
Website: www.careratings.com

This Issue has been graded by [•] and has been assigned a grade of [•]/5 indicating [•] fundamentals. The IPO Grading is assigned on a five point scale from 1 to 5, with IPO Grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. For details in relation to the rationale furnished by [•], please refer to "***Annexure I***". Attention is drawn to the disclaimer appearing under the paragraph titled "***Disclaimer clause of the IPO Grading Agencies***" on page 356 in the chapter titled *"**Other Regulatory and Statutory Disclosures**"* beginning on page 348.

Trustees

As this is an Issue is of equity shares, the appointment of trustees is not required.

Monitoring Agency

A Monitoring Agency is not required to be appointed in terms of Sub-Regulation (1) of Regulation 16 of the SEBI ICDR Regulations. The Board of Directors of our Company will monitor the use of the proceeds of this Issue.

Experts

Except for the report of ICRA and CARE in respect of the IPO Grading of this Issue (a copy of which will be annexed to the Red Herring Prospectus as Annexure I), furnishing the rationale for its grading which will be provided to the Designated Stock Exchange and except for the reports of the Auditors of our Company on the restated financial statements and Statement of Tax Benefits, included in this Draft Red Herring Prospectus, our Company has not obtained any expert opinions.

Appraising Agency

The objects of this Issue have not been appraised by any agency. The objects of this Issue and means of finance therefore are based on internal estimates of our Company.

Statement of *inter-se* Allocation of Responsibilities among the BRLMs

The responsibilities and co-ordination for the various activities for this Issue are as follows:

Sr. No.	Activity	Responsibility	Co-ordination
1.	Capital Structuring with relative components and formalities such as type of instruments, etc.	IIFL, ENAM	IIFL
2.	Due diligence of Company's operations / management / business plans / legal etc. Drafting and design of the Offer Document including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing.	IIFL, ENAM	IIFL
3.	Drafting and approval of all statutory advertisement	IIFL, ENAM	IIFL
4.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in 3 above including corporate advertisement, brochure, road show presentations, etc.	IIFL, ENAM	IIFL
5.	Appointment of other intermediaries viz., Registrar's, Printers, Advertising Agency, Bankers to the Issue	IIFL, ENAM	IIFL
6.	Preparation of Road show presentation and preparation of FAQs	IIFL, ENAM	IIFL
7.	Institutional marketing of the Issue, which will cover, inter alia a. Institutional Marketing strategy - International Finalise the list and division of investors for one to one meetings, institutional allocation in consultation with the Company and the Selling Shareholders. Finalizing road show schedule and investor meeting schedules.	IIFL, ENAM	IIFL
	b. Institutional Marketing strategy - Domestic Finalise the list and division of investors for one to one meetings, institutional allocation in consultation with the Company and the Selling Shareholders. Finalizing road show schedule and investor meeting schedules.	IIFL, ENAM	ENAM
8.	HNI marketing of the Issue, which will cover, inter alia, Formulating marketing strategies, preparation of publicity budget Finalise Media and PR strategy; Finalizing centers for holding conferences for brokers, etc. Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material Finalise Collection Centers	IIFL, ENAM	IIFL
9.	Retail marketing of the Issue, which will cover, inter alia, Formulating marketing strategies, preparation of publicity budget Finalise Media and PR strategy; Finalizing centers for holding conferences for brokers, etc. Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material Finalise Collection Centers	IIFL, ENAM	ENAM

10.	Co-ordination with Stock Exchanges for Book Building Software, bidding terminals and mock trading.	IIFL, ENAM	ENAM
11.	Finalisation of Pricing, in consultation with the Company and the Selling Shareholders	IIFL, ENAM	IIFL
12.	The post bidding activities including management of escrow accounts, co-ordination of non-institutional allocation, intimation of allocation and dispatch of refunds to bidders etc. The post Offer activities for the Offer involving essential follow up steps, which include the finalisation of trading and dealing of instruments and demat of delivery of shares, with the various agencies connected with the work such as the registrar's to the Issue and Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.	IIFL, ENAM	ENAM

Book Building Process

The Book Building Process, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Price Band and the minimum Bid lot size for this Issue will be decided by our Company in consultation with the Selling Shareholders and the BRLMs and advertised an English and a Hindi national newspaper and in one Marathi (regional language) newspaper with wide circulation, each with wide circulation, at least two (2) Working Days prior to the Bid/Issue Opening Date. The Employee Discount will be decided by our Company in consultation with the BRLMs and advertised in an English and a Hindi national newspaper and in one Marathi (regional language) newspaper with wide circulation, each with wide circulation, at least two (2) Working Days prior to the Bid/Issue Opening Date. The Issue Price is finalised after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

- Our Company;
- Selling Shareholders;
- BRLMs;
- Syndicate Member(s) which are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters;
- Registrar to the Issue;
- Escrow Collection Banks; and
- SCSBs.

This Issue is being made under Sub-Regulation (1) of Regulation 26 of the SEBI ICDR Regulations and through the Book Building Process wherein not more than 50% of the Net Issue will be available for allocation on a proportionate basis to QIBs. Our Company in consultation with the Selling Shareholders and the BRLMs may consider participation by Anchor Investors in the Net Issue for up to 30% of the QIB Portion in accordance with the applicable provisions of the SEBI ICDR Regulations, out of which at least one-third will be available for allocation to domestic Mutual Funds only. Such number of Equity Shares representing 5% of the QIB Portion (excluding the Anchor Investor Portion, if any) shall be available for allocation to Mutual Funds on a proportionate basis. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than [•] Equity Shares, the balance Equity Shares available for Allotment in the Mutual Fund Portion will be added to the QIB Portion (excluding the Anchor Investor Portion, if any) and allocated proportionately to the QIB Bidders. Subject to valid bids being received at or above the Issue Price, not less than 15% and 35% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively. Further, 200,000 Equity Shares shall be made available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price and such reservation not exceeding 5% of the Issue size. On receipt of minimum subscription i.e. 90% of the Fresh Issue and in case of under subscription in the Net Issue, the entire subscription amount would first be adjusted towards the Fresh Issue, before adjustment towards the Offer for Sale. Any unsubscribed portion in the Employee Reservation Portion shall be added to the Net Issue.

In accordance with the SEBI ICDR Regulations, QIBs are not allowed to withdraw their Bids after the QIB Bid/Issue Closing Date. Also, Anchor Investors are not allowed to withdraw their Bids after the Anchor Investor Bidding Date. Allocation to the Anchor Investors will be on a discretionary basis. For further details, please refer to the chapter titled "***Issue Procedure***" on page 373.

Except for Bids on behalf of the Central or State Government and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid-cum-Application Form and the ASBA Bid-cum-Application Form (please refer to the chapter titled "***Issue Procedure – Permanent Account Number (PAN)***" on page 390). However, Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the Depository Participants' verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address.

Our Company and the Selling Shareholders will comply with the SEBI ICDR Regulations and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLMs to manage this Issue and procure subscriptions to this Issue.

The Book Building Process under the 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 in this Issue.

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

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

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

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

Steps to be taken by the Bidders for Bidding

1. Check eligibility for making a Bid (For further details please refer to ***"Who Can Bid***" on page 375 in chapter titled "***Issue Procedure"***).

2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid-cum-Application Form and the ASBA Bid-cum-Application Form, as the case may be

   Or,

   Except for Bids on behalf of the Central or State Government and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid-cum-Application Form and the ASBA Bid-cum-Application Form (please refer to ***"Permanent Account Number (PAN)***" on page 390 in the chapter titled "***Issue Procedure"***). However, Bidders residing in the state of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the Depository Participants verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address.

3. Ensure that the Bid-cum-Application Form and the ASBA Bid-cum-Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid-cum-Application Form and the ASBA Bid-cum-Application Form.

4. Ensure the correctness of your demographic details (as detailed in ***"Bidder's PAN, Bidder's Depository Account***

and Bank Account Details" on page 402 in the chapter "***Issue Procedure***) given in the Bid-cum-Application Form and the ASBA Bid-cum-Application Form, with the details recorded with your Depository Participant.

5. Bids by QIBs (excluding Anchor Investors) will have to be intimated to the BRLMs and/ or their affiliates.

6. ASBA Bidders shall submit an ASBA Bid-cum-Application Form either in physical or electronic form to (a) the SCSB or the Designated Branches of the SCSBs authorizing blocking of funds that are available in the bank account specified in the ASBA Bid-cum-Application Form; or (b) to the members of the Syndicate who shall further submit such ASBA Bid-cum-Application Form to the SCSBs. ASBA Bidders should ensure that their bank accounts have adequate credit balance at the time of submission to the SCSB to ensure that the ASBA Bid-cum-Application Form is not rejected.

Bid/Issue Program

BID/ISSUE OPENS ON: [•], 2011 FOR ALL BIDDERS	**BID/ISSUE CLOSES ON: [•], 2011 FOR QIB BIDDERS#**
	BID/ISSUE CLOSES ON: [•], 2011 FOR NON-INSTITUTIONAL, RETAIL INDIVIDUAL BIDDERS AND ELIGIBLE EMPLOYEES

**Our Company in consultation with the Selling Shareholders and the BRLMs may consider participation by Anchor Investors in terms of the SEBI ICDR Regulations. The Anchor Investor Bid/Issue Period shall be one Working Day prior to the Bid/ Issue Opening Date. The number of Equity Shares allocated to each Anchor Investor and Anchor Investor Issue Price shall be made available in the public domain by the BRLMs, before the Bid Opening Date by intimating the same to the Stock Exchanges.*

#Our Company may consider closing the Bid/ Issue Period for QIBs one working day prior to the Bid/ Issue Closing Date.

Bids and any revision in Bids shall be accepted only between **10.00 a.m. and 5.00 p.m. (Indian Standard Time)** during the Bid/Issue Period as mentioned above at the bidding centers mentioned on 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:**

For QIB Bidders

- Bids (excluding the ASBA Bidders) shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 4.00 pm (Indian Standard Time). Our Company may consider closing the Bid / Issue Closing period for the QIB Bidders by one Working Day prior to the Bid / Issue Closing Date.

For Non-Institutional Bidders

- Bids (excluding the ASBA Bidders) shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 4.00 pm (Indian Standard Time).

For Retail Individual Investors

- Bids (excluding the ASBA Bidders) shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 5.00 pm (Indian Standard Time) which may be extended upto such time subject to permission from BSE and NSE.

For Eligible Employees (under Employee Reservation Portion)

- Bids (excluding the ASBA Bidders) shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 4.00 pm (Indian Standard Time) which may be extended upto such time subject to permission from BSE and NSE.

Due to limitation of the time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one Working Day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event large number of applications on Bid/ Issue Closing date, as is typically experienced in public offerings, which may lead to some Bids not getting uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under

the Issue. Bids not uploaded in the book would be rejected. If such Bids are not uploaded, our Company, the Selling Shareholders, BRLMs, Syndicate Members and the SCSBs will not be responsible. Bids will be accepted only on Working Days. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

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

Investors please note that as per letter no. List/smd/sm/2006 dated July 3, 2006 and letter no. NSE/IPO/25101-6 dated July 6, 2006 issued by BSE and NSE respectively, Bids and any revision in Bids shall not be accepted on Saturdays and Holidays as declared by the Stock Exchanges.

Our Company in consultation with the Selling Shareholders and the BRLMs reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI ICDR Regulations provided that the revised cap of the price band should not be more than 20% of the revised floor of the band i.e. revised cap of the Price Band shall be less than or equal to 120% of the revised floor of the price band. The Floor Price can be revised up or down to a maximum of 20% of the original Floor Price and shall be advertised at least one day before the Bid /Issue Opening Date. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [•] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of ₹5,000 to ₹7,000.

In case of revision of the Price Band, the Issue Period will be extended for atleast three (3) additional Working Days after revision of the Price Band subject to the total Bid /Issue Period not exceeding ten (10) Working Days. Any revision in the Price Band and the revised Bid/Issue, if applicable, will be widely disseminated by notification to the BSE and the NSE and the SCSBs, by issuing a press release and also by indicating the changes on the web sites of the BRLMs and at the terminals of the Syndicate.

Withdrawal of this Issue

Our Company, in consultation with the Selling Shareholders and the BRLMs and in accordance with the SEBI ICDR Regulations, reserves the right not to proceed with this Issue at any time after the Bid/Issue Opening Date but before the Allotment, without assigning any reason thereof. In such an event our Company shall issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two (2) Working Days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. The BRLMs, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one Working Day from the day of receipt of such notification. Our Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

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

In the event of withdrawal of this Issue anytime after the Bid/Issue Opening Date, our Company will forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight (8) days after our Company become liable to repay it, i.e. from the date of withdrawal, then our Company, on and from the expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15% per annum on application money.

In the event that our Company decides not to proceed with this Issue after Bid/ Issue Closing Date and thereafter determines that it will proceed with an initial public offering of its Equity Shares, our Company shall file a fresh draft red herring prospectus with SEBI.

Underwriting Agreement

After the determination of the Issue Price but prior to the 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 offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfill their underwriting obligations. The

Underwriting shall be to the extent of the bids uploaded by the Underwriter including through its syndicates / sub-syndicates. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriter are several and are subject to certain conditions to closing, as specified therein. The Underwriting Agreement is dated [•] and has been approved by the Board of Directors on [•].

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

(Amount in ₹ in Million)

Name and address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten
[•]	[•]	[•]
[•]	[•]	[•]

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

The abovementioned amount is indicative and this would be finalised after the determination of the Issue Price and actual allocation of Equity Shares.

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

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

The underwriting arrangements mentioned above shall not apply to the subscriptions by the ASBA Bidders in this Issue.

CAPITAL STRUCTURE

The share capital of our Company as on the date of this Draft Red Herring Prospectus, before and after this Issue, is set forth below.

(*Amount in ₹ except share data*)

		Aggregate Nominal Value	Aggregate Value at Issue Price
A)	**Authorised Share Capital**		
	40,000,000 Equity Shares of ₹10 each	400,000,000	
B)	**Issued, Subscribed and Paid up Equity Share Capital before this Issue**		
	24,784,022 Equity Shares of ₹10 each	247,840,220	
C)	**Present Issue**		
	Issue of [•] Equity Shares of ₹10 each[1]	[•]	[•]
	Comprising of		
	Fresh Issue of [•] Equity Shares	[•]	[•]
	Offer for Sale[2] of 6,172,607 Equity Shares	61,726,070	[•]
D)	**Employee Reservation Portion**		
	Upto 200,000 Equity Shares of ₹10 each[3]	[•]	[•]
E)	**Net Issue**		
	[•] Equity Shares of ₹10 each	[•]	[•]
	Of which		
	QIB Portion of not more than [•] Equity Shares[4]	[•]	[•]
	Of which		
	[•] Equity Shares are available for Allocation to Mutual Funds only		
	[•] Equity Shares balance for all QIBs including Mutual Funds		
	Non-Institutional Portion of not less than [•] Equity Shares	[•]	[•]
	Retail Portion of not less than [•] Equity Shares	[•]	[•]
F)	**Issued, Subscribed and Paid-up Equity Share Capital after the Issue**		
	[•] Equity Shares of ₹10 each	[•]	
G)	**Securities Premium Account**		
	Before the Issue	3,803,576,824	
	After the Issue[5]	[•]	

[1] *This Issue has been authorized by the Board of Directors at its meeting held on September 3, 2010 and by the shareholders of our Company at the Annual General Meeting of our Company held on September 29, 2010.*

[2] *The Offer for Sale of:*

- *360,209 Equity Shares, 2,847,621 Equity Shares and 5,075 Equity Shares offered by India Advantage Fund II, India Advantage Fund V and Rainbow Fund respectively, which has been authorized by ICICI Venture by its letter dated December 28, 2010 in its capacity as the investment managers to these funds.*
- *438,457 Equity Shares which has been authorized by Dynamic India Fund - I by a resolution of its board dated December 27, 2010.*
- *500,000 Equity Shares which has been authorized by IIML Investors by its letter dated February 4, 2011 as investment managers for Leverage India Fund, a scheme of IL&FS Private Equity Trust, a trust established under the Indian Trusts Act.*
- *2,021,245 Equity Shares which has been authorized by the Swisstech VCF by a resolution of its board dated December 20, 2010.*

The Equity Shares constituting the Offer for Sale have been held by the Selling Shareholders for a period of more than one year prior to the date of this Draft Red Herring Prospectus with SEBI. As on the date of this Draft Red Herring Prospectus, all Equity Shares held by the Selling Shareholders are in demat form.

[3] *A discount of ₹[•] to the Issue Price determined pursuant to completion of the Book Building Process has been offered to Eligible Employees.*

[4] *Our Company in consultation with the Selling Shareholders and the BRLMs may consider participation by Anchor Investors of upto 30% of the QIB Portion on a discretionary basis. For further details refer to the chapter titled "**Issue Procedure**" on page 373.*

[5] *The Securities Premium Account after the Issue shall be determined after the Book Building Process.*

Notes to Capital Structure

1. ***Details of changes in Authorised Share Capital of our Company since incorporation***

Whether EGM/ AGM	Date of Shareholders resolution	Details of Changes
-	Incorporation	Original Authorised Share Capital of our Company as mentioned in Clause V of the Memorandum of Association was ₹1.5 Million divided into 150,000 Equity Shares of ₹10 each.
EGM	November 28, 1993	Increase of Authorised Share Capital, by creation of 850,000 new Equity Shares of ₹10 each. The revised Authorised Share Capital stood at ₹10 Million comprising of 1,000,000 Equity Shares of ₹10 each.
EGM	June 6, 1994	Increase of Authorised Share Capital by creation of 9,000,000 Equity Shares of ₹10 each. The revised Authorised Share Capital stood at ₹100 Million comprising of 10,000,000 Equity Shares of ₹10 each.
AGM	August 24, 1995	Increase of Authorised Share Capital by creation of 10,000,000 Equity Shares of ₹10 each. The revised Authorised Share Capital stood at ₹200 Million comprising of 20,000,000 Equity Shares of ₹10 each.
AGM	October 28, 2003	Re-classification of the Authorised Share Capital of ₹200 Million originally divided into 20,000,000 Equity Shares of ₹10 each into 9,000,000 Equity Shares of ₹10 each, 2,000,000 Redeemable Preference Shares of ₹10 each and 9,000,000 Convertible Cumulative Preference Shares of ₹10 each.
EGM	February 23, 2004	Increase of the Authorised Share Capital from ₹200 Million to ₹230 Million by creation of 3,000,000 Equity Shares of ₹10 each. The Authorised Share Capital of ₹230 Million thus comprised of 12,000,000 Equity Shares of ₹10 each, 2,000,000 Redeemable Preference Shares of ₹10 each and 9,000,000 Convertible Cumulative Preference Shares of ₹10 each.
AGM	September 30, 2004	Increase of Authorised Share Capital by creation of 4,000,000 Equity Shares of ₹10 each and 3,000,000 Preference Shares of ₹10 each. 2,000,000 Redeemable Preference Shares of ₹10 each and 9,000,000 Convertible Cumulative Preference Shares of ₹10 each were also reclassified into 11,000,000 Preference Shares of ₹10 each. The Authorised Share Capital of ₹300 Million thus comprised of 16,000,000 Equity Shares of ₹10 each and 14,000,000 Preference Shares of ₹10 each.
AGM	December 9, 2005	Re-classification of the Authorised Share Capital of ₹300 Million into 18,000,000 Equity Shares of ₹10 each and 12,000,000 Redeemable Preference Shares of ₹10 each.
AGM	December 16, 2006	Increase of Authorised Share Capital from ₹300 Million to ₹400 Million by creation of 2,000,000 Equity Shares of ₹10 each and 8,000,000 Preference Shares of ₹10 each. The Authorised Share Capital of ₹400 Million thus comprised of 20,000,000 Equity Shares of ₹10 each and 20,000,000 Preference Shares of ₹10 each.
EGM	November 17, 2007	Re-classification of the Authorised Share Capital of ₹400 Million to 30,000,000 Equity Shares of ₹10 each and 10,000,000 Preference Shares of

Whether EGM/ AGM	Date of Shareholders resolution	Details of Changes
		₹10 each.
AGM	September 29, 2010	Re-classification of the Authorised Share Capital of ₹400 Million into 40,000,000 Equity Shares of ₹10 each.

2. *Share Capital History of our Company*

I. Equity Share Capital History of our Company:

Date of Allotment	No. of Equity Shares	Face Value (in ₹)	Issue Price (in ₹)	Consideration (Cash, other than cash etc.)	Nature of Allotment	Cumulative No. of Equity Shares	Cumulative Equity Share Capital (in ₹)	Cumulative Equity Share Premium (in ₹)
April 2, 1993	300	10	10	Cash	Initial subscription to MoA*	300	3,000	-
April 8, 1993	40	10	10	Cash	Preferential allotment[1]	340	3,400	-
July 7, 1994	537,600	10	10	Cash	Preferential allotment[2]	537,940	5,379,400	-
October 16, 1994	700,000	10	10	Cash	Allotment in public issue - Firm Allotment to Mutual Funds[3]	1,237,940	12,379,400	-
December 13, 1994	6,862,060	10	10	Cash	Allotment in public issue[4] – ▪ Promoters' Contribution – 3,402,060 ▪ Public – 2,450,000 ▪ NRI allotment – 990,000 ▪ Employees – 20,000	8,100,000	81,000,000	-
December 8, 2003[#]	(7,695,000)	10	N/A	Reduction and Consolidation	Reduction by 95% pursuant to Scheme of Rehabilitation[5]	405,000	4,050,000	-
	4,828,695	10	N/A	Other than Cash	Issued upon the Reverse Merger of ACPL with our Company in the exchange ratio of 3:5 to the existing shareholders of ACPL w.e.f. April 1, 2002 pursuant	5,233,695	52,336,950	-

Date of Allotment	No. of Equity Shares	Face Value (in ₹)	Issue Price (in ₹)	Consideration (Cash, other than cash etc.)	Nature of Allotment	Cumulative No. of Equity Shares	Cumulative Equity Share Capital (in ₹)	Cumulative Equity Share Premium (in ₹)
					to Scheme of Rehabilitation[5]			
	2,250,000	10	10	Cash	Issued pursuant to conversion of unsecured loans pursuant to Scheme of Rehabilitation[6]	7,483,695	74,836,950	-
	1,250,000	10	10	Cash	Preferential allotment pursuant to Scheme of Rehabilitation[6]	8,733,695	87,336,950	-
November 16, 2004	567,324	10	38.65	Cash	Conversion of 567,324 convertible warrants held by India Advantage Fund II[7]	9,301,019	93,010,190	16,253,832.60
March 29, 2005	280,000	10	90	Cash	Preferential allotment to SARA Fund (240,000) and IEWT (40,000)[8]	9,581,019	95,810,190	38,653,832.60
	300,000	10	112.50	Cash	Preferential allotment of 150,000 Equity Shares each to AFSPL and Arch Phytochemicals Private Limited[8] each	9,881,019	98,810,190	69,403,832.60
March 31, 2005	1,600,000	10	44	Cash	Part conversion of Cumulative Convertible Preference Shares issued to Swisstech VCF[9]	11,481,019	114,810,190	12,38,03,832.60
	1,690,000	10	90	Cash	Part conversion of Convertible Debentures to Leverage India Fund[10]	13,171,019	131,710,190	259,003,832.60
	445,455	10	44	Cash	Part conversion of Cumulative	13,616,474	136,164,740	27,41,49,302.60

Date of Allotment	No. of Equity Shares	Face Value (in ₹)	Issue Price (in ₹)	Consideration (Cash, other than cash etc.)	Nature of Allotment	Cumulative No. of Equity Shares	Cumulative Equity Share Capital (in ₹)	Cumulative Equity Share Premium (in ₹)
August 4, 2005					Convertible Preference Shares issued to Swisstech VCF[11]			
	70,000	10	90	Cash	Part conversion of Convertible Debentures to Leverage India Fund[10]	13,686,474	136,864,740	279,74 9,302.60
October 18, 2006	2,400,000	10	246	Cash	Preferential allotment to India Advantage Fund – V[12]	16,086,474	160,864,740	846,149,302.60
October 17, 2007	1,608,544	10	246	Cash	Conversion of convertible warrants held by (i) the India Advantage Fund V (804,272 Equity Shares allotted) and (ii) Arch Impex Private Limited (804,272 Equity Shares allotted)[13]	17,695,018	176,950,180	12,257,65,686.60
January 25, 2008	3,539,004	10	300	Cash	Issue of Equity Shares to existing shareholders on a rights basis at 1:5 ratio[14]	21,234,022	212,340,220	2,252,076,846.60
September 29, 2010	1,250,000	10	400	Cash	Preferential Allotment[15]	22,484,022	224,840,220	2,739,576,846.60
September 29, 2010	1,000,000	10	450	Cash	Preferential Allotment[16]	23,484,022	234,840,220	3,179,576,846.60
September 29, 2010	1,300,000	10	490	Cash	Preferential Allotment[17]	24,784,022	247,840,220	3,803,576,846.60
Total						**24,784,022**	**247,840,220**	**3,803,576,846.60**

* *Initial subscription to MoA to T. V. Raghava Reddy, Dr. D. Rajagopala Reddy and P. Vijayalakshmi*

[1] *Preferential allotment to T. Mallikarjuna Reddy, Dr. I.Subrayulu Reddy, T. Lalitha Reddy and Dr. T Vindhya Reddy of 10 Equity Shares each as authorised by the Shareholders' resolution dated November 28, 1993 and pursuant to the Board resolution dated April 8, 1993.*

[2] *Preferential allotment to T. Mallikarjuna Reddy (103,050 Equity Shares), T. Shreevani Reddy (57,000 Equity Shares), T. Veda (24,000 Equity Shares), T. Lalitha (23,000 Equity Shares), T.V. Raghava Reddy (46,050 Equity Shares), T. Lalitha Reddy (63,000 Equity Shares), Dr. I. Subrayulu Reddy (9000 Equity Shares), Dr. T Vindhya Reddy (17,000 Equity Shares), P.Swathi (5,500 Equity Shares), P. Arun Reddy (25,000 Equity Shares), P. Vijaya Laxmi (25,000 Equity Shares), P. Santha Kumari (20,000 Equity Shares), P. Tulasamma (15,000), S. Murali (10,000 Equity Shares), S. Narayana (10,000 Equity Shares), G.S.N Reddy (35,000 Equity Shares), G. Padmaja Reddy (20,000 Equity Shares) and Y.S.L. Prasad (30,000 Equity Shares) as authorised by the Shareholders' resolution dated July 7, 1994 and pursuant to the Board resolution dated July 7, 1994.*

[3] *as per authorised by the Shareholders' resolution dated July 7, 1994 and pursuant to the Board resolution dated October 16, 1994*

[4] *as per authorised by the Shareholders' resolution dated July 7, 1994 and pursuant to the Board resolution dated December 13, 1994*

[5] *Pursuant to Scheme of Rehabilitation approved by the Shareholders of our Company on October 23, 2003 and pursuant to the Board resolution dated December 8, 2003 out of the total issued and subscribed 8,100,000 Equity Shares of our Company, 7,695,000 Equity Shares were cancelled and such reduction was effected by cancelling the issued, subscribed and paid-up capital of our Company by ₹9.50 per equity share and simultaneously 20 Equity Shares of ₹0.50 was consolidated into 1 Equity Share of ₹10 each, consequently making the aggregate issued, subscribed and paid-up capital of our Company was ₹4,050,000 divided into 405,000 Equity Shares of ₹10 each.*

[6] *Preferential allotment to Vijeta Trading Private Limited (700,000 Equity Shares), Marvel Healthcare Private Limited (600,000 Equity Shares), Avant Papers Private Limited (now Avant Capital Services Private Limited) (570,000 Equity Shares), Mohammad Ebrahim Khan (500,000 Equity Shares), Dhanpat Kothari (500,000 Equity Shares), Ajit Kamath (420,000 Equity Shares), Manoj Jain (140,000 Equity Shares) and Arch Phytochemicals Private Limited (70,000 Equity Shares) as authorised by the Shareholders' resolution dated October 23, 2003 and pursuant to the Board resolution dated December 8, 2003*

[#] *The Form 2 filed for this allotment however erroneously mentioned additional allotment of 405,000.*

[7] *567,324 convertible warrants were issued pursuant to shareholders' resolution in the EGM of our Company dated February 23, 2004 to India Advantage Fund – II, each convertible into 567,324 fully paid-up Equity Share which could be exercised by India Advantage Fund – II at any time on or before 18 months from the date of the allotment of the convertible warrants at an exercise price of ₹38.65 per Equity Share and were exercised on November 16, 2004.*

[8] *as authorised by the Shareholders' resolution dated March 22, 2005 and pursuant to the Board resolution dated March 29, 2005*

[9] *ACPL and the Promoter Directors of our Company had entered into a share subscription agreement with Swisstech VCF dated October 21, 2003 for subscribing to 9,000,000 10% cumulative convertible preference shares of ₹10 each, aggregating to ₹90 Million and convertible into equity shares of ACPL at a price of ₹26.40 per share or Cumulative Convertible Preference Shares of our Company (resulting upon reverse merger of ACPL into our Company) at a price of ₹44 per share within 18 months from the date of issuance of the cumulative convertible preference shares by our Company. Pursuant to the said Share Subscription Agreement and as authorised by the Shareholders' resolution dated February 23, 2004, our Company issued 9,000,000 10% Cumulative Convertible Preference Shares to Swisstech VCF, out of which 7,040,000 10% Cumulative Convertible Preference Shares were partly converted into 1,600,000 Equity Shares pursuant to the Board resolution dated March 31, 2005. The rest 1,960,000 10% Cumulative Convertible Preference Shares were converted into 445,455 Equity Shares pursuant to the Board resolution dated August 4, 2005 (for further information refer to note # 11).*

[10] *IIML Investors acting in its capacity as the investment manager to Leverage India Fund had earlier entered into a convertible debenture purchase agreement dated February 11, 2005, with Arch Pharmachem Limited, one of our Corporate Promoters, and Ajit Kamath, Manoj Jain, Vidya Kamath and Bindu Jain wherein Arch Pharmachem Limited had issued 15,840,000 Optionally Unsecured Fully Convertible Debentures to Leverage India Fund. Our Company pursuant to the agreement dated February 24, 2005 entered into with Arch Pharmachem Limited and our Promoter Directors, acquired of assets and liabilities of Arch Pharmachem Limited, which included 15,840,000 optionally fully convertible debentures of ₹10 each allotted by Arch Pharmachem Limited to Leverage India Fund. Our Company, pursuant in the Shareholders' resolution dated March 22, 2005 issued 15,840,000 optionally unsecured fully convertible debentures against the debentures held by Leverage India Fund in Arch Pharmachem Limited which could be convertible into upto 1,760,000 Equity Shares at a premium of ₹ 80 per Equity Share. Pursuant to Board Resolution dated March 31, 2005, 1,690,000 Equity Shares were issued at a premium of ₹ 80 per equity share in part conversion of the Convertible Debentures. The remainders of the Convertible Debentures were converted into 70,000 Equity Shares which were issued at a premium of ₹80 per equity share, pursuant to the Board Resolution dated August 4, 2005.*

[11] *ACPL and the Promoter Directors of our Company had entered into a share subscription agreement with Swisstech VCF dated October 21, 2003 for subscribing to 9,000,000 10% cumulative convertible preference shares of ₹10 each, aggregating to ₹90 Million and convertible into equity shares of ACPL at a price of ₹26.40 per share or Cumulative Convertible Preference Shares of our Company (resulting upon reverse merger of ACPL into our Company) at a price of ₹44 per share within 18 months from the*

date of issuance of the cumulative convertible preference shares by our Company. Pursuant to the said Share Subscription Agreement and as authorised by the Shareholders' resolution dated February 23, 2004, our Company issued 9,000,000 10% Cumulative Convertible Preference Shares to Swisstech VCF. 7,040,000 of 10% Cumulative Convertible Preference Shares had been partly converted into 1,600,000 Equity Shares pursuant to the Board resolution dated March 31, 2005 (for further information refer to note # 9) and the rest 1,960,000 90 % Cumulative Convertible Preference Shares were converted into 445,455 Equity Shares pursuant to the Board resolution dated August 4, 2005.

[12] *as authorised by the Shareholders' resolution dated September 8, 2006 and pursuant to the circular resolution of the Board dated October 18, 2006*

[13] *India Advantage Fund – V, pursuant to a subscription agreement dated September 1, 2006 entered into between India Advantage Fund – V, our Company and our Promoter Directors and Shareholder's Resolution dated September 8, 2006 subscribed to 804,272 warrants convertible into equitable number of Equity Shares at a premium of ₹236 per Equity Share, within twelve months of date of allotment of the convertible warrants i.e. October 18, 2006. The warrants were converted into Equity Shares pursuant to the Board of Director's resolution dated October 17, 2007 wherein 804,272 Equity Shares each were issued to India Advantage Fund – V.*

Pursuant to Shareholder's Resolution dated September 8, 2006, Arch Impex Private Limited, subscribed to 804,272 warrants convertible into equitable number of Equity Shares at a premium of ₹236 per Equity Share, within twelve months of date of allotment of the warrants. The warrants were converted into Equity Shares pursuant to the Board's resolution dated October 17, 2007 wherein 804,272 Equity Shares were issued to Arch Impex Private Limited

[14] *Pursuant to Section 81 (1) of the Companies Act, the Shareholders of our Company in a meeting held on November 17, 2007 approved issue of Equity Shares on a rights basis to the existing Shareholders as on November 17, 2007 at a ratio of one new share for every five Equity Shares held by them. The Board of Directors through a postal ballot dated January 25, 2008, resolved to allot 3,539,004 Equity Shares at a premium of ₹290 per share to shareholders as on November 17, 2007 and to the renouncees.*

[15] *Pursuant to Shareholder's Resolution dated September 29, 2010 and a Board Resolution (Circular Resolution) dated September 29, 2010 our Company issued 875,000, 125,000 and 250,000 Equity Shares at a premium of ₹390 per equity share on preferential basis, to AMR Investments Private Limited, Arch Pharmachem Limited and Arch Impex Private Limited respectively.*

[16] *Pursuant to Shareholder's Resolution dated September 29, 2010 and a Board Resolution (Circular Resolution) dated September 29, 2010 our Company issued 1,000,000 Equity Shares at a premium of ₹440 per equity share on preferential basis, to Dataline Investments Limited.*

[17] *Pursuant to Shareholder's Resolution dated September 29, 2010 and a Board Resolution (Circular Resolution) dated September 29, 2010 our Company issued 1,300,000 Equity Shares at a premium of ₹480 per equity share on preferential basis, to Mitsui & Co. Limited.*

II. Preference Share Capital History of our Company:

Date of issue/ allotment of the Preference Shares	No. of Preference Shares	Face Value (in ₹)	Issue Price (in ₹)	Consideration	Nature of allotment	Cumulative Preference Share Capital (in ₹)	Date of redemption/ conversion to Equity Shares
March 20, 2004	9,000,000 10% Cumulative Convertible Preference Shares[1]	10	10	Cash	Preferential Allotment to Swisstech VCF	90,000,000	March 31, 2005 and August 4, 2005
December 22, 2005	1,00,00,000, 7.5% Redeemable Preference Shares	10	10	Cash	Preferential Allotment to AFSPL	100,000,000	November 15, 2007

As on the date of this Draft Red Herring Prospectus there are no outstanding preference shares.

[1] *ACPL and the Promoter Directors of our Company had entered into a share subscription agreement with Swisstech VCF dated October 21, 2003 for subscribing to 9,000,000 10% cumulative e convertible preference shares of ₹10 each, aggregating to ₹90 Million and convertible into equity shares of ACPL at a price of ₹26.40 per share or Cumulative Convertible Preference Shares of our Company (resulting upon reverse merger of ACPL into our Company) at a price of ₹44 per share within 18 months from the date of issuance of the cumulative convertible preference shares by our Company. Pursuant to the said Share Subscription Agreement and as authorised by the Shareholders' resolution dated February 23, 2004, our Company issued 9,000,000 10% Cumulative Convertible Preference Shares to Swisstech VCF, out of which 7,040,000 10% Cumulative Convertible Preference Shares were partly converted into 1,600,000 Equity Shares pursuant to the Board resolution dated March 31, 2005. The rest*

*1,960,000 10% Cumulative Convertible Preference Shares were converted into 445,455 Equity Shares pursuant to the Board resolution dated August 4, 2005. For further information please refer to foot note no 6 to the table on "**Equity Share Capital History of our Company**" on page 30.*

3. Issue of Equity Shares in the last one year

Except as stated below we have not issued any Equity Shares in the preceding one year and some of these Equity Shares may have been issued at a price which may be lower than the Issue Price:

Date of Allotment	Number of Equity Shares	Name of the Allottee	Reasons for Allotment	Face Value (in ₹)	Issue Price (in ₹)
September 29, 2010	875,000	AMR Investments Private Limited*	To finance up-gradation and expansion of facilities, repayment of short term and /or long term loans, working capital requirements, other organic initiatives and general corporate purposes.	10	400
	125,000	Arch Pharmachem Limited*		10	400
	250,000	Arch Impex Private Limited*		10	400
	1,000,000	Dataline Investments Limited		10	450
	1,300,000	Mitsui & Co. Limited.		10	490

* *Corporate Promoters*

4. *Issue of Equity Shares for consideration other than cash*

Except as stated below we have not issued any Equity Shares for consideration other than cash:

Date of Issue/ Allotment of the Equity Shares	Name of the Allottee	No. of Equity Shares	Face Value (in ₹)	Nature of allotment	Benefit accruing to our Company
December 8, 2003	To the then existing shareholders of ACPL including our Promoters	4,828,695	10	Issued pursuant to Reverse Merger of ACPL with our Company in the exchange ratio of 3:5 w.e.f. April 1, 2002 pursuant to Scheme of Rehabilitation	Issued pursuant to the Scheme of Rehabilitation

5. We have not issued any Equity Shares out of revaluation reserves or in terms of any scheme approved under Sections 391-394 of the Companies Act, 1956. Our Company has on December 8, 2003, allotted 4,828,695 Equity Shares to the then existing shareholders of ACPL pursuant to the Scheme of Rehabilitation as approved by the BIFR.

6. *Build-up of Promoters' Shareholding, Promoters' Contribution and Lock-in*

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

Sr. No.	Name	Date of Allotment/ Transfer	Nature of Consideration (Cash/ other than Cash etc.)	Nature of allotment / acquisition	No. of Equity Shares	Face Value (in ₹)	Issue/ acquisition price per Equity Share (in ₹)
1.	***Ajit Kamath***	December 8, 2003	Other than Cash	Issued upon the Reverse Merger of ACPL with our Company in the exchange ratio of 3 :5 w.e.f. April 1, 2002 pursuant to Scheme of Rehabilitation	300	10	10

Sr. No.	Name	Date of Allotment/ Transfer	Nature of Consideration (Cash/ other than Cash etc.)	Nature of allotment / acquisition	No. of Equity Shares	Face Value (in ₹)	Issue/ acquisition price per Equity Share (in ₹)
		December 8, 2003	Cash	Preferential allotment pursuant to Scheme of Rehabilitation	420,000	10	10
		January 11, 2006	Cash	Transfer from India Advantage Fund-II	161,667	10	115.95
2.	***Manoj Jain***	December 8, 2003	Other than Cash	Issued upon the Reverse Merger of ACPL with our Company in the exchange ratio of 3:5 w.e.f. April 1, 2002 pursuant to Scheme of Rehabilitation	100	10	10
		December 8, 2003	Cash	Preferential allotment pursuant to Scheme of Rehabilitation	140,000	10	10
		January 11, 2006	Cash	Transfer from India Advantage Fund-II	53,916	10	115.95
3.	***Rajendra Kaimal***	December 8, 2003	Other than Cash	Issued upon the Reverse Merger of ACPL with our Company in the exchange ratio of 3:5 w.e.f. April 1, 2002 pursuant to Scheme of Rehabilitation	155,000	10	10
		December 31, 2004	Cash	Transfer from Mohammad Ebrahim Khan	75,000	10	10
4.	***Vidya Kamath***	December 8, 2003	Other than Cash	Issued upon the Reverse Merger of ACPL with our Company in the exchange ratio of 3:5 w.e.f. April 1, 2002 pursuant to Scheme of Rehabilitation	996,100	10	10
		February 17, 2004	Cash	Transfer to India Advantage Fund II	(485,000)	10	38.65
		March 27, 2004	Cash	Transfer from Dhanpat Kothari	262,500	10	10
		April 21, 2004	Cash	Transfer from Dhanpat Kothari	112,500	10	10
5.	***Bindu Jain***	December 8, 2003	Other than Cash	Issued upon the Reverse Merger of ACPL with our Company in the	332,100	10	10

Sr. No.	Name	Date of Allotment/ Transfer	Nature of Consideration (Cash/ other than Cash etc.)	Nature of allotment / acquisition	No. of Equity Shares	Face Value (in ₹)	Issue/ acquisition price per Equity Share (in ₹)
				exchange ratio of 3:5 w.e.f. April 1, 2002 pursuant to Scheme of Rehabilitation			
		February 17, 2004	Cash	Transfer to India Advantage Fund II	(161,749)	10	38.65
		March 27, 2004	Cash	Transfer from Dhanpat Kothari	87,500	10	10
		April 21, 2004	Cash	Transfer from Dhanpat Kothari	37,500	10	10
6.	***Ajit Annu Kamath (HUF)***	December 8, 2003	Other than Cash	Issued upon the Reverse Merger of ACPL with our Company in the exchange ratio of 3:5 w.e.f. April 1, 2002 pursuant to Scheme of Rehabilitation	100	10	10
		December 13, 2004	Cash	Transfer from Mohammad Ebrahim Khan	100,000	10	10
		December 30, 2004	Cash	Transfer from Mohammad Ebrahim Khan	200,000	10	10
7.	***Manoj Jain (HUF)***	December 8, 2003	Other than Cash	Issued upon the Reverse Merger of ACPL with our Company in the exchange ratio of 3:5 w.e.f. April 1, 2002 pursuant to Scheme of Rehabilitation	100	10	10
		December 13, 2004	Cash	Transfer from Mohammad Ebrahim Khan	100,000	10	10
8.	***Arch Phytochemicals Private Limited***	December 8, 2003	Other than Cash	Issued upon the Reverse Merger of ACPL with our Company in the exchange ratio of 3:5 w.e.f. April 1, 2002 pursuant to Scheme of Rehabilitation	70,000	10	10
		March 29, 2005	Cash	Preferential Allotment	150,000	10	112.50
		August 29, 2005	Cash	Transfer from Vijeta Trading Private Limited	300,000	10	10

Sr. No.	Name	Date of Allotment/ Transfer	Nature of Consideration (Cash/ other than Cash etc.)	Nature of allotment / acquisition	No. of Equity Shares	Face Value (in ₹)	Issue/ acquisition price per Equity Share (in ₹)
		October 15, 2007	Cash	Transfer from AFSPL	619,908	10	10
9.	***Avant Capital Services Private Limited***	December 8, 2003	Other than Cash	Issued upon the Reverse Merger of ACPL with our Company in the exchange ratio of 3:5 w.e.f. April 1, 2002 pursuant to Scheme of Rehabilitation	570,000	10	10
		July 4, 2005	Cash	Transfer from Marvel Health Care Private Limited	600,000	10	10
		March 23, 2006	Cash	Transfer from Sainath Investments Private Limited	21,000	10	147
		March 2, 2007	Cash	Transfer from ▪ P. Swati – 15,525 ▪ T. Veda & T. Shreevani Reddy – 10,000 ▪ T. Lalitha - 11,000 ▪ T. Shreevani Reddy – 13,500 ▪ T. Veda – 1000 ▪ P. Shalini – 15,250 ▪ Veda Soft Solutions Private limited – 52,495	118,770	10	120
10.	***Arch Impex Private Limited***	October 17, 2007	Cash	Conversion of convertible warrants	804,272	10	246
		November 6, 2007	Cash	Transfer from Rajiv Kumar	12,000	10	275
		November 15, 2007	Cash	Acquired from public pursuant to Delisting Offer to shareholders *vide* letter of offer dated May 8, 2006**	75,035	10	150
		September 29, 2010	Cash	Preferential Allotment	250,000	10	400
11.	***A M R Investments Private Limited***	January 25, 2008	Cash	Allotment Pursuant to rights issue[1]	849,806	10	300
		July 21, 2008	Cash	Transfer from Umamaheswari Bommareddy	11,725	10	341.15

Sr. No.	Name	Date of Allotment/ Transfer	Nature of Consideration (Cash/ other than Cash etc.)	Nature of allotment / acquisition	No. of Equity Shares	Face Value (in ₹)	Issue/ acquisition price per Equity Share (in ₹)
		February 6, 2009	Cash	Transfer from Subhash Mali	25,000	10	300
		January 15, 2010	Cash	Transfer from T. Mallikarjuna Reddy	12,000	10	375
		September 29, 2010	Cash	Preferential Allotment	875,000	10	400
12.	***Arch Pharmachem Limited***	January 25, 2008	Cash	Allotment Pursuant to rights issue[2]	415,237	10	300
		September 29, 2010	Cash	Preferential Allotment	125,000	10	400
	TOTAL				**8,492,387**		

[1] *Arch Phytochemicals Private Limited and Arch Impex Private Limited had renounced their rights and assigned the same under the Rights Issue in favour of A M R Investments Private Limited*

[2] *Our Individual Promoters, Ajit Annu Kamath (HUF), Manoj Jain (HUF), Avant Papers Private Limited (now Avant Capital Services Private Limited), Arch Impex Private Limited, Swisstech VCF, I. Mytri, T. Vindhya,T. Srinivasalu Reddy, P. V. Sandhya Reddy and I. Subrayalu Reddy had renounced their rights and assigned the same under the Rights Issue in favour of Arch Pharmachem Limited.*

** All the Equity Shares issued to our Promoters/ acquired by our Promoters were fully paid-up.*

***For further details regarding Delisting Offer to shareholders please refer to the chapter "**History and Certain Corporate Matters**" on page 129.*

(b) ***The details of the shareholding of our Promoters*, Promoter Group and other major shareholders as on the date of this Draft Red Herring Prospectus***:

Promoters and Promoter Group

Shareholders	Pre-Issue		Post-Issue		No of Shares Pledged
	No. of Equity Shares	Percentage of shareholding (%)	No. of Equity Shares	Percentage of shareholding (%)	
Promoters					
Ajit Kamath	581,967	2.35	581,967	[•]	Nil
Manoj Jain	194,016	0.78	194,016	[•]	Nil
Rajendra Kaimal	230,000	0.93	230,000	[•]	Nil
Vidya Kamath	886,100	3.58	886,100	[•]	Nil
Bindu Jain	295,351	1.19	295,351	[•]	Nil
Ajit Annu Kamath (HUF)	300,100	1.21	300,100	[•]	Nil
Manoj Jain (HUF)	100,100	0.40	100,100	[•]	Nil
Arch Phytochemicals Private Limited	1,139,908	4.60	1,139,908	[•]	Nil
Avant Capital Services Private Limited	1,309,770	5.28	1,309,770	[•]	Nil
Arch Impex Private Limited	1,141,307	4.61	1,141,307	[•]	Nil
AMR Investments Private Limited	1,773,531	7.16	1,773,531	[•]	Nil
Arch Pharmachem Limited	540,237	2.18	540,237	[•]	Nil
Total	**8,492,387**	**34.27**	**8,492,387**	**[•]**	**Nil**
Promoter Group					
Nil	-	-	-	-	-
Total Promoters and Promoter Group	**8,492,387**	**34.27**	**8,492,387**	**[•]**	**Nil**

**All the shares held by our Promoters are held in dematerialised form except Ajit Annu Kamath (HuF) which holds 300,100 Equity Shares in physical.*

Shareholders who are not in the Promoters and Promoter Group holding 1% or more of the pre-Issue shareholding in Our Company:

Shareholders	Pre-Issue		Post-Issue	
	No. of Equity Shares	Percentage of shareholding (%)	No. of Equity Shares	Percentage of shareholding (%)
India Advantage Fund V	5,230,067	21.10	2,382,446	[•]
Swisstech VCF	2,021,245	8.16	Nil	[•]
Leverage India Fund	1,804,099	7.28	1,304,099	[•]
Mitsui and Co Limited	1,300,000	5.25	1,300,000	[•]
Dataline Investments Limited	1,000,000	4.03	1,000,000	[•]
Dynamic India Fund – I	438,457	1.77	Nil	[•]
India Advantage Fund – II	360,209	1.45	Nil	[•]
GHIOF Mauritius	297,550	1.20	297,550	[•]
India Infoline Investment Services Limited	263,028	1.06	263,028	[•]
SARA Fund	246,013	0.99	246,013	[•]
Total of Shareholders in public category who hold more than 1% Shareholding	**12,960,668**	**52.29**	**6,793,136**	**[•]**

(c) ***Details of Promoters Contribution and lock-in***

Pursuant to the SEBI ICDR Regulations, an aggregate of 20% of the post-Issue Paid-up Equity Share Capital of our Company shall be locked in by our Promoters for a period of three (3) years from the date of Allotment pursuant to this Issue.

As per clause (a) Sub-Regulation (1) Regulation 32 of the SEBI ICDR Regulations, and in terms of the aforementioned table of Promoter share capital build- up, the below mentioned Equity Shares, held by our Promoters, as per Sub-Regulation (a) of Regulation 36 of SEBI ICDR Regulations shall be locked in for a period of three (3) years from the date of Allotment to this Issue:

Name	Date of Allotment/ Transfer	Consideration (Cash/ other than Cash etc.)	Nature of allotment/ acquisition	No. of Equity Shares	Face Value (in ₹)	Issue/ acquisition price per Equity Share (in ₹)	Equity Shares locked-in pursuant to this Issue	% of pre-Issue Equity Share Capital	% of post-Issue Equity Share Capital
Ajit Kamath	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Manoj Jain	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Rajendra Kaimal	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Vidya Kamath	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Bindu Jain	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Ajit Annu Kamath (HUF)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Manoj Jain (HUF)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Arch Phytochemicals Private Limited	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Avant Capital Services Private Limited	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
A M R Investments Private Limited	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Name	Date of Allotment/ Transfer	Consideration (Cash/ other than Cash etc.)	Nature of allotment/ acquisition	No. of Equity Shares	Face Value (in ₹)	Issue/ acquisition price per Equity Share (in ₹)	Equity Shares locked-in pursuant to this Issue	% of pre-Issue Equity Share Capital	% of post-Issue Equity Share Capital
Arch Impex Private Limited	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Arch Pharmachem Limited	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
TOTAL				[•]			[•]	[•]	20%

* *All the shares issued by our Company have been fully paid up*

Details of Promoters' contribution and Lock-in:

All the Equity Shares which are being offered for lock-in as Promoters' contribution are not ineligible for computation of Promoters' contribution under Regulation 33 of the SEBI ICDR Regulations. In this connection, as per Regulation 33 of the SEBI ICDR Regulations, we confirm the following:

- The Equity Shares offered for minimum 20% Promoters' contribution are not acquired during the preceding three years for consideration other than cash and out of revaluation of assets or capitalisation of intangible assets or resulting out of bonus issue of Equity Shares out of revaluation reserves or out of unrealised profits of our Company or against Equity Shares which are otherwise ineligible for computation of Promoters' contribution;

- The Equity Shares offered for minimum 20% Promoters' contribution are not acquired in terms of any scheme under sections 391-394 of the Companies Act, 1956, as approved by any High Court, by Promoters in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval.

- The minimum Promoters' contribution does not include any Equity Shares acquired during the preceding one year;

- Our Company was not formed pursuant to conversion of a partnership firm; and

- The Equity Shares held by our Promoters' and offered for minimum 20% Promoters' contribution are not subject to any pledge.

The minimum Promoters' contribution does not consist of Equity Shares for which specific written consent has not been obtained from the respective Promoters for inclusion of their subscription in the minimum Promoters' contribution subject to lock-in. We confirm that specific written consent has been obtained from our Promoters and that our Promoters have undertaken that the Equity Shares forming part of Promoter's contribution subject to lock-in will not be disposed, sold or transferred by our Promoters during the period starting from the date of this Draft Red Herring Prospectus with the SEBI till the date of commencement of lock-in period. The details of lock-in shall also be provided to the Stock Exchanges prior to listing of the Equity Shares.

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

In terms of Regulation 37 of the SEBI ICDR Regulations, other than:

a. Equity Shares that are locked in for a period of three (3) years as above;
b. 6,172,607 Equity Shares being offered by the Selling Shareholders as a part of the Offer for Sale in this Issue; and
c. Equity Shares held by India Advantage Fund I, India Advantage Fund V, Leverage India Fund and SARA Fund i.e. 199,698 Equity Shares, 2,382,446 Equity Shares, 1,304,099 Equity Shares and 246,013 Equity Shares respectively, which are exempted from the requirement of lock-in under provisio (b) of Regulation 37 of the SEBI ICDR Regulations,

the entire pre-Issue Equity Share Capital of our Company would be locked-in for a period of one (1) year from the date of Allotment of Equity Shares in the Issue (unless exempted). For further details regarding the number of shares offered by the Selling Shareholders please refer to the paragraph "***Build-up of Selling Shareholders***" on page 42 in the chapter "***Capital Structure***" beginning on page 28.

(e) ***Lock-in of Equity Shares allotted to Anchor Investors***

Further, if our Company in consultation with the Selling Shareholders and the BRLMs decides to issue Equity Shares to Anchor Investors, these Equity Shares Allotted, in the Anchor Investor Portion shall be locked in for a period of 30 days from the date of Allotment of Equity Shares in the Issue.

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

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

In terms of Regulation 40 of the SEBI ICDR Regulations, the Equity Shares held by our Promoters locked-in as per Regulation 36 may be transferred to another promoter or any person of our Promoter Group or to new promoter or a person in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

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

7. *Build-up of Selling Shareholders*

Name	Date of allotment/ Transfer	Nature of Consideration (Cash other than Cash etc)	Nature of allotment / acquisition	No. of Equity Shares	Face Value (in ₹)	Issue/ acquisition price per Equity Share (in ₹)
Swisstech VCF	March 31, 2005	Cash	Part conversion of Cumulative Convertible Preference Shares issued to Swisstech VCF	1,600,000	10	44
	August 4, 2005	Cash	Part conversion of Cumulative Convertible Preference Shares issued to Swisstech VCF	445,455	10	44
	January 25, 2008	Cash	Allotment Pursuant to rights issue in the ratio of 1 Equity Share for every 5 Equity Shares held in our Company	368,190	10	300
	May 10, 2010	Cash	Transferred to GHIOF Mauritius	(175,000)	10	400
	May 11, 2010	Cash	Transferred to Emerging India Focus Fund (18,750 Equity Shares) and India Infoline Venture Capital Fund (198,650 Equity Shares)	(217,400)	10	400
Total (A)				**2,021,245**		
Leverage India Fund	March 31, 2005	Cash	Part conversion of Convertible Debenture	1,690,000	10	90
	August 4, 2005	Cash	Part conversion of Convertible Debenture	70,000	10	90
	January 25, 2008	Cash	Allotment Pursuant to rights issue in the ratio of 1 share for every 5 Equity Shares held in our Company	352,000	10	300

Name	Date of allotment/ Transfer	Nature of Consideration (Cash other than Cash etc)	Nature of allotment / acquisition	No. of Equity Shares	Face Value (in ₹)	Issue/ acquisition price per Equity Share (in ₹)
	April 13, 2010	Cash	Transfer to new shareholders	(305,401)	10	400
	April 23, 2010	Cash	Transfer to Ranglal Bagaria (HUF)	(2,500)	10	400
Total (B)				**1,804,099**		
India Advantage Fund –II	February 17, 2004	Cash	Transfer from Vidya Kamath	485,000	10	38.65
	February 17, 2004	Cash	Transfer from Bindu Jain	161,749	10	38.65
	November 16, 2004	Cash	Issued pursuant to conversion of 567,324 convertible warrants issued pursuant to shareholders' resolution in the EGM of our Company dated February 23, 2004	567,324	10	38.65
	January 11, 2006	Cash	Transfer to Ajit Kamath	(161,667)	10	115.95
	January 11, 2006	Cash	Transfer to Manoj Jain	(53,916)	10	115.95
	March 31, 2007	Cash	Transferred to ICICI Bank Limited	(148,291)	10	246
	March 31, 2007	Cash	Transfer to Dynamic India Fund – I	(356,942)	10	246
	September 30, 2007	Cash	Transferred to Dynamic India Fund – I	(45,769)	10	246
	May 11, 2010	Cash	Transfer to India Infoline Venture Capital Fund	(87,279)	10	400
Total (C)				**360,209**		
India Advantage Fund –V	September 14, 2006	Cash	Transfer from Vinod Shenoy	1,000,000	10	225
	October 18, 2006	Cash	Preferential allotment to India Advantage Fund – V	2,400,000	10	246
	October 17, 2007	Cash	Conversion of convertible warrants issued pursuant Shareholder's Resolution dated September 8, 2006	804, 272	10	246
	January 25, 2008	Cash	Issue of Equity Shares to existing shareholders on a rights basis at 1:5 ratio pursuant to renunciation by India Advantage Fund VI – 200,000 in its favour and direct subscription of 840,854 Equity Shares	1,040,854	10	300
	June 6, 2008	Cash	Transfer from India Advantage Fund – VI	1,000,000	10	175
	May 12, 2010	Cash	Transfer to new shareholders	(1,008,809)	10	400
	June 17, 2010	Cash	Transfer to Manjeet Singh Basi	(6,250)	10	400

Name	Date of allotment/ Transfer	Nature of Consideration (Cash other than Cash etc)	Nature of allotment / acquisition	No. of Equity Shares	Face Value (in ₹)	Issue/ acquisition price per Equity Share (in ₹)
Total (D)				**5,230,067**		
Rainbow Fund	May 30, 2008	Cash	Transfer from ICICI Bank Limited	6,305	10	261
	May 24, 2010	Cash	Transferred to India Infoline Venture Capital Fund	(1,230)	10	400
Total (E)				**5,075**		
Dynamic India Fund – I	March 31, 2007	Cash	Transfer from India Advantage Fund – II	356,942	10	246
	September 30, 2007	Cash	Transfer from India Advantage Fund – II	45, 769	10	246
	April 4, 2008	Cash	Transfer from ICICI Bank Limited	141,986	10	261
	May 28, 2010	Cash	Transfer to Emerging India Focus Fund	(106,240)	10	400
Total (F)				**438,457**		
Total (A+B+C+D+E+F)				**9,859,152**		

The details of the shareholding of the Selling Shareholders as on the date of filing, number of Equity Shares offered in the Offer for Sale and post issue shareholding:

Shareholders	Pre-Issue		Offer for Sale	Post-Issue	
	No. of Equity Shares	Percentage of shareholding (%)	No. of Equity Shares offered	No. of Equity Shares	Percentage of shareholding (%)
India Advantage Fund II	360,209	1.45	360,209	Nil	[•]
India Advantage Fund V	5,230,067	21.11	2,847,621	2,382,446	[•]
Rainbow Fund	5,075	0.02	5,075	Nil	[•]
Dynamic India Fund - I	438,457	1.77	438,457	Nil	[•]
Leverage India Fund	1,804,099	7.28	500,000	1,304,099	[•]
Swisstech VCF	2,021,245	8.16	2,021,245	Nil	[•]
Total	**9,859,152**	**39.80**	**6,172,607**	**3,686,545**	**[•]**

8. ***Shareholding Pattern***

A. The following table presents the Shareholding Pattern of our Company as on March 18, 2011:

(Face value of Equity Shares of ₹10 each)

Category Code (I)	Category of Shareholders (II)	Number of Shareholders (III)	Total Number of Equity Shares (IV)	Number of Shares Held in dematerialized form (V)	Total Shareholding as a percentage of total number of Equity Shares		Shares pledged or otherwise encumbered	
					As a percentage of A+B (VI)	As a percentage A+B+C (VII)	Number of Equity Shares (VIII)	As a percentage (IX)=(VIII)/(IV)*100
(A)	**Shareholding of Promoter and Promoter Group**							
1	**Indian**							
a	Individuals/Hindu Undivided Family	7	2,587,634	2,287,534	10.44	10.44	0	0.00

Category Code (I)	Category of Shareholders (II)	Number of Shareholders (III)	Total Number of Equity Shares (IV)	Number of Shares Held in dematerialized form (V)	Total Shareholding as a percentage of total number of Equity Shares		Shares pledged or otherwise encumbered	
					As a percentage of A+B (VI)	As a percentage A+B+C (VII)	Number of Equity Shares (VIII)	As a percentage (IX)=(VIII)/(IV)*100
b	Central Government/State Government	0	0	0	0.00	0.00	0	0.00
c	Bodies Corporate	5	59,047,53	5,904,753	23.82	23.82	0	0.00
d	Financial Institutions/Banks	0	0	0	0.00	0.00	0	0.00
e	Any Other	0	0	0	0.00	0.00	0	0.00
	Sub-Total (A) (1)	**12**	**8,492,387**	**8,192,287**	**34.27**	**34.27**	**0**	**0.00**
2	**Foreign**							
a	Individuals(Non-Resident Individuals)	0	0	0	0.00	0.00	0	0.00
b	Bodies Corporate i.e. OCBs	0	0	0	0.00	0.00	0	0.00
c	Institutions	0	0	0	0.00	0.00	0	0.00
d	Any Other (specify)	0	0	0	0.00	0.00	0	0.00
	Sub-Total (A) (2)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0**	**0.00**
	Total Shareholding of Promoter and Promoter Group (A)(1)+(A)(2)	**12**	**8,492,387**	**8,192,287**	**34.27**	**34.27**	**0**	**0.00**
(B)	**Public Shareholding**							
1	**Institutions**							
a	Mutual Funds/UTI	3	730	385	0.00	0.00	0	0.00
b	Financial Institutions/Banks	0	0	0	0	0	0	0.00
c	Central Government/State Government(s)	0	0	0	0.00	0.00	0	0.00
d	Venture Capital Fund	5	7,840,086	7,840,086	31.63	31.63	0	0.00
e	Insurance Companies	0	0	0	0.00	0.00	0	0.00
f	Foreign Institutional Investors	1	124,990	124,990	0.50	0.50	0	0.00
g	Foreign Venture Capital Investors	2	2,459,702	2,459,702	9.93	9.93	0	0.00
h	Any Other (Foreign Banks)	0	0	0	0.00	0.00	0	0.00
	Sub-Total (B) (1)	**11**	**10,425,508**	**10,425,163**	**42.07**	**42.07**	0	**0.00**

Category Code (I)	Category of Shareholders (II)	Number of Shareholders (III)	Total Number of Equity Shares (IV)	Number of Shares Held in dematerialized form (V)	Total Shareholding as a percentage of total number of Equity Shares		Shares pledged or otherwise encumbered	
					As a percentage of A+B (VI)	As a percentage A+B+C (VII)	Number of Equity Shares (VIII)	As a percentage (IX)=(VIII)/(IV)*100
2.	**<u>Non-Institutions</u>**							
A	Bodies Corporate	121	1,361,118	1,203,614	5.49	5.49	0	0.00
B	Individuals							
I	Individual Shareholders holding nominal Share Capital value upto ₹1 lakh	18,521	564,492	380,276	2.29	2.29	0	0.00
II	Individual Shareholders holding nominal Share Capital value In excess of ₹1 lakh	42	1,109,861	1,048,861	4.48	4.48	0	0.00
C	**Any Other (specify)**							
	1. OCB's	0	0	0	0.00	0.00	0	0.00
	2. Foreign Company	3	2,597,550	297,550	10.481	10.481	0	0.00
	3. Clearing members	1	30	30	0.000	0.000	0	0.00
	4. Market Maker	0	0	0	0.000	0.000	0	0.000
	5. Foreign shareholder	0	0	0	0.000	0.000	0	0.000
	6. NRIs	45	135,200	12,500	0.546	0.546		0.000
	7. NRN	4	24,770	24,770	0.100	0.100		0.000
	8. Trusts	1	73,106	73,106	0.295	0.295		0.000
	Sub-Total (B) (2)	**18,738**	**5,866,127**	**3,040,707**	**23.67**	**23.66**		**0.000**
	Total Public Shareholding (B)= (B)(1)+(B)(2)	**18,749**	**16,291,635**	**13,465,870**	**65.73**	**65.73**	**0**	**0.00**
	Total (A)+(B)	**18,761**	**24,784,022**	**21,658,157**	**100.00**	**100.00**	**0**	**0.00**
(C)	**Share held by Custodian and against which Depository Receipts**	0	0	0	0.00	0.00	0	0.00
	Grand Total (A)+(B)+(C)	**18,761**	**24,784,022**	**21,658,157**	**100**	**100**	**0**	**0.00**

B. Shareholding of our Promoter and Promoter Group*

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

Sr. No. (I)	Name of the shareholder (II)	Total Equity Shares held		Shares pledged or otherwise encumbered		
		Number (III)	As a % of grand total (A)+(B)+(C) (IV)	Number (V)	As a percentage (VI)= (V)/(III)X 100	As a % of grand total (A)+(B)+(C) of sub-clause (I)(a) (VII)
1.	Ajit Kamath	581,967	2.35	0	0.00	0.00
2.	Manoj Jain	194,016	0.78	0	0.00	0.00
3.	Rajendra Kaimal	230,000	0.93	0	0.00	0.00
4.	Vidya Kamath	886,100	3.58	0	0.00	0.00
5.	Bindu Jain	295,351	1.19	0	0.00	0.00
6.	Ajit Annu Kamath (HUF)	300,100	1.21	0	0.00	0.00
7.	Manoj Jain (HUF)	100,100	0.40	0	0.00	0.00
8.	Arch Phytochemicals Private Limited	1,139,908	4.60	0	0.00	0.00
9.	Avant Capital Services Private Limited	1,309,770	5.28	0	0.00	0.00
10.	Arch Impex Private Limited	1,141,307	4.61	0	0.00	0.00
11.	AMR Investments Private Limited	1,773,531	7.16	0	0.00	0.00
12.	Arch Pharmachem Limited	540,237	2.18	0	0.00	0.00
	Total	**8,492,387**	**34.27**	**0**	**0.00**	**0.00**

Please refer to the table on "Build-up of Promoters' Shareholding, Promoters' Contribution and Lock-in**" in this chapter on page 35 for details relating to issue of shares to and acquisition of Equity Shares by our Promoters*

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

Sr. No.	Name of the shareholder	Number of Equity Shares	Shares as a percentage of total number of Equity Shares (i.e., Grand Total (A)+(B)+(C) indicated in Statement at Para 8(a) above)
1.	India Advantage Fund V	5,230,067	21.10
2.	Swisstech VCF	2,021,245	8.16
3.	Leverage India Fund	1,804,099	7.28
4.	Mitsui and Co Limited	1,300,000	5.25
5.	Dataline Investments Limited	1,000,000	4.03
6.	Dynamic India Fund – I	438,457	1.77
7.	India Advantage Fund – II	360,209	1.45
8.	GHIOF Mauritius	297,550	1.20
9.	India Infoline Investment Services Limited	263,028	1.06
	TOTAL	**12,714,655**	**51.30**

D. Details of Depository Receipts

Nil

E. Statement showing Holding of Depository Receipts, where underlying shares are in excess of 1 % of total number of Equity Shares

Nil

F. Statement showing voting pattern of shareholders if more than one class of Equity Shares issued by our Company

Not applicable

9. Except as stated below none of our Directors or KMP or directors of our Corporate Promoters# holds Equity Shares of our Company as on date.

Sr. No.	Shareholder	Position	No. of Equity Shares	Percentage of Pre Issue (%)
1.	Ajit Kamath	Director & director of our Corporate Promoters	581,967	2.35
2.	Manoj Jain	Director & director of our Corporate Promoters	194,016	0.78
3.	Rajendra Kaimal	Director & director of our Corporate Promoters	230,000	0.93
4.	T Mallikarjuna Reddy	Director	510	0.00
5.	Dr. Shailesh Mehta*	Director	297,550	1.20
6.	Subhash Mali	KMP	34,600	0.14
	Total		**1,338,593**	**5.40**

** Held by Dr. Shailesh Mehta indirectly through GHIOF, Mauritius, which is an entity held by companies owned and controlled by Dr. Shailesh Mehta*

 # all the directors of our Corporate Promoters are also Directors of our Company

10. The list of our shareholders and the number of Equity Shares held by them is as under:

(a) Our top 10 shareholders as on the date of this Draft Red Herring Prospectus* are as follows:

Sr. No.	Shareholder	No. of Equity Shares	Percentage of shareholding (%)
1.	India Advantage Fund V	5,230,067	21.10
2.	Swisstech VCF	2,021,245	8.16
3.	Leverage India Fund	1,804,099	7.28
4.	AMR Investments Private Limited	1,773,531	7.16
5.	Avant Capital Services Private Limited	1,309,770	5.28
6.	Mitsui and Co. Limited	1,300,000	5.25
7.	Arch Impex Private Limited	1,141,307	4.61
8.	Arch Phytochemicals Private Limited	1,139,908	4.60
9.	Dataline Investments Limited	1,000,000	4.03
10.	Vidya Kamath	886,100	3.58
	Total	**17,606,027**	**71.05**

**Beneficial position as on March 18, 2011. Our Company has only 18,761 members on the aforesaid date*

(b) Our top 10 shareholders ten (10) days prior to the date of this Draft Red Herring Prospectus* are as follows:

Sr. No.	Shareholder	No. of Equity Shares	Percentage of shareholding (%)
1.	India Advantage Fund V	5,230,067	21.10
2.	Swisstech VCF	2,021,245	8.16
3.	Leverage India Fund	1,804,099	7.28
4.	AMR Investments Private Limited	1,773,531	7.16
5.	Avant Capital Services Private Limited	1,309,770	5.28
6.	Mitsui and Co Limited	1,300,000	5.25
7.	Arch Impex Private Limited	1,141,307	4.61
8.	Arch Phytochemicals Private Limited	1,139,908	4.60
9.	Dataline Investments Limited	1,000,000	4.03
10.	Vidya Kamath	886,100	3.58
	Total	**17,606,027**	**71.05**

**Beneficial position as on March 18, 2011.Our Company had only 18,761 members on the aforesaid date*

(c) Our top 10 shareholders as of two years prior to the date of this Draft Red Herring Prospectus were as follows*:

Sr. No.	Shareholder	No. of Equity Shares	Percentage of shareholding (%)
1.	India Advantage Fund V	6,245,126	29.41
2.	Swisstech VCF	2,413,645	11.37

Sr. No.	Shareholder	No. of Equity Shares	Percentage of shareholding (%)
3.	Leverage India Fund	2,112,000	9.95
4.	Avant Capital Services Private Limited	1,309,770	6.17
5.	Arch Phytochemicals Private Limited	1,139,908	5.37
6.	AMR Investments Private Limited	886,531	4.18
7.	Vidya Kamath	886,100	4.17
8.	Arch Impex Private Limited	879,227	4.14
9.	Ajit Kamath	581,967	2.74
10.	Dynamic India Fund I	544,697	2.57
	Total	**16,998,971**	**80.06**

*****Beneficial position as on March 13, 2009. Our Company had only 18,748 members on the aforesaid date*

11. Issue of [•]Equity Shares of face value of ₹10 each for cash at a price of ₹[•] per Equity Share (including share premium of ₹[•] per Equity Share), comprising of a Fresh Issue of [•] Equity Shares by our Company aggregating upto ₹ 1,350 Million and an Offer for Sale of 6,172,607 Equity Shares by the Selling Shareholders aggregating to ₹[•] Million. This Issue comprises of a Net Issue of [•] Equity Shares of ₹10 each to the public and an Employee Reservation Portion of upto 200,000 Equity Shares of ₹10 each for subscription by Eligible Employees on a competitive basis. This Issue will constitute upto [•] % of the fully diluted post Issue paid-up capital of our Company and the Net Issue will constitute [•] % of the fully diluted post Issue paid-up capital of our Company.

12. This Issue is being made under Sub-Regulation (1) of Regulation 26 of the SEBI ICDR Regulations and through a Book Building Process wherein not more than 50% of the Net Issue will be available for allocation on a proportionate basis to QIBs. Our Company in consultation with the Selling Shareholders and the BRLMs may consider participation by Anchor Investors in the Net Issue for upto 30% of the QIB Portion, in accordance with the SEBI ICDR Regulations at or above the Anchor Investor Price, out of which atleast one-third will be available for allocation to the domestic Mutual Funds only. In the event of under-subscription or non-allocation, if any, in the Anchor Investor Portion, the balance Equity Shares shall be added to the remaining QIB Portion. 5% of the QIB Portion (excluding Anchor Investor Portion, if any) shall be available for allocation on a proportionate basis to Mutual Funds only and the remaining QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If the aggregate demand by Mutual Funds is less than 5% of the QIB Portion (excluding the Anchor Investor Portion, if any), the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion (excluding the Anchor Investor Portion, if any) and be available for allocation proportionately to the QIB Bidders. Further not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders subject to valid Bids being received from them at or above the Issue Price. Further, upto 200,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price, provided that the value of allotment to a single Eligible Employee does not exceed ₹ 200,000. For further details please refer to the chapter titled "***Issue Procedure***" on page 373.

13. Under-subscription, if any, in any category would be met with spill-over from other categories or a combination of categories. Under subscription, if any, in the Employees Reservation Portion, will be added back to the Net Issue. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employees Reservation Portion. Such inter-se spill over, if any, will be at the discretion of our Company in consultation with the Selling Shareholders, the BRLMs and the Designated Stock Exchange and in accordance with applicable laws, rules, regulations and guidelines, subject to valid Bids being received at or above the Issue Price. Investors may note that in case of over-subscription in the Issue, allotment to QIB Bidders (excluding the Anchor Investor Portion, if any), Non-Institutional Bidders, Retail Bidders and Eligible Employees bidding under Employees Reservation Portion shall be on a proportionate basis.

14. It is to be understood that the requirement for minimum subscription is not applicable to the Offer for Sale. On receipt of minimum subscription i.e. 90% of the Fresh Issue and in case of under-subscription in the Issue, the entire subscription amount would first be adjusted towards the Fresh Issue and thereafter towards the Offer for Sale.

15. Investors may note that in-case of over-subscription, if any, in this Issue, Allotment shall be made on proportionate basis to QIBs, Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding

under Employee Reservation Portion and will be finalised by our Company in consultation with the Selling Shareholders and the BRLMs and the Designated Stock Exchange and in accordance with applicable laws, rules, regulations and guidelines, subject to valid Bids being received at or above the Issue Price.

16. The Equity Shares are fully paid up and there are no partly paid up Equity Shares as on date. All the Equity Shares offered through this Issue are fully paid-up.

17. Neither our Promoters nor the members of our Promoter Group nor the directors of our Corporate Promoters nor our Directors and their immediate relatives have purchased or sold or financed the purchase or sale of any Equity Shares, during the period of six months immediately preceding the date of this Draft Red Herring Prospectus.

18. The total number of Equity Shares in our Company is 24,784,022 out of which 3,125,865 Equity Shares are held in physical form and 21,658,157 are held in demat form as on date of this Draft Red Herring Prospectus.

19. Our Company has revalued its fixed assets on March 31, 2002. As per the valuation report submitted by the chartered accountant, the total fixed assets were revalued whereby the revaluation reserve was determined to be ₹42.28 Million. This capital reserve created on the revaluation of fixed assets has been set-off against accumulated losses in the same year i.e. Fiscal 2002.

20. A Bidder cannot make a Bid for more than the number of Equity Shares offered to the public through this Issue and the Bidders are subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.

21. Over-subscription if any, to the extent of 10% of the net offer to the public can be retained for the purpose of rounding off to the nearer multiple of minimum allotment lot, while finalising the 'Basis of Allotment. Consequently, the actual Allotment may go up by a maximum of 10% of the net offer to the public, as a result of which, the post-Issue paid up capital after this Issue may 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.

22. Our Promoters, our Company, Selling Shareholders, our Directors, and the BRLMs have not entered into any buy-back or standby or similar arrangements for the purchase of Equity Shares from any person offered through this Issue.

23. No incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise, shall be made either by us or our Promoters to the persons who receives Allotments, if any, in this Issue for making an application for Allotment in this Issue except discount if any that may be offered by our Company in consultation with the BRLMs to the Eligible Employees.

24. As on the date of this Draft Red Herring Prospectus, none of the Equity Shares held in our Company by our Promoters are subject to pledge in favour of any banks or financial institutions.

25. The BRLMs currently do not hold any Equity Shares in our Company.

However, associates of one of our BRLMs, India Infoline Limited, namely India Infoline Investment Services Limited and India Infoline Venture Capital Fund hold 263,028 and 73,106 Equity Shares respectively in our Company.

26. In compliance with Sub-Regulation (5) of Regulation 26 of the SEBI ICDR Regulations, as on the date of this Draft Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments that are convertible into the Equity Shares of our Company or which would entitle any person any option to receive Equity Shares after the Initial Public Offering. Further, none of the loans taken by our Company are convertible into Equity Shares.

27. No payment, direct or indirect in the nature of discount, commission, and allowance or otherwise shall be made either by our Company or our Promoters to the persons who receive allotments, if any, in this Issue.

28. Our Company has not raised any bridge loans against the Net Proceeds of the Fresh Issue.

29. Except as stated in "***Annexure – Unconsolidated Statement of Sundry Debtors***" on page 257 none of our sundry debtors is related to our Directors or Promoters or our Company.

30. We presently do not intend or propose any further issue of Equity Shares, whether by way of issue of bonus Equity Shares, preferential allotment and/or rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares proposed to be issued pursuant to this Issue have been listed on the Stock Exchanges.

31. We shall ensure that transactions in Equity Shares by our Promoters and members of our Promoter Group between the date of registering the Red Herring Prospectus with the RoC and the listing of the Equity Shares of our Company on the Stock Exchanges shall be reported to the Stock Exchanges within twenty four (24) hours of such transaction.

32. Our Company does not have any Employee Stock Option Scheme / Employee Stock Purchase Scheme for our employees and we do not intend to allot any Equity Shares to our employees under Employee Stock Option Scheme / Employee Stock Purchase Scheme. Our Company had passed a resolution in the AGM dated December 16, 2006 proposing an ESOP scheme. However the same has not been acted upon till date.

33. We presently do not intend or propose or have not entered into any negotiations or considerations to alter our capital structure for a period of six months from the Bid/Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except if we enter into acquisition(s), joint venture(s) or other arrangements, we may, subject to necessary approvals, consider raising additional capital to fund such activities or use Equity Shares as currency for acquisition or participation in such joint ventures or any other arrangements, as the case may be under applicable laws.

34. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified/ prescribed by SEBI from time to time.

35. Our Promoters, Group Companies, members of our Promoter Group and Subsidiaries will not participate in this Issue.

36. We have availed financial facilities from various banks and financial institutions and in respect of the agreements entered into by our Company with our lenders and sanction letters issued by our lenders to us; we are bound by certain restrictive covenants, including those in relation to our capital structure. For further details on the restrictive covenants contained in the financing documents, please refer to risk factor no 30 in the chapter titled "***Risk Factors***" on page xxxi and the chapter titled "***Financial Indebtedness***" beginning on page 294.

OBJECTS OF THE ISSUE

We are a pharmaceutical company aligned across two business verticals *viz.* Products and Services. Our Products business comprises manufacture and sale of APIs and Intermediates to innovator and generic pharmaceutical players in both domestic and international markets including the regulated markets. We have evolved our business and have, over the years, extended from manufacturing APIs and Intermediates to add CRAMS to our offerings, which has significant potential for the growth of our business. Over the years we have achieved growth with both organic and strategic initiatives to strengthen both our manufacturing and technology capabilities and expand our portfolio to emerge as a diversified player in the pharmaceutical industry.

The Issue comprises of a Fresh Issue of upto ₹1,350 Million by our Company and an Offer for Sale of 6,172,607 Equity Shares by the Selling Shareholders. Our Company will not receive any proceeds from the Offer for Sale by the Selling Shareholders.

The Objects of the Fresh Issue are as follows:

1. Repayment/ Prepayment of Term Loan;
2. Capital expenditures towards our existing manufacturing facilities;
3. Investment in EHS infrastructure;
4. Investment in our Corporate R&D Center;
5. General Corporate Purposes; and
6. Achieve benefits of listing of our Equity Shares of our Company.

The main objects clause of our Memorandum of Association and the objects incidental to the main objects enables us to undertake existing activities as well as the activities for which the funds are being raised through the Fresh Issue.

Other than the listing fees which will be paid by our Company, all expenses with respect to the Issue will be shared between our Company and the Selling Shareholders who have offered their Equity Shares for sale on a *pro-rata* basis, in the ratio of the Equity Shares issued by our Company in the Fresh Issue and the Equity Shares being sold by each of the Selling Shareholders in the Offer for Sale.

We intend to utilize the Net Proceeds of the Fresh Issue, to meet the aforementioned Objects.

Requirement of Funds and Schedule of Deployment of Funds

The details of the utilization of Net Proceeds of the Fresh Issue are as per the table set forth below:

(Amount in ₹ Millions)

Particulars	Fund Requirement	Deployment of Funds in Fiscal 2012
Repayment/ Pre-payment of Term Loan	698.73	698.73
Capital expenditures towards our existing manufacturing facilities	306.57	306.57
Investment in EHS infrastructure	119.33	119.33
Investment in our Research & Development infrastructure	50.38	50.38
General Corporate Purposes	[●]	[●]
Total	**[●]**	[●]

Our fund requirements for the objects of the Fresh Issue and deployment thereof are based on internal management estimates of our current business plans and have not been independently appraised by any bank or financial institution or any independent organisation. These are based on current conditions, estimated requirements, prevailing market prices, etc. and are subject to revisions in light of changes in external circumstances or costs or other financial conditions, business or strategy, as discussed further below. Further, for the aforementioned estimated capital expenditures we have neither placed any firm order for the proposed procurement of equipments nor have entered into definitive agreements/ understandings as on the date of filing this Draft Red Herring Prospectus and thus our management in accordance with the policies set up by the board of directors of the Company will have agility in deploying the Net Proceeds of the Fresh Issue.

Means of Finance

The aforementioned fund requirements will be met entirely from the Net Proceeds of the Fresh Issue. We shall recoup the amounts utilized for these fund requirements up to the listing of the Equity Shares from the Net Proceeds of the Fresh Issue.

Since the entire fund requirements will be met entirely from the Net Proceeds of the Fresh Issue, there is no requirement for any other firm arrangements of finance. Thus, the sub-regulation (2)(g) of Regulation 4 of the SEBI ICDR Regulations for firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through the proposed Fresh Issue, does not apply to us.

In case of any variations in the actual utilization of funds earmarked for the objects mentioned above or in case of increased fund requirements for a particular object, the shortfall, if any, may be financed by surplus funds, if any, available for other objects and/or our Company's internal accruals and/or working capital loans that may be availed from the banks/financial institutions or otherwise, to the extent of such shortfall. If surplus funds are unavailable or in case of cost overruns we expect that the shortfall will be met from internal accruals or seeking additional debt/ equity as may be required. In case of any shortfall in the Net Proceeds of the Fresh Issue to meet the objects mentioned above including on account of lowering of the Price Band to the extent of 20% or otherwise, our management may explore a range of options including internal accruals or seeking additional debt/ equity as may be required. Any surplus from the Net Proceeds of the Fresh Issue after meeting the primary objects mentioned above, if any, will be used for our general corporate purposes.

Considering the nature and the dynamism of the pharmaceutical industry in which we operate, we may have to revise our expenditure and fund requirements as a result of variations in cost estimates and external factors which may not be within the control of our management namely, variations in interest rate structures, possible cost overruns, construction/development delays or defects, amongst others. Such factors may entail rescheduling and/or revising the planned expenditure and funding requirements and increasing or decreasing the expenditure for a particular purpose from the planned expenditure, at the discretion of our management and subject to applicable laws.

Details of Objects of the Fresh Issue

1. Repayment/ Prepayment of Term Loan

With our growing business and the resultant fund requirements for the business we have availed loans from various banks and financial institutions. Our total debt (unconsolidated) position as at September 30, 2010 was ₹11,231 Million comprising of ₹8,675 Million of Secured Loans and ₹2,556 Million of Unsecured Loans. Our total debt as on January 31, 2011 on an unconsolidated basis was ₹ 12,564 Million of which secured loans were ₹ 11,560 Million and unsecured loans were ₹ 1,004 Million. For specific details and description of these loans please refer to the chapter titled *"**Financial Statements**"* and *"**Financial Indebtedness**"* beginning on pages 192 and 294 respectively.

Over the years we have grown both organically and inorganically. Pursuant to these inorganic initiatives and inherent growth achieved by us, we witnessed a growth in our consolidated Income from Operations from ₹ 5,394 Million in Fiscal 2008 to ₹ 9,807 Million in Fiscal 2009 to ₹ 11,619 Million in Fiscal 2010, achieving a 3-Year CAGR of 47.4%. This growth in business has led to an increased reliance on borrowings to meet the additional cash flow requirements including that for our operations, continued investments in our manufacturing and research and development infrastructure, integrated operations, etc. We intend to utilize the Net Proceeds of the Fresh Issue to repay one of our term loans aggregating to ₹ 698.73 Million, thereby reducing our interest burden and allowing agility in financial management of our business and operations.

Following are the details of the term loan as on January 31, 2011, that we intend to repay from the Net Proceeds of the Fresh Issue during Fiscal 2012:

- **Name of the Lender: United Bank of India**

Nature of Facility:	Corporate (Term) Loan
Principal Amount Sanctioned:	₹ 700 Million
Purpose of Facility:	Part funding of the capex requirements of our Company
Date of Sanction Letter:	September 25, 2010
Date of Loan Agreement:	September 28, 2010
Date of disbursement of Loan:	October 1, 2010
Outstanding Amount as on January 31, 2011:	₹ 698.73 Million
Applicable Rate of Interest:	11.00% p.a. (floating)
Interest Payment Schedule:	Payable on monthly basis from drawdown

Tenure:	33 months
Repayment Schedule*:	Repayable in 9 stepped up quarterly installments after initial moratorium of 9 months, commencing from September, 2011 and ending in September, 2013 which is mentioned below: 1. End of 09 months, i.e. September 2011: ₹ 17.5 Million 2. End of 12 months, i.e. December 2011: ₹ 17.5 Million 3. End of 15 months i.e. March 2012: ₹ 17.5 Million 4. End of 18 months, i.e. June 2012: ₹ 52.5 Million 5. End of 21 months i.e. September 2012: ₹ 52.5 Million 6. End of 24 months i.e. December 2012: ₹ 70.0 Million 7. End of 27 months i.e. March 2013: ₹ 70.0 Million 8. End of 30 months i.e. June 2013: ₹ 201.3 Million 9. End of 33 months i.e. September 2013: ₹ 201.2 Million

**no pre-payment penalty applicable to the above Term Loan*

The aforementioned Term Loan proposed to be repaid out of the Net Proceeds of the Fresh Issue have been used for the purpose for which they were availed as certified by M/s Chaturvedi & Shah and M/s Nayak & Rane, the Joint Statutory Auditors to our Company, *vide* their certificate dated March 15, 2011. For securities offered, restrictive covenants and further details please refer to the chapter titled '***Financial Indebtedness***' beginning on page 294.

There could be a possibility that we may repay the above Term Loan or part thereof, as and when due, before we obtain proceeds from the Fresh Issue, through other means and sources of financing, including other short term / long term financial arrangements or internal accruals, which then will be recouped from the Net Proceeds of the Fresh Issue. We believe our repayment of interest bearing debt will help us to reduce our costs towards 'Interest and Finance Charges' and may improve our net earnings. Further, repayment of the said Term Loans will improve our debt to equity ratio enhancing our debt leveraging capacity for funding our future needs towards any of our existing operations and towards further expansion and/or strategic initiatives, as and when required.

2. Capital expenditures towards our existing manufacturing facilities

Currently, we operate our business through 11 manufacturing facilities. Through these manufacturing facilities, we cater to over 60 countries including regulated markets like USA, Europe and Japan. These regulated markets have stringent quality requirements and to keep meeting these standards we need to continue making investments in our manufacturing facilities. We also endeavour to further broaden our product and service offerings and to develop capabilities in offering them we need to continuously invest in our manufacturing infrastructure.

We believe that to cater to the demand of our product offerings with our increased presence in the regulated markets the capacity expansion of APIs as well as Intermediates is the need of the hour. Also, due to varied range of chemistries handled and technological services provided under one umbrella, we need to make continuous investments to enable us execute larger number of custom synthesis projects. Hence, certain investments to increase capacity in the custom synthesis vertical are also envisaged.

In this pursuit we intend to use the following capital expenditures towards our existing manufacturing facilities from the Net Proceeds of the Fresh Issue during Fiscal 2012:

Particulars	Estimated Amount (₹ in Millions)
Enhancing/ Broadening of manufacturing capacities	198.95
Up-gradation of manufacturing facilities	107.62
Total	**306.57**

Enhancing/ Broadening of manufacturing capacities:

Capacity expansion undertaken in the last few years, both by way of organic growth at various manufacturing facilities as well as inorganic growth in the form of various acquisitions, has been the key factor to build a foundation to achieve the goals charted by our Company to increase the product and customer portfolio. We have invested over the years on the creation of infrastructure to increase production capacity and to cater the anticipated demand in product profile.

Our management has drawn up expansion plans for the therapeutic segments *viz*. Antibiotics – side chains aggregating to an estimated cost of ₹20.39 Million, Lipid Lowering Agents aggregating to an estimated cost of ₹110.61 Million and Hepatitis – C aggregating to an estimated cost of ₹67.95 Million.

For the above object the estimated costs are broadly categorized into related civil works to be carried out, key equipments to be procured and the amounts to be incurred for the utilities and miscellaneous equipments and electrical fittings based on the management estimates for the same.

Particulars	Estimated Amount (₹ in Millions)
Civil Works	17.00
Equipments	135.78
Utilities & Miscellaneous Equipments	32.59
Electricals Fittings	13.58
Total	**198.95**

We propose to procure key equipments including glass-line reactors, agitators nutsche filters, ML tanks (SS 316), DM water tanks, HVAC systems, ejector systems, primary condensers, MCC panels, rotary cone vacuum dryer, sparkler filters, ph star arrangement, fluid bed dryers, heat exchangers, centrifuge GMP, etc. for the aforesaid proposed expansion of our manufacturing capabilities. The civil works will primarily comprise civil structure and foundations required to install these equipments at our manufacturing facilities. Other utilities and miscellaneous equipments include piping, insulation, instrumentation, erection, detailed engineering and related materials. We have not placed any firm order for the proposed procurement of equipments as on the date of this Draft Red Herring Prospectus. We have yet to commence civil work on our manufacturing facilities.

The estimated costs for related civil works are as certified by one of the civil contractors, whose services are currently availed by us, *vide* their letter dated March 1, 2011. We have estimated the requirement of equipments as per existing process/technology/product specifications and existing market requirements and based our cost estimates on the quotations / purchase orders of manufacturers / suppliers of equipment, prevailing market prices and / or our internal estimates. The amounts to be incurred for the utilities and miscellaneous equipments and electrical fittings are based on management estimates in relation to the nature of equipments proposed for this object.

Up-gradation of manufacturing facilities:

Over the years we have added manufacturing capabilities and operate through them to cater our product and service offerings. In the pharmaceutical industry we believe it imperative to invest in upgrading the manufacturing facilities on a regular basis

The supportive equipments installed across our manufacturing facilities like boiler, pipe fittings, vacuums, cooling tower, chillers, would require regular maintenance. For instance, during the regular process, various chemical get accumulated on frill of the water chillers which reduces the efficiency of the chillers and therefore such frill has to be cleaned on regular basis to maintain its efficiency. Many of such equipments have to be replaced timely for the smooth flow of production. Therefore, we need to incur expenditures for regular maintenance and up-gradation of our manufacturing facilities.

In this pursuit, we propose to enhance the capacities of equipments like boilers, diesel generators, filters, transformers, electric panels, etc. For better understanding of the kinetics of the chemical process for better in-process monitoring and for studying the stability characteristics of the final product, we have planned to procure additional analytical equipments like HPLCs and GCs. To reduce the solvent loss, solvent recovery system is planned to re-cycle / re-use the solvents. From customer / regulatory audit perspective, up-gradation of manufacturing facilities for process standardization, housekeeping, documentation, quality control, safe-guarding cross contamination, better material handling systems and site development is proposed.

For the above object the estimated costs are broadly categorized into related civil works to be carried out, key equipments to be procured and the amounts to be incurred for the utilities and miscellaneous equipments and electrical fittings based on the management estimates for the same.

Particulars	Estimated Amount (₹ in Millions)
Civil Works	63.02
Equipments	33.28
Utilities & Miscellaneous Equipments	7.99
Electricals Fittings	3.33
Total	**107.62**

We propose to procure key equipments like boilers, DG sets, transformers, ML tanks (SS 316), sparkler filters, AODD pumps, ML catche pots, etc. for the aforesaid proposed upgradation of our manufacturing facilities. The civil works will primarily comprise civil structure and foundations required to install these equipments at our manufacturing facilities. Other utilities and miscellaneous equipments include piping, insulation, instrumentation, erection, detailed engineering and related materials. We have not placed any firm order for the proposed procurement of equipments as on the date of this Draft Red Herring Prospectus.

The estimated costs for related civil works are as certified by one of the civil contractors, whose services are currently availed by us, *vide* their letter dated March 1, 2011. We have estimated the requirement of equipments as per existing process/technology/product specifications and existing market requirements and based our cost estimates on the quotations / purchase orders of manufacturers / suppliers of equipment, prevailing market prices and / or our internal estimates. The amounts to be incurred for the utilities and miscellaneous equipments and electrical fittings are based on management estimates in relation to the nature of equipments proposed for this object.

3. Investment in EHS infrastructure

Our Company ensures that the activities and services are carried out considering appropriate Environmental, Health and Safety risks, aspects, impacts and objectives and in conformance with the relevant legal requirements and standards. We have incorporated following EHS measures:

- Full-fledged effluent treatment plants at all manufacturing facilities to meet with the existing discharge norms
- Solid Waste Management Systems
- Solvent Recycling
- Water Treatment Facilities

Our Company remains committed to excellence through the discipline of process and continual improvement in EHS performance aimed at minimising risks and adhering to environment norms and quality standards. While complying with the zero effluent norms coming into effect, our existing effluent treatment plants across most of the manufacturing facilities will be tested for their effectiveness and load. To channelize this we intend to segregate and treat the domestic and industrial process waste separately. To meet this zero effluent norms for water pollution, we propose to invest in multiple effect evaporators, agitated thin film dryer and to set up sewerage treatment plants for domestic water load to recycle the water. We also propose to install at strategic points fire hydrant systems equipped with optional automatic carbon di-oxide discharger that facilitates putting off fire immediately. We propose to procure equipments like data loggers for monitoring and control valves with mini-distribution control systems for better monitoring and efficiency in process.

Our management has estimated an aggregate cost of ₹119.33 Million towards environmental, health and safety related capital expenditures.

These estimated costs are broadly categorized into related civil works to be carried out, key equipments to be procured and the amounts to be incurred for the utilities and miscellaneous equipments and electrical fittings based on the management estimates for the same.

Particulars	Estimated Amount (₹ in Millions)
Civil Works	14.84
Equipments	78.83
Utilities & Miscellaneous Equipments	17.78
Electricals Fittings	7.88
Total	**119.33**

We propose to procure key equipments like multiple effect evaporators, agitated thin film dryers, sewage treatment plants, data loggers for inertiazation, fire hydrant systems, etc. for the aforesaid proposed investment in EHS infrastructure. The civil works will primarily comprise civil structure and foundations required to install these equipments at our manufacturing facilities. Other utilities and miscellaneous equipments include piping, insulation, instrumentation, erection, detailed engineering and related materials. We have not placed any firm order for the proposed procurement of equipments as on the date of this Draft Red Herring Prospectus. We have yet to commence civil work on our manufacturing facilities.

The estimated costs for related civil works are as certified by one of the civil contractors, whose services are currently availed by us, *vide* their letter dated March 1, 2011. We have estimated the requirement of equipments as per existing process/technology/product specifications and existing market requirements and based our cost estimates on the quotations / purchase orders of manufacturers / suppliers of equipment, prevailing market prices and / or our internal estimates. The amounts to be incurred for the utilities and miscellaneous equipments and electrical fittings are based on management estimates in relation to the nature of equipments proposed for this object.

4. Investment in our Research & Development infrastructure

We have developed our research and development capabilities for the identification and development of potential API and Intermediate products, for process development, analytical research and clinical research. It also enables us to support technology transfer of new products, to develop non-infringing processes, to file process patents, to achieve on-site process improvement and to drive production cost efficiencies for existing as well as new APIs and Intermediates. Our research and development has also enabled us in filing 19 process and 2 product patent applications including process patents that have been granted.

We have a Corporate R&D Center and 5 in-house R&D labs at our manufacturing facilities; Corporate R&D Center houses 12 synthetic labs and fully equipped analytical lab with all latest instrumentations. The Corporate R&D Center focuses on offering services to both innovator and generic companies. These services comprise custom synthesis and contract research services, offer of Full Time Equivalence business model and scale-up of untested processes and assisting our various manufacturing facilities for cost reduction programs. The Centers are equipped with analytical equipments and built to international working and safety standards with a focus on developing innovative processes for APIs and Intermediates, improving the existing manufacturing process with the intent to reduce cost, attain higher standards of safety and reduced environmental impact.

Consistent investment into R&D activities has been a key to our successful business model and strategy. Our Research and Development Expenses (as per audited consolidated financial statements) was ₹112 Million in H1 2011, ₹174 Million in Fiscal 2010, ₹128 Million in Fiscal 2009 and ₹71 Million in Fiscal 2008 i.e. 1.8%, 1.5%, 1.3% and 1.3% of our Income from Operations respectively. Our Research and Development Expenses (as per audited unconsolidated financial statements) was ₹174 Million in Fiscal 2010, ₹127 Million in Fiscal 2009, and ₹110 Million in Fiscal 2008 most of which (i.e. ₹162 Million, ₹109 Million and ₹75 Million respectively) is invested in our Corporate R&D Center which is approved by Department of Scientific & Technology, Government of India. Our total (revenue and capital) Research and Development Expenses (as per audited unconsolidated financial statements) amounted to ₹285 Million, ₹266 Million and ₹168 Million in Fiscal 2010, Fiscal 2009 and Fiscal 2008 respectively translating to 2.5%, 2.7% and 3.1% of our Income from Operations respectively.

To have an edge over competition, investment in latest technical and analytical equipments, based on high-end technology is critical. Thus, we intend to procure technical equipments including micro-reactors for high volume, heat sensitive and continuous reactions. Also, we intend to invest in designing and procurement of equipments of continuous unit operations. On similar lines we will be procuring analytical equipments like HPLCs, GCs, differential scanning calorimeter for better understanding of the reactions and ICP-MS for better understanding of the kinetics of the chemical process at critical stages.

We estimate our capital expenditures for procuring and installation of analytical equipments to aggregate to ₹28.96 Millions and technical equipments to aggregate to ₹21.42 Millions.

For the above object the costs are broadly categorized into related civil works to be carried out, key equipments to be procured and the amounts to be incurred for the utilities and miscellaneous equipments and electrical fittings based on the management estimates for the same.

Particulars	Estimated Amount (₹ in Millions)
Civil Works	2.52
Equipments	40.06
Utilities & Miscellaneous Equipments	5.60
Electricals Fittings	2.20
Total	**50.38**

We propose to procure key equipments like ICP-MS, micro-reactors, DSCs, GCs, HPLCs, automation with SCADA, etc. for the aforesaid proposed investment in R&D infrastructure. The civil works will primarily comprise civil structure and foundations required to install these equipments at our manufacturing facilities. Other utilities and miscellaneous equipments include piping, insulation, instrumentation, erection, detailed engineering and related materials. We have not placed any firm order for the proposed procurement of equipments as on the date of this Draft Red Herring Prospectus. We have yet to commence civil work on our manufacturing facilities.

The estimated costs for related civil works are as certified by one of the civil contractors, whose services are currently availed by us, *vide* their letter dated March 1, 2011. We have estimated the requirement of equipments as per existing process/technology/product specifications and existing market requirements and based our cost estimates on the quotations / purchase orders of manufacturers / suppliers of equipment, prevailing market prices and / or our internal estimates. The amounts to be incurred for the utilities and miscellaneous equipments and electrical fittings are based on management estimates in relation to the nature of equipments proposed for this object.

5. General Corporate Purposes

Our management, in accordance with the policies of our Board, will have flexibility in utilizing the Net Proceeds of the Fresh Issue earmarked for general corporate purposes.

We intend to deploy the balance Net Proceeds of the Fresh Issue aggregating to ₹[●] Million, towards the general corporate purposes to drive our business growth. In accordance with the policies set up by our Board, we have flexibility in applying the remaining Net Proceeds of the Fresh Issue, for general corporate purpose including but not limited to, funding cost overruns of our projects (if any), meeting product development and/or product registration, patent protection expenses, brand building exercises, meeting operating expenses, initial development costs for projects other than the identified projects, partnerships, joint ventures, strategic initiatives and the strengthening of our business development and marketing capabilities, meeting exigencies, which we in the ordinary course of business may not foresee or any other purposes as approved by our Board of Directors, subject to applicable laws.

Meeting expenses related to the Issue

The Issue related expenses includes, amongst others, lead management fees, underwriting fees, selling commission, printing and distribution expenses, legal fees, advertisement expenses, registrar and depositories expenses, SCSB's commission/ fees, fees and expenses of the SEBI registered rating agency for IPO grading and listing fees.

The total expenses of the Issue shall be made out of the proceeds of the Issue and is estimated to be approximately ₹ [●] Million, which is [●] % of the Issue size. The break-up of the estimated expenses of this Issue is as follows:

(₹ in Million)

Activity	Total Expenses*	As a % of Total Issue Expenses*	As a % of Total Issue Size*
Issue Management Fees (Lead Management, Underwriting and Selling Commission)	[●]	[●]	[●]
Advertisement and Marketing Expenses	[●]	[●]	[●]
Printing, Stationery and Distribution Expenses	[●]	[●]	[●]
Others (including Legal Advisors Fee, Auditors Fee, Registrars Fee, SCSB commission, Regulatory Fees including filing fees paid to SEBI and Stock Exchanges)	[●]	[●]	[●]
Total estimated Issue expenses	[●]	[●]	[●]

**will be completed after finalization of the Issue Price*

Other than listing fees which will be paid by our Company, all expenses with respect to the Issue will be shared between our Company and the Selling Shareholders who have offered their Equity Shares for sale on a *pro-rata* basis, in the ratio of the Equity Shares issued by our Company in the Fresh Issue and the Equity Shares being sold by the Selling Shareholders in the Offer for Sale.

Working Capital Requirement

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

Bridge Financing Facilities

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

Deployment of Funds

The entire Net Proceeds of the Fresh Issue will be deployed in Fiscal 2012.

Funds Deployed till date

As on the date of this Draft Red Herring Prospectus, we have incurred an amount of ₹ 3.97 Million towards Issue Expenses which has been certified by M/s Chaturvedi & Shah and M/s Nayak & Rane**,** Chartered Accountants, Statutory Auditors to our Company *vide* their certificate dated March 15, 2011. The said amount has been financed through internal accruals of our Company.

Proposed Deployment of Funds

We may make payments towards our objects of the Fresh Issue, before we obtain proceeds from the Fresh Issue, through other means and source of financing, including bridge loan or other financial arrangements, which then will be recouped from the proceeds of the Fresh Issue.

Appraisal

The funds requirement and funding plans are our own estimates and have not been appraised by any bank/ financial institution or appraising agency.

Interim Use of Proceeds

Pending utilization of the Net Proceeds of the Fresh Issue, we intend to temporarily invest in high quality interest bearing liquid instruments including money market mutual funds, deposits with Schedule Commercial Banks, for the necessary duration as permitted under the SEBI Regulations or we may temporarily utilize the proceeds for reducing our outstanding overdrafts. Such investments and other utilizations would be in accordance with investment policies approved by our Board or any committee thereof duly empowered, from time to time. Our Company confirms that pending utilization of the Net Proceeds of the Fresh Issue; it shall not use the funds for any investments in the equity markets or real estate.

Monitoring of Utilisation of Funds

As the Fresh Issue will be less than ₹5,000 Million, there is no requirement for the appointment of a monitoring agency, in terms of Regulation 16(1) of the ICDR Regulations.

Our Board will monitor the utilization of the proceeds of the Fresh Issue. We will disclose the details of the utilisation of the Net Proceeds of the Fresh Issue, including interim use, under a separate head in our financial statements for such fiscal periods as required under the SEBI Regulations, the Equity Listing Agreements with the Stock Exchanges and any other applicable law or regulations, clearly specifying the purpose for which such proceeds have been utilized. We will also in our financial statements for such applicable fiscal period, provide details, in relation to all such Net Proceeds of the Fresh Issue that have not been utilised, if any, of such currently unutilised Net Proceeds of the Fresh Issue.

Furthermore, pursuant to clause 49 of the Equity Listing Agreements with the Stock Exchanges, we shall disclose to our Audit Committee, the uses and application of funds under the heads as specified above, on a quarterly basis as a part of the quarterly declaration of financial results. Further, on an annual basis, we shall prepare a statement of funds utilized for purposes other than those stated in the Prospectus, if any, and place it before the Audit Committee. Such disclosure shall be made only till such time that the full money raised through the Fresh Issue has not been fully spent. This statement shall be certified by the Statutory Auditors of our Company. The Audit Committee shall make appropriate recommendations to the Board to take up steps in this matter.

Further, in terms of Clause 43A of the Equity Listing Agreements, we will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of Net Proceeds of the Fresh Issue from the Objects stated in the Prospectus. Further, this information shall be furnished to the Stock Exchanges along with the interim or annual financial results submitted under Clause 41 of the Equity Listing Agreements and be published in the newspapers simultaneously with the interim or annual financial results, after placing it before our Audit Committee in terms of Clause 49 of the Equity Listing Agreements.

Other Confirmation

No part of the proceeds from this Issue will be paid by us as consideration to our Promoters, our Directors, Key Managerial Personnel, or companies promoted by our Promoters except in the usual course of business.

There are no material existing or anticipated transactions in relation to the utilization of the proceeds of the Fresh Issue or estimated cost as mentioned in this chapter with our Promoters, our Directors, our Key Management Personnel or companies promoted by our Promoters.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the Selling Shareholders and the BRLMs 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 the Issue Price is [•] times the face value at the lower end of the Price Band and [•] times the face value at the higher end of the Price Band. Investors should read the following summary along with the chapter titled "Risk Factors" and "Financial Statements" beginning on pages xviii and 192 respectively, to get a more informed view before making the investment decision. The trading price of the Equity Shares of our Company could decline due to these risks and you may lose all or part of your investments.

Qualitative Factors:

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

- Research & Development Capabilities
- Manufacturing infrastructure equipped for regulated market supplies and to deliver multiple products
- Strategic Technology and Manufacturing tie-ups
- Diversified Customer base
- Dynamic Promoters, Experienced Management and well-qualified workforce
- Evolving and Integrated Business Model

For detailed discussion on the qualitative factors which form the basis for computing the price, please refer the chapter titled *"**Our Business**"* beginning on page 86.

Quantitative Factors

The information presented in this section for the years ended March 31, 2008, 2009, 2010 and six months period ended September 30, 2010, is derived from our standalone and consolidated audited restated financial statements prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI ICDR Regulations. For details, please refer chapter titled *"**Financial Statements**"* beginning on page 192.

As of date of this Draft Red Herring Prospectus, the face value of the Equity Shares of our Company is ₹10 per equity share. Some of the quantitative factors which may form the basis for computing the price are as follows:

1. Basic and Diluted Earnings Per Share ("EPS")

Financial Period	Weight	Unconsolidated		Consolidated	
		Basic EPS (₹)	Diluted EPS (₹)	Basic EPS (₹)	Diluted EPS (₹)
Year ended March 31, 2008	1	18.15	18.15	17.65	17.65
Year ended March 31, 2009	2	12.65	12.65	13.63	13.63
Year ended March 31, 2010	3	29.39	29.39	29.51	29.51
Weighted Average	6	**21.94**	**21.94**	**22.24**	**22.24**
Six months period ended September 30, 2010		18.57	18.57	18.15	18.15

Note:

a) *Earnings per share calculations are in accordance with Accounting Standard – 20 'Earnings per Share' as notified by Companies (Accounting Standards) Rules, 2006.*
b) *The face value of each Equity Share is ₹10.*
c) *Earnings figures used are those after tax and after extra-ordinary items.*
d) *The Basic earnings per share (₹) are calculated by dividing the net profit, as restated, for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.*
e) *The Diluted earnings per share (₹) has been computed by dividing net profit, as restated, attributable to equity shareholders by weighted average number of dilutive potential equity shares outstanding during the period.*

2. ***Price Earnings Ratio ('P/E Ratio') in relation to the Issue Price of ₹ [•] per share of ₹10 each***

Particulars	At the Floor Price of ₹[•]	At the Cap Price of ₹[•]
Unconsolidated Basis		
✓Based on weighted average (basic EPS)	[•]	[•]
✓Based on weighted average (diluted EPS)	[•]	[•]
✓Based on EPS as on March 31, 2010	[•]	[•]
Consolidated Basis		
✓Based on weighted average (basic EPS)	[•]	[•]
✓Based on weighted average (diluted EPS)	[•]	[•]
✓Based on EPS as on March 31, 2010	[•]	[•]

3. ***Industry Price Earnings Ratio ('P/E Ratio')***

Industry PE Multiple	
Highest	23.7
Lowest	5.6
Average	16.7

Source: Capital Market, Volume XXVI/01, March 07 - 20, 2011. (Industry: Pharmaceuticals – Indian- Bulk Drugs);

4. ***Return on Net Worth ('RoNW')***

Financial Period	Weight	Unconsolidated basis RoNW (%)	Consolidated basis RoNW (%)
Year ended March 31, 2008	1	9.22	9.05
Year ended March 31, 2009	2	7.26	7.84
Year ended March 31, 2010	3	14.43	14.53
Weighted Average	**6**	**11.17**	**11.39**
Six months period ended September 30, 2010		6.26	6.14

Note: *The RoNW has been computed by dividing net profit after extraordinary items as restated by net worth excluding revaluation reserve and excluding share application money, if any, at the end of the year.*

5. ***Minimum Return on Increased Net Worth required to maintain Pre-Issue annualised diluted EPS for the year ended March 31, 2010***

Basis	%
On Unconsolidated Basis	[•]
On Consolidated Basis	[•]

Note: *Net Worth means Equity Share Capital + Reserves and Surplus*

6. ***Net Asset Value ('NAV') per Equity Share***

NAV after this Issue (unconsolidated) : ₹[•] per Equity Share
NAV after this Issue (consolidated) : ₹[•] per Equity Share
Issue Price* : ₹[•] per Equity Share
** Issue Price per share will be determined on conclusion of book building process.*

NAV per Equity Share for the years ended March 31, 2008, 2009 and 2010 is as follows:

Financial Period	Weight	Unconsolidated basis Net Asset Value per Equity Share (₹)	Consolidated basis Net Asset Value per Equity Share (₹)
As on March 31, 2008	1	161.61	160.16
As on March 31, 2009	2	174.26	173.79
As on March 31, 2010	3	217.77	217.24
Weighted Average	**6**	**193.91**	**193.24**
Six months period ended September 30, 2010		254.44	253.64

Note: *The NAV per share has been computed by dividing net worth, as restated, including share application money and excluding revaluation reserve, if any, at the end of the year/period by No. of equity shares outstanding at the end of the year/period*

7. ***Comparison with Industry Peers***

Our Company cannot be compared with the other listed companies, as our Company doesn't have apparent listed competitor in the segment, in which it is operating. The comparable ratios of the companies which are to some extent similar in business and could be relevant to a limited extent, as on Fiscal 2010, are as given below:

Name of the Company	Unconsolidated/ Consolidated	Sales (₹Million)	Face Value (₹)	EPS (₹)	P/E Ratio***	RoNW %**	NAV per Share** (₹)
Arch Pharmalabs Limited	Unconsolidated*	10,234	10	29.39	[*]	14.43	217.77
Peer Group**							
Dishman Pharmaceuticals & Chemicals Limited	Unconsolidated	3,526	2	8.5	16.8	12.2	75.70
Divi's Laboratories Limited	Unconsolidated	9,293	2	25.0	20.0	24.6	116.3
Jubilant Life Sciences Limited	Unconsolidated	24,462	1	22.6	8.1	20.7	136.4

** Based on Restated Financial Statements of the Company for Fiscal 2010*
*** Source: Capital Market, Volume XXVI/01, dated March 07 - 20, 2011.- for the year ended March 31, 2010 (Industry : Pharmaceuticals – Indian - Bulk Drugs);*
*** Source: Computed based on the market price as on February 28, 2010 and EPS for the year ended as reported in the Capital Market *Volume XXVI/01,dated March 07 - 20, 2011(Industry : Pharmaceuticals – Indian - Bulk Drugs)*, except for Arch Pharmalabs Limited

The Issue Price will be determined by our Company, in consultation with the Selling Shareholders and the BRLMs, on the basis of assessment of market demand from the potential investors for the Equity Shares through the Book Building Process. The face value of the Equity Shares is ₹10 each and the Issue Price is [•] times the face value at the lower end of the Price Band and [•] times the face value at the higher end of the Price Band.

The BRLMs believe that the Issue Price of ₹[•] per Equity Share is justified in view of the above qualitative and quantitative parameters. For further details and to have a more informed view, please refer to the chapter titled *"**Risk Factors**"* and *"**Financial Statements**"* beginning on pages xviii and 192 respectively of this Draft Red Herring Prospectus and the financials of our Company including important profitability and return ratios, as set out in the Auditor's Report stated in this Draft Red Herring Prospectus to have a more informed view about the investment proposition.

STATEMENT OF TAX BENEFITS

To

The Board of Directors,
Arch Pharmalabs Limited,
4th Floor, 'H' Wing, Tex Centre,
Off Saki Vihar Road, Chandivali,
Andheri (East), Mumbai – 400 072

Dear Sirs,

We hereby certify that the enclosed annexure states the possible tax benefits/ consequences available to Arch Pharmalabs Limited ('Arch Pharmalabs Limited' or the 'Company') and to its shareholders under the Income Tax Act, 1961 and the Wealth Tax Act, 1957, presently in force in India. 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 statue. Hence, the ability of the Company or its shareholders to derive the tax benefits will be dependent upon such conditions being fulfilled. Additionally, in respect of the Company benefits listed, the business imperatives faced by the Company in the future will also affect the benefits actually claimed.

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

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

i) the Company will continue to avail these benefits in future; or
ii) the Company's shareholders will avail these benefits in future; or
iii) the conditions prescribed for availing the benefits have been / would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company which are based on their understanding of the business activities and operations of the Company and our views are based on an interpretation of the current tax laws in force in India which are subject to change from time to time.

This report is intended solely for informational purposes for the inclusion in the Offer Document in connection with the proposed Issue and is not to be used or distributed for any other purpose.

For M/s Chaturvedi & Shah
Chartered Accountants,
F.R.N. No. 101720W

Amit Chaturvedi
Partner
Membership No. 103141

Place: Mumbai
Dated: 15-03-2011

For M/s Nayak & Rane
Chartered Accountants,
F.R.N. No. 117249W

Kishore Rane
Partner
Membership No. 100788

Place: Mumbai
Dated: 15-03-2011

ANNEXURE TO STATEMENT OF TAX BENEFIT

This statement lists out the possible key tax benefits that may be available to the Company and the prospective shareholders under the current direct tax laws in India.

The tax benefits listed below are the possible tax benefits available under the current direct tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives it faces in the future, which the Company may or may not choose to fulfill. This Statement is intended to provide the tax benefits to the Company and its shareholders in a general and summary manner and does not purport to be a complete analysis or listing of all the provisions of potential tax consequences of the subscription, purchase, ownership or disposal etc. of equity shares. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

SPECIAL TAX BENEFITS

1. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY

There are no special tax benefits available to the company.

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

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

GENERAL TAX BENEFITS

1. KEY BENEFITS AVAILABLE TO THE COMPANY UNDER THE INCOME-TAX ACT, 1961 ("THE ACT")

A. Computation of Business Income:

I. Depreciation

The company is entitled to claim depreciation on specific tangible and intangible assets owned by it and used for the purpose of its business under Section 32 of the Act.

In case of any new plant and machinery (other than ships and aircraft) that will be acquired by the company and **is put to use for 180 days or more**, the company may be entitled to a further sum equal to twenty percent of the actual cost of such machinery or plant subject to conditions specified in Section 32 of the Act in the year in which it is first put to use.

Unabsorbed depreciation, if any, for an Assessment Year (AY) can be carried forward **without any time limit** and set off against any source of income in the subsequent AYs as per section 32 of the Act.

II. Preliminary expenses

As per Section 35D, the company is eligible for deduction in respect of specified preliminary expenses incurred by the company, in connection with extension of its undertaking or in connection with setting up a new unit of an amount equal to 1/5th of such expenses over 5 successive AYs subject to conditions and limits specified in the said section.

III. Expenditure incurred on voluntary retirement scheme

As per Section 35DDA, the company is eligible for deduction in respect of payments made to its employees in connection with their voluntary retirement in accordance **with any scheme or schemes** of an amount equal to 1/5th of such payments over 5 successive AYs subject to conditions and limits specified in that section.

IV. Expenditure on Scientific Research

As per Section 35, the company is eligible for deduction in respect of any expenditure (not being expenditure on the acquisition of any land) on scientific research related to the business subject to conditions specified in that section.

Finance Act, 2010 has amended section 35(2AB), subject to fulfillment of conditions specified therein, by extending weighted deduction **(a sum equal to two times of expenditure not being expenditure on the acquisition of any land or building)** for in-house research & development for companies engaged in any business of manufacture or production of any article or thing except those provided in the Eleventh Schedule of the Act and would be applicable w.e.f **F.Y 1st April 2010.**

V. Set off & Carry forward of business loss

Business losses (not from speculation business), if any, can be set off against any income of that year & the balance would be carried forward and set off against business profits for eight subsequent AYs.

VI. Minimum Alternative Tax

The Finance Act, 2010 increased the rate of minimum alternative tax to 18% w.e.f **FY 2010-11**.

The Finance (No.2) Act, 2009 also inserted a new clause in Section 115JB which provides that if any provision for diminution in value of any asset has been debited to the profit and loss account, it shall be added to the net profit as shown in the profit and loss account for the purpose of computation of book profit. Similar amendment is also made in Section 115JA of the Income Tax Act.

The amendment in Section 115JA is made retrospectively from 1st day of April, 1998 and will accordingly apply in relation to the assessment year 1998-99 and subsequent years.

The amendment in Section 115JB is made retrospectively from 1st day of April, 2001 and will accordingly apply in relation to the assessment year 2001-02 and subsequent years.

VII. MAT Credit

The Company would be required to pay tax on its book profits under the provisions of section 115JB in case where tax on its "total income" [the term defined under section 2(45) of the IT Act] is less than **18% w.e.f. FY 1st April, 2010** of its book profit (the term defined under section 115JB of the IT Act). Such tax is referred to as Minimum Alternate Tax (MAT.)

The difference between the MAT payable under section 115JB of the IT Act and the tax on its total income payable for that assessment year shall be allowed to be carried forward as "MAT credit" upto tenth assessment year **(effective from FY 2009-10)** immediately succeeding the assessment year in which the tax credit becomes allowable. The MAT credit can be utilized to be set off against taxes payable on the total income computed under the provisions of the IT Act other than 115JB thereof if any, in the subsequent assessment years in accordance with the provisions & limit specified in section 115JAA of the IT Act.

B. CAPITAL GAINS:

I. a. Long Term Capital Gain (LTCG)

LTCG means Capital Gain arising from the transfer of a capital asset being share held in a company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under clause (23D) of section 10 or a Zero-coupon bond, held by an assessee for more than 12 months.

In respect of any other capital assets, LTCG means capital gain arising from the transfer of an asset, held by an assessee for more than 36 months.

b. Short Term Capital Gain (STCG)

STCG means Capital gain arising from the transfer of capital asset being share held in a company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under clause (23D) of section 10 or a Zero-coupon bond, held by an assessee for 12 months or less.

In respect of any other capital assets, STCG means capital gain arising from the transfer of an asset, held by an assessee for 36 months or less.

II. *a.* LTCG arising on transfer of equity share of a company or units of an equity oriented fund (as Defined) which has been set up under a scheme of a mutual fund specified under section 10(23D), on a recognized stock exchange on or after October 1, 2004 are exempt from tax under section 10(38) of the Act provided the transaction is chargeable to securities transaction tax (STT) and subject to conditions specified in that section.

b. With effect from AY 2007-08, income by way of LTCG exempt u/s 10(38) of a company is taken into account in computing book profit and income tax is payable under section 115JB.

III. As per second proviso read with third proviso to Section 48, LTCG arising on transfer of capital assets, which is chargeable to tax other than bonds and debentures (excluding capital indexed bonds issued by the Government), is to be computed by deducting the indexed cost of acquisition and indexed cost of improvement from the full value of consideration.

a. As per section 112, LTCG is taxed @ 20% plus applicable surcharge thereon and 3% Education and Secondary & Higher education cess on tax plus Surcharge (if any) (hereinafter referred to as applicable Surcharge + Education and Secondary & Higher Education Cess)

b. However as per proviso to section 112(1), if such tax payable on transfer of listed securities / units / Zero coupon bond which is chargeable to tax, exceeds 10% of the LTCG, without availing benefit of indexation, then the excess tax shall be ignored.

IV. As per section 111A of the Act, STCG arising on sale of equity shares of company or units of equity oriented mutual fund [as defined under Section 10(23D)], on a recognized stock exchange are subject to tax at the rate of 15%(plus applicable surcharge + Education and Secondary & Higher Education cess), provided the transaction is chargeable to STT. In other case, i.e. where the transaction is not subjected to STT, the short term capital gains would be chargeable as a part of the total income.

V. As per section 70 read with section 74, short term capital loss arising during a year is allowed to be setoff against short term as well as long term capital gain arising in that year. Balance loss if any, should be carried forward and available for set-off against subsequent year's short term or long term capital gains for subsequent 8 years.

VI. As per section 70 read with section 74, long term capital loss arising during a year is allowed to be setoff only against long term capital gains. Balance loss if any, should be carried forward and available for set-off against subsequent year's long term capital gains for subsequent 8 years.

VII. Under section 54EC of the Act, capital gains arising on transfer of a long term capital asset is exempt from capital gains tax if such capital gains are invested within a period of six months after the date of such transfer in specified bond issued by the following and subject to the conditions specified therein:-

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

If only part of the long term capital gain is reinvested, the exemption shall be proportionately reduced.

However, if the new 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, shall be taxable as Capital gains in the year of transfer or conversion.

With effect from 1st April, 2007 the investment in the Long Term Specified Asset made by the company during a financial year should not exceed 50 Lakh rupees.

C. INCOME FROM OTHER SOURCES

Dividend income:

Under Section 10(34) of the IT Act, income by way of dividend referred to in Section 115-O received by the Company on its investments in shares of another Domestic company is exempt from income tax in the hands of the Company.

Income received in respect of units of a mutual fund specified under Section 10(23D) of the Act (other than income arising from transfer of units in such mutual fund) shall be exempt from tax under section 10(35) of the Act.

However, it is pertinent to note that section 14A of the IT Act provides that no deduction shall be allowed in respect of any expenditure incurred in relation such exempt income.

2. Key benefits available to the Members of the Company

2.1 Resident Members

a. Dividend income:

Dividend (both interim and final) income, if any, received by the resident shareholders from a Domestic Company shall be exempt from tax under Section 10(34) read with Section 115O of the Act. However, it is pertinent to note that section 14A of the IT Act provides that no deduction shall be allowed in respect of any expenditure incurred in relation such exempt income.

b. Capital gains:

i) Benefits outlined in Paragraph 1(B) excluding sub-paragraph II(b) thereof, are also applicable to resident shareholders. **Levy of surcharge in case of individuals has been removed vide Finance (No.2) Act, 2009.** In addition to the same, the following benefits are also available to resident shareholders.

ii) As per Section 54F of the Act, LTCG arising from transfer of shares will be exempt from tax if net consideration from such transfer is utilized within a period of one year before, or two years after the date of transfer, for purchase of a new residential house, or for construction of residential house within three years from the date of transfer subject to fulfillment of conditions & limits specified therein.

2.2 Key Benefits available to Non-Resident Member (other than FIIs)

a. Dividend Income:

Dividend (both interim and final) income, if any, received by the non-resident shareholders from a Domestic Company shall be exempt from tax under Section 10(34) read with Section 115-O of the Act. However, it is pertinent to note that section 14A of the IT Act provides that no deduction shall be allowed in respect of any expenditure incurred in relation such exempt income.

b. Capital gains:

Benefits outlined in Paragraph 2.1(b) above are also available to a non-resident shareholder except that as per first proviso to Section 48 of the Act, the capital gains arising on transfer of capital assets being shares of an Indian Company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated.

Further, the benefit of indexation as provided in second proviso to section 48 is not available to non-resident shareholders. Whether non-resident shareholders can avail the benefit of proviso to section 112(1) of the Act is not free from doubts, as mentioned in Paragraph 1(B)(III)(b).

c. Tax Treaty Benefits:

As per Section 90 of the Act, the shareholder can claim relief in respect of double taxation if any as per the provision of

the applicable double taxation avoidance agreements.

d. Special provision in respect of income / LTCG from specified foreign exchange assets available to non-resident Indians under Chapter XII-A.

i. Non-Resident Indian (NRI) means a citizen of India or a person of Indian origin who is not a resident of India. Person is deemed to be of Indian origin if he, or either of his parents or any of his grandparents, were born in undivided India.

ii. Specified foreign exchange assets include shares of an Indian company acquired/purchased/ subscribed by NRI in convertible foreign exchange.

iii. As per section 115E, income [other than dividend which is exempt under Section 10(34)] from investments and LTCG from assets (other than specified foreign exchange assets) shall be taxable @ 20% (plus applicable Surcharge + Education and Secondary & Higher Education Cess). However, indexation benefit will not be available for computation of capital gain. Further, no deduction in respect of any expenditure allowance from such income will be allowed and no deductions under chapter VI-A will be allowed from such income. **Levy of surcharge in case of individuals has been removed vide Finance (No.2) Act, 2009.**

iv. As per section 115E, LTCG arising from transfer of specified foreign exchange assets shall be taxable @ 10% (plus applicable Surcharge + Education and Secondary & Higher Education Cess). However indexation benefit will not be available for determining the amount of capital gain chargeable to tax.
Levy of surcharge in case of individuals has been removed vide Finance (No.2) Act, 2009.

v. As per section 115F, LTCG on transfer of specified foreign exchange asset shall be exempt under Section 115F, in the proportion of the net consideration from such transfer being invested in specified assets or savings certificates within six months from date of such transfer, subject to further conditions specified under Section 115F.

vi. As per section 115G, if the income of an NRI taxable in India consists only of income/LTCG from such shares and tax has been properly deducted at source in respect of such income in accordance with the Act, it is not necessary for the NRI to file return of income under Section 139.

vii. As per section 115H, where the NRI 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 the assessment year, in which he is first assessable as a resident, 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 the specified assets for that year and subsequent years until such assets are transferred or converted into money.

viii. As per section 115I, the NRI can opt not to be governed by the provisions of chapter XII-A for any AY by declaring the same in the return of income filed under Section 139 in which case the normal benefits as available to non-resident shareholders will be available.

2.3 Key Benefits available to Foreign Institutional Investors (FIIs)

1. Dividend Income:

i. Dividend (both interim and final) income, if any, received by the shareholder from the domestic company shall be exempt from tax under Section 10(34) read with Section 115-O of the IT Act.
However, it is pertinent to note that section 14A of the IT Act provides that no deduction shall be allowed in respect of any expenditure incurred in relation such exempt income.

ii. Under Section 115AD, income (other than income by way of dividends referred in Section 115O) received in respect of securities (other than units referred to in Section **115AB i.e units of mutual fund specified under Section 10(23D) or of the Unit Trust of India**) shall be taxable at the rate of 20% (plus applicable Surcharge + Education and Secondary & Higher Education Cess). No deduction in respect of any expenditure/allowance shall be allowed from such income.

2. Capital Gains:

i. The characterization of gain or loss i.e whether business income or capital gain would depend on the nature of holding in hands of members and various other factors.

ii. Under Section 115AD, capital gains arising from transfer of securities (other than units referred to in Section 115AB), shall be taxable as follows:

- As per section 111A, STCG arising on transfer of securities where such transaction is chargeable to STT, shall be taxable at the rate of 15% (plus applicable Surcharge + Education and Secondary & Higher Education Cess). STCG arising on transfer of securities where such transaction is not chargeable to STT, shall be taxable at the rate of 30% (plus applicable Surcharge + Education and Secondary & Higher Education Cess).

- LTCG arising on transfer of securities where such transaction is not chargeable to STT, shall be taxable at the rate of 10% (plus applicable Surcharge & Education and Secondary & Higher Education Cess). The benefit of indexation and benefit of foreign exchange fluctuation, as mentioned under 1st and 2nd proviso to section 48 would not be allowed while computing the capital gains.

3. Exemption of capital gains from income-tax:

i. LTCG arising on transfer of a long term capital asset, being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to STT is exempt from tax under Section 10(38) of the Act.

ii. Benefit of exemption under Section 54EC shall be available as outlined in Paragraph 1(B) (vii) above.

4. Tax Treaty Benefits:

As per Section 90 of the Act, a shareholder can claim relief in respect of double taxation, if any, as per the provision of the applicable double taxation avoidance agreements.

2.4 Key Benefits available to Mutual Funds

As per the provisions of Section l0 (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 and mutual funds authorized by the Reserve Bank of India, would be exempt from income-tax, subject to the prescribed conditions.

2.5 Key Benefits available to Venture Capital Companies/ Fund

As per Section 10(23FB) of the Act, all Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on their entire income, including income from sale of shares of the company. However, income received by a person out of investment made in a venture capital company or in a venture capital fund will shall be chargeable to tax in the hands of such person.

As per section 90(2) if the I.T. Act, the provisions of the I.T. Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident shareholder. Thus a non-resident shareholder can opt to be governed by the beneficial provisions of an applicable tax treaty.

3. <u>Benefits available to the shareholders of the Company under Wealth Tax Act, 1957</u>

Shares in a company, held by a shareholder are not treated as an asset within the meaning of Section 2(ea) of the Wealth Tax Act, 1957; hence, wealth tax is not leviable on shares held in a company.

4. <u>Benefits available to the shareholders of the Company under the Gift Tax Act, 1958</u>

Gift of shares of the company made on or after October 1, 1998 are not liable to Gift Tax since abolished.

Notes:

a) 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 joint holders unless otherwise provided in the Act.

b) 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 Tax Avoidance Agreement (DTAA), if any, between India and the country in which the non-resident has fiscal domicile.

c) Wherever applicable, the benefits mentioned hereinabove are subject to fulfillment of the specified conditions and up to the limits as mentioned in the relevant provisions.

d) 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.

SECTION IV: ABOUT OUR COMPANY

INDUSTRY OVERVIEW

Unless otherwise indicated, all of the information in this section is derived from the websites of and publicly available documents from various sources, including but not limited to industry websites and publications. In particular we have relied on the report viz. "Indian Pharmaceutical Industry: Vision 2015" issued by the Organisation of Pharmaceutical Producers of India (OPPI) and Yes Bank Ltd and "Industry Insight – CRAMS in India" by Cygnus Business Consulting & Research Pvt. Ltd. The data may have been re-classified by us for the purpose of presentation.

The information in this section has not been independently verified by us, the BRLMs or any of our or their respective affiliates or advisors. The information may not be consistent with other information compiled by third parties within or outside India. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry and government publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry and government sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investment decisions should not be based on such information.

Outlook on Indian economy

India is one of the fastest growing economies of the world – it has posted an average growth rate of more than 7% in the decade since 1996. India's GDP growth in the third quarter of 2009-10 stood at 6.0 percent as against the growth of 6.2 percent registered in the same quarter of the previous year. The GDP growth for the whole fiscal 2009-10 was estimated to be 7.2 percent compared with the growth of 6.8 percent attained in 2007-08.

(Source: Current state of Indian Economy, March 2010, Federation of Indian Chambers of Commerce and Industry; http://www.indiainbusiness.nic.in/indian-economy.pdf)

Asia's GDP is projected to grow by 7 percent in both 2010 and 2011. In both China and India, strong domestic demand will support the recovery. In India, growth is projected to be 8¾ percent in 2010 and 8½ percent in 2011, supported by rising private demand. Consumption will strengthen as the labor market improves, and investment is expected to be boosted by strong profitability, rising business confidence, and favorable financing conditions. The strength in final domestic demand in India is expected to have positive spillovers for other Asian economies, particularly exporters of commodities and capital goods.

The Indian Pharmaceutical Market

The Indian pharmaceutical market grew from $6.9Billion to reach $17Billion at a CAGR of 20% over the period 2002-03 to 2007-08. Exports during this period grew at a CAGR of 27% to reach $8.6Billion in the year 2007-08. This industry is expected to grow at a CAGR of 14.2% to assume the size of around $50Billion in the year 2015-16. Exports are expected to grow by ~16% while the Domestic market is expected to grow by 12.5% to reach ~$28Billion and $21.5Billion respectively in the year 2015-16. Here is the snapshot of the market size in the year 2002-03, composition in the year 2007-08 and that projected for the year 2015-16:

	2002-03	2007-08 E	2011-12 P	2015-16 P
Contract Research	0.0	0.4	1.3	3.0
Bulk Drug Exports	1.2	4.2	7.8	12.6
Formulation Exports	1.4	4.0	8.6	12.6
Domestic Formulation	4.3	8.4	13.4	21.5

(Source: Indian Pharmaceutical Industry: Vision 2015)

India has emerged as a leading pharmaceutical supplier to the international markets. This is not only because of low-cost manufacturing, operations and research base but also a combination of additional factors like process improvements in API, faster recruitment for conducting clinical trials, availability of skilled manpower and developed regulatory skills. In the area of Clinical Trial Research India is an ideal location due to availability of skilled manpower and a large patient population which results in faster recruitment of patients. With low costs, highly competitive market and only process patents till recently, Indian companies have developed expertise in process innovation. The above factors have resulted in India producing low cost high quality products, which have spurred exports of Indian products to international markets, especially to the higher regulated markets like USA and Western Europe. Exports account for 47% of total industry growing at a 5-year CAGR of 27% while the Domestic market grew at a 5-year CAGR of 14%. Formulation segment, which constitutes 73% of the total industry, reported a CAGR of 17% while Bulk Drugs aided by exports grew at a CAGR of 28%. Contract Research, a nascent industry in India, grew significantly in the past couple of years.

Domestic v/s Exports - Segment-wise Growth

(Source: Indian Pharmaceutical Industry: Vision 2015)

- ***Domestic Formulation***

The Indian domestic formulation industry grew from $4.3Billion in the year 2002-03 by approximately 14% per annum to reach $8.4Billion in the year 2007-08, a growth rate much higher than that of the global pharmaceutical market as a whole. It is expected that the market will continue its robust growth, touching $21.5Billion by the year 2015-16. Demand in India is growing markedly due to rising population figures, the increasing number of population over 60 years of age and the development of incomes. In the coming years leading upto 2015, the chronic disease segment will drive industry demand. Also, MNCs will increase their presence in the domestic formulation market with 35% market share. Branded generics will continue to dominate, while patent-protected products are likely to constitute 8% of the market within this timeframe.

Growth in Domestic Formulation

Composition of Domestic Formulation Market

(Source: Indian Pharmaceutical Industry: Vision 2015)

Growth Drivers for Domestic Formulation

- Product Patent Regime
- Increasing per capita income and higher penetration
- Population Growth, Demographics and Urbanization
- Consolidation leading to better pricing power
- Health Insurance

- ***Formulation Exports***

The global generics market has grown at 18% over the period 2002 to 2007 resulting in significant growth opportunity for Indian formulation exports. Consequently formulation exports from India have almost reached $4Billion in 2007-08 with a CAGR of 23% over the period 2002-03 to 2007-08. Growth in export market is expected to remain high with products of more than $105Billion going off-patent in the coming years. Japan, the third largest pharma market in the world, is undergoing reforms favoring generic drugs. This, coupled with the high growth of European markets will result in superior growth of generics. Biogenerics, already a well developed segment in some markets, are expected to gain popularity in highly regulated markets over the next few years. Continuing the globalizing trend of the past four years, Indian companies are expected to enhance their presence overseas by expanding to countries like Japan, Africa and Latin America. India's share in ANDA filings in the US market has increased to 23% in 2007 from 6% in 2002. The robust developmental pipelines of leading Indian players ensure that the number of new ANDA filings will continue to increase in the coming years. On the basis of the international growth trends, it is expected that the global generic market will grow to $140-150Billion by 2015 and the Indian formulation exports to reach around $12-13Billion by 2015.

Growth in Formulation Exports

Expected Patent Expiries

(Source: Indian Pharmaceutical Industry: Vision 2015)

Growth Drivers for Formulations Exports

- Patent Expiries
- Higher Penetration in Japanese Market
- Continued growth in European Market
- Biogenerics and Niche Opportunities
- Inorganic growth by Indian Companies
- Increasing share in ANDA filings

- ***Bulk Drugs / API Exports***

The Bulk Drug / API industry globally has grown parallel as a direct result of formulation growth. With a growth of 11% over the past five years, the global industry reached $90Billion in 2007. Indian Bulk Drug exports have grown parallel to reach $4.2Billion in 2007-08 from $1.2Billion in 2002-03. International generic industry growth will continue to spur the Bulk Drug industry worldwide. Also, India has emerged as an important contract manufacturing destination due to cost benefits and high quality consciousness. Contract manufacturing in India is expected to grow from around $0.625Billion in 2005 to $3.2b, thereby contributing to 25% of the total API exports from India in 2015. Overall, it is estimated that the Indian Bulk Drugs exports will reach $12.6Billion in the year 2015-16.

The global API industry has grown substantially over the past few years due to growth in the generic industry. Global Bulk Drug demand increased at a CAGR of 11% over the last five years to reach $84Billion in 2006. It is estimated to have reached $90Billion in 2007. The production of Bulk Drugs worldwide was estimated at 505 mn kgs in 2005, having increased by a CAGR of 5% over a period of five years. Merchant API accounted for around 41% of the total Bulk Drug market in 2005 vis-à-vis 51% share of Captive API. Most of the companies that purchase Bulk Drugs are generic manufacturers.

In the pharmaceutical industry, **India has carved a niche for itself by being one of the largest Bulk Drug suppliers.** India's Bulk Drug / API exports accounts for 21% of India's pharmaceutical industry, which, in contrast to many developed countries is significantly higher as Bulk Drugs are mainly manufactured for internal consumption. Bulk Drugs exports grew robustly by 28% CAGR between 2001-02 and 2007-08 to reach an estimated $4.2b.

Growth Drivers for APIs and APIs Exports:

- Growth in International Generics Industry
- Higher share of Merchant API
- Increasing share in DMF filings
- Contract Manufacturing opportunities

Bulk Drug / API exports have grown significantly in the past and will continue to grow on account of:

- **Growth in International Generic Industry:**

  Generic market grew from around $27Billion in 2001 to around $75Billion in 2007 on account of large scale patent expiry. The growth in generic industry is expected to continue over the next eight years as drugs worth $105Billion are expected to face patent expiry; refer the chart titled '*Expected Patent Expiries*' given above. The global generics market is expected to grow at 8%-10% over the decade.

- **Higher share of Merchant API:**

  The growth of generics market worldwide will result in a marked increase in the market for Merchant API worldwide. Highly price competitive generics require cost cutting and sourcing of lower cost raw materials, thereby increasing demand on Merchant API worldwide. Chemical Pharmaceutical Generic Association (CPGA) expects Merchant API to constitute up to 45% of the total API demand, a rise from the present 41% by the year 2010.

- **Increasing share of Indian companies in DMF filings / Approved Plants:**

(Source: Indian Pharmaceutical Industry: Vision 2015)

*Of the overall DMF filings to the US FDA, the proportion of filings by **Indian players** has jumped from around 14% in 2000 to **46% of total filings** in 2008 (Jan-Jun). While India has recorded **1,671 filings**, China shows a tally of 520, the second-largest number of DMF filings after India. Even in 2008 (Jan-Jun), India's DMF filings were around 3.5 times that of China – 187 from India vis-à-vis 51 from China. Although a DMF filing does not necessarily result in business, it provides an indication about the capabilities of players.*

(Source: Indian Pharmaceutical Industry: Vision 2015)

India is one of the largest API producers for the US market outside of the USA with the largest number of US FDA approved plants outside of the USA. *It is followed by China and Italy but leading by a large margin. Also the products registered by India vary in complexity and range of therapeutic areas ensuring restricted competition for Indian companies and thereby steady demand for Indian APIs.*

- **Contract Manufacturing Opportunities:**

The price of a generic formulation is highly dependent upon the cost of API as API costs account for around 30% of the total cost of a generic drug. This has resulted in a growing demand of contract manufacturers who produce pre-determined products at prices fixed in advance. The contract manufacturing market comprises of Bulk Drugs and formulations; Bulk Drug contract manufacturing contributes 77% of the total contract manufacturing market in India. India has emerged as one of the prime destination for contract manufacturing; it is to grow from approximately $0.625Billion in 2007-08 to $3.2b, thereby contributing to 25% of the total API production from India in 2015.

Contract Manufacturing of API

Contract Manufacturing- Segment-wise

(Source: Indian Pharmaceutical Industry: Vision 2015)

India has emerged as one of the prime destinations for contract manufacturing due to its low cost, high-efficient manufacturing processes. Many international companies have invested in contract manufacturing assets in India. India has a cost advantage unrivalled by many countries, while offering state of the art manufacturing facilities. Considering the advantages offered by India, innovator companies are also opting contract manufacturing out of India. This is further strengthened by the fact that many innovator companies have focused on cost cutting and thereby have closed down or sold their manufacturing units.

Contract manufacturing has emerged as a major revenue source for Indian companies, contributing to a significant portion of their total revenues. Contract manufacturing is a growing industry in the country as more and more innovator companies are reducing manufacturing spend, there is a definite increase in the companies offered contract manufacturing services. India has one of the largest number of FDA approved Bulk Drug plants in the world outside of USA, numbering to greater than 70. This gives greater confidence to innovator companies around the world as the US FDA facility checks are considered one of the most stringent and widely accepted. As more and more companies reducing manufacturing spends, there is expected an increase in the revenue from contract manufacturing for Indian companies.

Impact of China in the API World:

The number of DMFs filed by Indian companies has been increasing exponentially over the years. In 2007 Indian companies accounted for almost half of the total number of new DMF submissions to the US FDA. This was in turn reflected in volumes and value of Indian API exports.

India and China in DMF filings (US FDA)

(Source: Indian Pharmaceutical Industry: Vision 2015)

China has also made a mark on the US DMF submission list. The number of DMFs filed by Chinese companies has significantly increased over the past few years. China has upgraded many of its plants to cater to highly regulated markets and has concentrated efforts on entry into the regulated markets like USA. However, as of available data, ***India still has an advantage over China in terms of number of DMFs filed per year and cumulative.***

Due to the high number of plants already approved by the US FDA in India, the confidence to file more products is higher as well as the interest of the companies to offer multiple products from the same approved facility. Also, Indian companies have a significant presence in the formulation market in the USA as a result of which they undertake backward integration and produce API for their in-house use. This API is also registered with the US authorities and drives up the total number of DMF filings. The DMF submissions by China are increasing on a yearly basis. Chinese DMFs now contribute to 16% of all new DMFs in 2007, compared to 5.3% in 2001. China is expected to continue its focus on the US market in the long term. With their competitive cost processes and labour forces, China is also experienced in utilizing their economies of scale to emerge as leaders in the API space.

Advantage India - API:

India offers a number of distinctive advantages in the pharmaceutical space viz., process engineering, capital efficiency, skilled chemists, regulatory skills and low labour costs. Apart from availability of cheaper labour sources, India has many local manufacturing equipment manufacturers. These equipments are of high quality and low cost, thus reducing the cost of capital. Competition in the India's domestic formulation market has made it inevitable for API suppliers to continuously develop alternative production methods to improve yields or reduce costs. This ensures that India has a significant cost advantage due to process engineering. Apart from availability of a high number of skilled chemists, India also offers scientists with vast experience and unmatched skills. The scientific staff in India though equivalent or better qualified and also available at a fraction of the cost. This makes Indian research firms more competitive than many international firms while being cost competitive. Labour costs are also low in India, being almost 1/7 of that in many developed countries and offer an obvious cost advantage. Over the years, India has also developed regulatory skills required for getting approvals in regulated markets like US, Europe and Japan.

Opening up of New Markets - Japan:

The Japanese Pharma market has been known for its high regulatory standards as well as its high entry barriers. The market is prone to supporting ethical drugs because of the Japanese Pharmaceutical system where hospitals dispense medication and there are no incentives to doctors or patients from a lower priced generic. However, with rising medical costs resulting from an ageing population (age over sixty years), the Japanese government has modified its laws for generic medication and has thus enabled more companies to file DMFs and formulation dossiers in the country.

Japan is the second largest pharmaceutical market in the world, after the US with sales of around USD 66.5 billion. However, generic drugs form only 16% of the total market. The Japanese government intends to raise the share of generic drugs to 40% of the total Pharma market in a bid to reduce healthcare costs. They have made a number of reforms to encourage generic drugs. Some of the key reforms include allowing generics substitution, incentives to doctors to prescribe medicines in generic name rather than brand name, faster system to approve drugs and removal of obligation to manufacture locally.

Indian API Exports – Vision 2015:

The Indian API exports have been growing on a consistent basis over the past few years. The main reasons for the growth have been entry into markets which have a growing generics demand and increasing number of competitors in the domestic market. The growth of the Bulk Drug / API industry is directly linked to growth in formulation sales and requirements. The international generics market is continued to grow with many blockbuster drugs coming off patent in the coming years. Also, the domestic formulation market is also seeing a marked growth. It is expected that the Indian Bulk Drug / API Exports to be $12.6Billion by 2015-16 largely driven by significant increase in sales to the regulated markets.

CONTRACT RESEARCH

While R&D spending is growing between 5-7% annually, R&D outsourcing grew 15-18% in last couple of years. Growing need to improve the speed and lower the costs of drug development, as well as increased regulatory and safety standards, capacity bottlenecks, and a growing presence of smaller bio-pharma companies will ensure growth in outsourcing and discovery partnership business. Within the US, approximately 33% of the $40-45b spent annually on R&D is now outsourced, a number projected to increase to 41% ($24b) by 2009.

Growth Drivers for Indian CR:

- Higher share of smaller pharma companies in NCE
- Increasing margin pressure of large pharma
- R&D spends remain constant
- Global CROs looking to improve productivity
- India a compelling destination

Contract Research to reach $3Billion by 2015

(Source: Indian Pharmaceutical Industry: Vision 2015)

Key Risks impacting Industry Growth:

Outlined below are some of the key risks that may impact the growth of Indian pharmaceutical industry in different ways:

- Slowing Growth – globally and in India
- Trade driven Generic-Generics (Gx-Gx) increasing beyond expectations
- Regulatory Changes
- Increased Competition in the Generics Market
- Emergence of other countries, especially China
- Patent Regulations
- Distribution
- Spurious Medicines
- Government spending on Healthcare
- Health Insurance penetration
- Manpower availability

CRAMS - CONTRACT RESEARCH AND MANUFACTURING SERVICES

(All the following is extracted from the report on "Industry Insight – CRAMS in India" by Cygnus Business Consulting & Research Pvt. Ltd. The data may have been re-classified by us for the purpose of presentation.)

CRAMS (Contract Research and Manufacturing Services) is one of the fastest growing segments in the pharmaceutical industry. It pertains to outsourcing research services/ manufacturing products to low-cost providers with world class standards, in line with international regulatory norms like the USFDA, Australian-TGA, UKMCA, and EMEA**.**

Dynamics of Pharmaceutical industry: The global pharmaceutical industry is in a state of transition. In the next 2-3 years about 26 blockbuster medicines worth over US$96 billion are going off-patent in world's largest drug market (the US). The industry is desperately in need of new molecular entities (NME) and advanced pharmaceutical ingredients. The generic players are ready to invade the domain of the originator companies with generic versions at reduced price. Aging population in the West is straining health care budgets everywhere and this is making countries like the US more pro-generic. The bottom lines of the major pharma companies are threatened like never before.

Process Optimisation - Network Model: The industry has begun to transform its business model into a networked structure, which in effect is breaking apart the traditional pharma value chain. Pharma companies are working on the in-sourcing and outsourcing model to increase efficiency, and reduce lead time in drug discovery. The major business motive to outsourcing is generally cost reduction. The companies want to focus on their core business area and prefer outsourcing some of their work (Table below). Presently, over 30% of research is done through contract companies and this figure is expected to increase to 50% in the near future. Some pharma companies are also outsourcing the developing and manufacturing of drugs. This arise the need for CRAMS in the pharmaceutical industry as given below.

Major Business Motives to Outsource:

S.No.	Areas	Percent
1.	Cost reduction	23.3%
2.	Focus on core business	17.2%
3.	Service improvement	12.9 %
4.	Organizational Strategy	10.8 %
5.	Competitive advantage	10.3 %
6.	Skills enhancement	9.6 %
7.	Reduce time to market	5.1 %
8.	Rapid Industry transformation	3.8 %
9.	Technology renewal	3.0 %
10.	Legacy migration	2.7 %

Source: Cygnus Research

Sourcing opportunity evaluation by pharma companies:

CRAMS is the latest buzzword emerging out of the heightened outsourcing activities.

In India, this emerging sector seems lucrative to many companies, particularly the mid-sized pharma companies.

Contract Research (CR)

Research can be contracted by the sponsor to perform one or more of a sponsor's trial-related duties and functions:

- Drug discovery stage
- Preclinical stage
- Clinical stage

Companies involved in contract research activities are engaged in setting up laboratories, manning them with qualified researchers and other staff and executing the projects in hand. The various activities undertaken include clinical study design, project management, quality assurance auditing, medical safety monitoring, biostatistics, clinical data management, regulatory submissions and scientific communications.

Contract Manufacturing (CM)

Contract Manufacturing consists of activities like manufacturing of intermediates and Active Pharmaceutical Ingredients (APIs) for New Chemical Entities (NCEs) or generics. The generic segment includes drugs that are without patent protection i.e., either it's not patented or its patent has expired. The molecules that are identified for a particular indication may be patented at any stage of the clinical trials. This is to protect copying of the molecule and save the cost incurred in the development of the molecule.

The market is generally led by increased outsourcing and a large number of drugs going off-patent. Global prescription sales growth of generic drugs climbed by 7.7%, up from 3.6% in 2008, in the 12 months ended September 2009. According to IMS Health Inc.'s data, generic products generated US$83 billion in global sales in 2009. India, with its cost advantages, large number of US Food & Drugs Administration (USFDA)-approved manufacturing facilities and process chemistry skills, is likely to hugely benefit from the growth in this segment. It has become a strategic imperative for global pharma companies to make India an integral part of their manufacturing value chain to maintain lean cost structures and combat intense competition in the global generics industry.

Intermediates for NCEs: The opportunity for Indian companies lies in working with innovator companies in the custom synthesis segment (for manufacturing intermediates and bulk drugs that are at various stages of research). The long lead time in this segment and high exit barriers for innovator companies (it is difficult to change suppliers quickly in view of the high costs and lengthy FDA approval processes) work in favor of Indian companies.

CRAMS Areas of Operation:

Molecule	***Pharmaceutical Value Chain***				
	Drug Discovery	*Pre-clinical*	*Clinical trials*	*Kilo Manufacturing*	*Regular Production*
NCE	✓	✓	✓	✓	✓
Generics		✓	✓	✓	✓
Others (ISM & Vaccines)		✓	✓		

Source: Cygnus Research

Global Market Size:

The global pharmaceutical outsourcing market was worth US$58 billion in 2009. It is expected to reach US$67 billion by 2010, growing at a CAGR of over 15% (2007-2010). The global contract research market was US$21 billion in 2009 and is expected to touch US$25 billion, reflecting a CAGR of around 18.6% (2007-2010). The contract manufacturing segment of global pharmaceutical outsourcing market was at US$37 billion in 2009 accounting for the major share (approximately 63.8%) of the total market.

CRAMS IN INDIA:

Many international drug manufacturing organizations are targeting India for its outsourcing in drug development and

manufacturing. Mainly in development of new molecules, its therapeutic value identification is the major aspects of pharmaceutical contract research. Traditionally, India has been a source-point for generics, active pharmaceutical ingredients and formulations to the regulated and less regulated global markets. It has also been proved for some time now that, India can well be a major centre for contract research, custom synthesis and clinical research. Apart from new drug discovery research, a domain which has been lying rather low so far has been propelled onto the fore with increased possibilities now.

The concept of CRAMS is gaining increasing importance in the current global market scenario and a fast growing country like India is calling the shots in this field.

In India, companies belonging to CRAMS broadly encompass the following outsourced activities:

- **Clinical Trials:** With a vast genetically diverse population and many people never receiving medication to treat their conditions, India is strategically placed to emerge as a front runner destination in the outsourcing of clinical trials.
- **Research and Development:** With fewer new drug discoveries every year, rising drug prices, and generic competition, drug companies are under intense pressure to contain their research and developments expenses and maintain their bottom line.
- **Manufacture outsourcing:** The cost of labor is usually much lower in India, yet the quality of work is high.

In a significant move, the government of India has slashed the tax levied on pharma products manufactured in the country by 50%, reduced the federal value added tax by 2% and extended tax concessions to the pharma and biotech research companies which take up outsourced research works. Some of these measures are likely to spur the growth of the CRAMS sector in India.

FDA-approved manufacturing plants in India:

There were over 175 FDA-approved Manufacturing facilities in India in early 2009 and the number is estimated to grow at the rate of 30% by the end of 2010. This would make India the only country having the largest number of such plants outside the US.

As per 2006 figures, even China, supposedly the biggest threat to Indian business in CRAMS, had 27 FDA-approved manufacturing sites. India has almost three times the number of FDA approved plants than China as shown here. This is one of the most vital factors for outsourcing manufacturing services to India by the multinationals and global pharmaceutical companies.

Indian companies have been at the forefront, both in terms of DMF and ANDA filings. Indian pharmaceutical companies have claimed nearly one third of the generic drugs approved by US FDA, in the year 2009, according to the data provided by the agency. Indian firms won 138 approvals from the total 483 generics approved by the US FDA, claiming over 31% of the abbreviated new drug applications (ANDAs) approved by the regulator of the world's largest pharma market US FDA. India has over 100 manufacturing facilities approved by US FDA - the largest outside US.

Service Providers in Contract Manufacturing:

In India, the contract manufacturing service chain consists of the following:

- Contract manufacturing for patented drugs, custom synthesis and scale-ups
- Contract manufacturing for specialized generics
- Contract manufacturing for old generics and old molecules

Indian Pharmaceutical Outsourcing Market:

The Indian pharmaceutical outsourcing market was valued at US$1700 million in 2008, and was estimated at US$2500 million in 2009. It is further expected to reach US$3800 million by 2010, reflecting a CAGR of 51.2% (2007-2010). Consequently, India's contribution to the global pharmaceutical outsourcing market is expected to increase from2.5% in 2007 to 5.7% in 2010. Major part of the outsourcing market is dominated by contract manufacturing services, which Indian pharmaceutical companies provide to the outside world.

Contract Research:

The global contract research market reached at US$21 billion by 2009, reached at US$21 billion by 2009, increased by 14% from US$18.19 billion in 2008. It is expected to grow at an annual rate of 14-16% to reach US$25 billion through 2010. The market is highly fragmented and the number of CROs worldwide has reached over 1,100 despite continued consolidation. Clinical trials conducted by CROs are completed up to 30% more quickly than those conducted in-house by Pharma companies.

Contract research in India reached to US$0.9 billion in 2009 and is estimated to reach US$1.5 billion in 2010, maintaining the CAGR of 65% from 2007-2010. India is emerging as one of the most competitive CRO markets with more than 70 clinical research organisations and central labs available.

Contract Manufacturing

The global pharmaceutical Contract Manufacturing Outsourcing market in 2009 was US$37 billion, it is expected to reach US$42 billion by 2010 at a CAGR of 13% (2007-2010). Chemical synthesis constituted close to 60% of total work outsourced in the global contract manufacturing market. India serves global clients through various business models and offerings, such as outsourcing of services (including R&D) and manufacturing. Strong reverse-engineering skills, a robust talent pool, government support for exports, low production and R&D costs, and world-class infrastructure to assure high quality standards are some of the factors that enable India to play a pivotal role in the global pharmaceutical market. India is considered a global destination for supplies of high-standard APIs.

Indian CMO Market by Segment (2009)

The Indian CMO market stood at US$1.6 billion in 2009. It is expected to grow with a CAGR of 43% from 2007-2010 to reach US$2.3 billion by the end of 2010. Chemical synthesis constituted 60% of the total outsourcing market by CMOs in India, followed by formulation and packaging, which constituted about 40%.

Contract Research through Clinical Trials

Clinical trials outsourcing is now a major business in India (estimated to be US$3.2 billion by 2010). Over 100

companies are currently involved in outsourcing in the country, ranging from Fortune 100 heavyweights such as Pfizer and Merck, to Indian companies that have built their name mainly on generics, such as Daiichi Sankyo and Dr. Reddy's.

Market Players

Indian companies are proving better at developing APIs than their competitors from target markets and that too with non-infringing processes. Indian drugs are either entering in to strategic alliances with large generic companies in the world of off-patent molecules or entering in to contract manufacturing agreements with innovator companies for supplying complex under-patent molecules. Many other large Indian companies started undertaking contract manufacturing of APIs as part of their additional revenue stream. Top MNCs like Pfizer, Merck, GSK, Sanofi Aventis, Novartis, Teva etc. are largely depending on Indian companies for many of their APIs and intermediates. The outsourcing trend has taken a new shift among big pharma companies so as to focus on few core strengths and look for competent partners for other activities. Impending patent expirations on a large-scale and lack of sufficient new products are providing impetus to step up outsourcing initiatives. The strategic moves by MNCs like Eli Lilly and AstraZeneca currently reflect the trend. AstraZeneca has indicated its intent to outsource all manufacturing activities over the next ten years to India / China, whereas Eli Lilly has been proactively forged into R&D alliances with Indian companies.

India-China Emerging Players

In the world of CRAMS India and China have been performing well and is a preferred destination of the global pharmaceutical players. The main advantage to both these countries is the population and low cost, and both the countries gain at the expense of Western Europe and Japan in their research and manufacturing experiences that involved high cost and low productivity for NCEs. The bonhomie of India in the world of CRAMS is strongly at a risk from China. China is fast turning out to be a formidable competitor, particularly in the field of APIs. Chinese pharmaceutical industry is expected to become the fifth largest in the world by 2010.

The following table gives the competitive nature of the two countries –

INDIA	CHINA
Distinctive focus on	***Focus on***
✓ Late stage Intermediates	✓ Early stage Intermediates
✓ Complex Synthetic APIs	✓ Large Volume APIs
Move Towards	✓ Expertise in Fermentation
✓ Custom Synthesis	Custom Synthesis yet to be developed
✓ Dosage Form Manufacture	General disregard for cost of capital & non-cash costs
Low delivered prices more the selling argument	Communication improving
Increased technical and managerial sophistication	

This growth in outsourcing is largely on account of global pharma industry experiencing declining growth and margin pressures led by:

- Governmental pressure to reduce market price of products on account of spiraling healthcare costs
- Patent expiry of many key innovative products resulting in pressure on revenue and margins, and
- Declining R&D productivity leading to reduced pipeline

The global pharma industry is therefore compelled to reduce manufacturing costs to protect margins and develop innovative products faster and at a lower cost. This has led to changing mindsets towards R&D and manufacturing outsourcing, which augurs well for the Indian CRAMS players. Contract research outsourcing can be broadly classified as clinical research outsourcing and drug discovery research outsourcing. The high costs of R&D abroad coupled with the fact that many drugs are going off patent are forcing MNCs to increase their product pipelines and reduce the overall 'time to market'. The R&D outsourcing segment has been on the rise in the past decade.

Big Pharma Partnering with Indian Pharma:

Growth Drivers for CRAMS in India

India offers distinct economic advantages to large pharmaceutical companies who are looking to reduce their time-to-market on new products and save at the same time. These include:

- Strong development skills as demonstrated in the international market - APIs and dosage forms
- Low R&D cost
- Cost of manufacturing is 40-50% lower as compared to western countries
- Integrated business model creating a one-stop shop for innovators
- India has six times the number of trained chemists as compared with the US
- With over 175 USFDA approved plants, India has the highest number of FDA approved plants outside the US
- Abundant English speaking skilled manpower
- Large patient population providing a diverse pool for clinical trials for NCEs
- High quality telecom and IT infrastructure
- Most importantly, Indian companies have adapted to international regulatory norms &respect IPR

Growth in contract manufacturing is likely to be driven by increasing outsourcing of late-stage and off-patent molecules by big-pharma to compete with generics. On-patent molecules in highly competitive therapies e.g., proton pump inhibitors (PPI) may also be outsourced to improve the foreign company's ability to gain market share via aggressive pricing (e.g. Protonix). There has been a significant capacity build-up in the generics industry across the globe. The most aggressive increase in capacity is now in India. Not only did large companies step up their investments, but second and third tier companies have also made heavy investments to service planned forays into the regulated markets. This inevitable process of value chain optimization and the consequent incomplete value chain is the first and foremost growth driver behind the phenomenal growth of the CROs. It saves considerable time and money for the pharmaceutical companies. In turn, the pharma companies can concentrate on their key areas of competence.

Arising need in pharma value chain

Reasons for Outsourcing

Demand for NCEs and INDs: The next two to four years are an important time frame for many pharmaceutical companies. This is when many of the top selling drugs go off patent. While the much-talked-about patent cliff won't hit until blockbuster drugs. Teva, Apotex, Mylan and a slew of other generic drugmakers will have a chance to put a dent in the sales of a number of brand meds this year--including Flomax and Aricept. Lipitor, whose basic patent expires this year, doesn't face competition until 2011 because of Pfizer's deal with Ranbaxy, the first-filer. It's still included in the following list, which has a number of top-selling drugs.

Patent expiry dates of some major molecules:

Developer/Company	Drug	Category	Expiration
Merck	Cozaar/Hyzaar	Hypertension	2010
Pfizer	Lipitor	Cholestrerol Disorder	2011
Boehringer Ingelheim	Flomax	BPH	2009
AstraZeneca	Arimidex	Breast Cancer	2009
Bayer HealthCare	Climara	Moderate-to-severehot flashes	2009
Eisai	Aricept	Alzheimer's-related dementia	2009
Roche	Invirase	HIV	2009
GlaxoSmithKline	Hycamtin	Ovarian and small-cell lung cancer	2009
Wyeth (Pfizer)	Protonix	Erosive esophgitis	2011
Ortho-McNeil	Levaquin	Infection	2011
AstraZeneca	Crestor	Cholesterol Disorder	2012
AstraZeneca	Symbicott	Asthma	2012
Eli Lilly & Co.	Zyprexa	Schizophrenia	2011
Forest Laboratries	Lexapro	Depression & Anxiety Disorder	2012
GlaxoSmithKline	Advair	Asthma	2010
GlaxoSmithKline	Avandia	Diabetes	2012
Johnson & Johnson	Levaquin	Antibiotic	2010
Merck	Singulair	Asthma	2012
Novartis AG	Zometa	Cancer	2012
Novartis AG	Diovan	Hypertension	2012

With the flow of drugs going off patent, the pharmaceutical industry is frantically looking for new molecules. There is an ever increasing demand for New Chemical Entities (NCEs) and Investigational New Drugs (INDs). This is acting as a growth driver for the contract research organizations.

Need for Speedy and low cost R&D: Indian population is marked by the existence of a spreading pool of patients with urban lifestyle diseases and tropical diseases, who can be convinced easily for clinical trials.

Patenting requirements: A large part of IP related work is document intensive and involves laborious tasks. Hence significant amounts of IP work like Patent drafting, search, analysis, provides a good opportunity for off shoring. India with its vast talent pool of qualified professionals provides an excellent opportunity to tap services related to patenting requirements and this acts as a major growth driver.

Manpower development: Success of Indian CRAMS players against all the prevailing competitions lies especially in the area of process chemistry; Growing amount of knowledge base amongst the researchers in intellectual property rights, cGMP/GLP guidelines, standard operating procedures acceptable to international authorities.

MNCs, leveraging on their Indian subsidiaries for global support: Global MNCs are enhancing the scope of outsourcing research and manufacturing operations to their Indian subsidiaries. Companies make use of their local medical departments or subsidiaries for monitoring clinical studies. Aventis, Eli Lilly, Novo Nordisk and Wyeth are using their affiliate medical departments for conducting global clinical studies. MNCs pharma companies are capitalising their low costs manufacturing facilities in India in order to improve their R&D productivity, thus curbing the costs. They are using India as a base for exports not only to the neighboring countries but also to other markets such as Japan, South Africa Latin America and Europe.

OUR BUSINESS

Unless stated otherwise, the financial data in this section is as per our consolidated financial statements prepared in accordance with Indian GAAP set forth elsewhere in the Red Herring Prospectus. In this section only, any reference to "we", "us" or "our" refers to Arch Pharmalabs Limited.

*The following information should be read together with the more detailed financial and other information included in this Draft Red Herring Prospectus, including the information contained in the chapter titled "**Risk Factors**", beginning on page xviii.*

OVERVIEW

We are a pharmaceutical company aligned across two business verticals *viz.* Products and Services. Our Products business comprises manufacture and sale of Active Pharmaceutical Ingredients ("**API**") and Intermediates to innovator and generic pharmaceutical players in both domestic and international markets including the regulated markets. We have evolved our business and have, over the years, extended from manufacturing APIs and Intermediates to add Contract Research and Manufacturing Services ("**CRAMS**") to our offerings, which has significant potential for the growth of our business.

We offer a diversified product mix of APIs and Intermediates with more than 120 products (over 65 APIs and over 55 Intermediates) across various therapeutic segments. The therapeutic segments we cater to include side chains of Semi-Synthetic Isoxazole Penicillins under Antibiotics, Lipid Lowering Agents (Atorvastatin and its intermediates), Oncology (Gemcitabine, Docetaxel, Paclitaxel, Imatinib and others), Anti-Platelet Agents (Clopidogrel), Anti-Asthmatic (Montelukast), Anti-Retroviral (Efavirenz and Zidovudine), Decongestant (Pseudoephedrine HCL), Anti-Herpes (Valacyclovir), Anti-Malarial (Piperaquine Phosphate), NSAIDs, Anti-Anginal and others. Under CRAMS, we provide services ranging from route selection / process development / optimization, analytical development, stability studies, safety studies, scale-up to technology transfer / clinical-trial manufacturing to commercial manufacture. We are geared to meet a wide range of requirements ranging from manufacturing of APIs and Intermediates to specific research on diverse chemistries from gram-scale to multi-ton.

Over the years, we have pursued both organic and inorganic growth strategies to strengthen our manufacturing infrastructure. We currently own and operate 11 multipurpose manufacturing facilities in the western, southern and northern regions of India i.e. 6 facilities are located in Maharashtra, 4 facilities in Andhra Pradesh and 1 facility in Gurgaon, Haryana, with reactor capacities of around 1500 KL. Out of the 11 facilities, 5 namely, Gurgaon Unit, Dombivli Unit, Avon Solapur Unit (owned by our Subsidiary Avon), Medak Unit 3 and Tarapur Unit 2 are API manufacturing facilities and the rest are Intermediate manufacturing facilities. Out of the 5 API manufacturing facilities, 3 facilities, i.e. Gurgaon Unit, Dombivli Unit and Avon Solapur Unit (owned by our Subsidiary Avon), are inspected and approved by USFDA. Additionally, the Dombivli Unit has also been inspected and approved by EDQM, TGA-Australia and PMDA-Japan. 6 of our facilities are ISO 9001:2008 certified and Medak Unit 1 and Gurgaon Unit are also ISO 14001:2004 and OHSAS 18001:2007 certified. As on the date of this Draft Red Herring Prospectus, we have filed 46 DMFs and dossiers with the relevant regulatory authorities to increase our penetration in the regulated markets. This includes 36 USDMFs filed with USFDA and 10 dossiers filed with the EDQM, out of which we have received CoS for 8 of the dossiers to supply the APIs to the European markets.

We have capabilities to handle several complex reactions in a cost-effective manner across a scale of operations ranging from multiple, multi-product facilities with capacities varying from gram to kilograms and multi tons. These complex reaction capabilities include bio-catalysis, cryogenics, cyanation, chlorination, carboxylation, hydrogenation, SMB technology, continuous process & micro-reactor and organoborane chemistry – across lab-scale, pilot-scale and commercial scale. We are strategically backward integrated with combination of technologies, for instance we are backward integrated in the manufacturing of Montelukast and side chains of Semi-Synthetic Isoxazole Penicillins. We are fully backward integrated in the manufacturing of Atorvastatin intermediates.

Our Corporate R&D Center, set up in the year 2006 at Taloja, near Mumbai is a DSIR recognized unit. We also have 5 in-house R&D labs at our manufacturing units to support technology transfer for new products and on-site process improvement. Our Corporate R&D Center provides custom synthesis and contract research services in addition to process development of new products-APIs and Intermediates. As on the date of this Draft Red Herring Prospectus, we have a team of 275 process and analytical resources (26 PhDs) and 7 process engineers in our 5 R&D Centers.

Our R&D capabilities enable us to support our growth strategy by developing new products and processes which enhance our products and services range. Our continued focus on R&D has enabled us to foray into the area of custom

synthesis business by forging partnership and development relationship with both innovator and generic majors. The focus of our R&D has been to strive for continuous process improvements and achieving manufacturing cost efficiencies for existing as well as new APIs and Intermediates. Our revenue expenditures towards R&D activities on consolidated basis were ₹112 Million, ₹174 Million and ₹128 Million in H1 2011, Fiscal 2010 and Fiscal 2009 which is 1.8%, 1.5% and 1.3% of our consolidated Income from Operations respectively.

Our dedicated focus on research and ability to generate innovative research ideas has resulted in filing of 19 process and 2 product patent applications including process patents that have been granted. To illustrate, we have been granted process patents for the manufacture of Clopidogrel and that of DKT III (an Atorvastatin intermediate) from the Indian Patent Office and USPTO, respectively. We have filed 20 patent applications (18 for process and 2 for product) with the Indian Patent Office. We have also filed PCT applications for 9 process patents with WIPO. In addition, two patent applications (for Gemcitabine and Montelukast) have been filed with the USPTO. We have also made another process patent application for DKT III with the European Patent Office.

We have access to proprietary technologies through agreements with Codexis, DSM and Orochem which provides us with clean, green and cost effective technology platforms for those products that we manufacture under these agreements. Codexis is a global player having proprietary technology of biocatalytic chemical processes (two-time recipient of the U.S. Environmental Protection Agency's Presidential Green Chemistry Challenge Award – years 2006 and 2010) that enables efficient, cost-effective and environment friendly pharmaceutical manufacturing, by replacing traditional synthetic chemical compounds. Our relationship with Codexis began in the year 2005 and has grown over the years and today, our Company has acquired an exclusive right to manufacture certain key APIs and intermediates using Codexis' proprietary enzymes and technology for a period of 10 years. Pursuant to our agreements with Codexis we can supply the said products to third party innovator companies across the world and third party generic companies located in US, Canada, Israel and Europe and the other identified companies in India.

Pursuant to our agreement with DSM, a global multi-specialty chemical company, in December, 2007, we have developed processes for the manufacture of Atorvastatin API using their biocatalysis technology and have commenced commercial-scale manufacturing from October, 2009.

We have also entered into an agreement with Orochem in the year 2009 for the use of SMB Technology in the manufacture of APIs and Intermediates which has higher throughput and provides high yield and high purity in a relatively short time, and can reduce time to market while being eco-friendly.

Our Company is in possession of a Corning® Advanced-Flow™ glass reactor procured from Corning that we are currently evaluating. Corning's Advanced-Flow glass reactor embodies Corning's proprietary reactor technology. Corning believes that the Advanced-Flow glass reactor brings performance benefits to industrial chemical processing because it enables high-throughput and is easily scalable thereby providing a cost-effective solution for a single reaction or a wide portfolio of reactions. This technology is expected to increase the efficiency, scalability and quality of chemical processing and at the same time reduce environmental impact, performance variability and costs. The Advanced-Flow glass reactor is still being evaluated by our Company and the preliminary conclusions have been positive.

We cater to over 400 customers including global innovator and generic companies from over 60 countries including the regulated markets, across continents, namely, USA and Canada in North America; Germany, Italy, Spain, Switzerland, Turkey, UK and Ireland in Europe; Japan and Korea in the Far East; Argentina, Brazil and Chile in South America; Oman and UAE in the Middle East; Bangladesh in the South of Asia; Hong Kong and Singapore in the South East of Asia, to name some.

Further, through our collaboration agreement with Mitsui in September 2010, we have gained easier access to the Japanese pharmaceutical market, the second largest in the world, after the US. As per this agreement, Mitsui, a general trading company from Japan having global presence through it's over 150 offices in more than 60 countries across the world, is an exclusive distributor of our products in Japan, with the exception of certain customers and a non-exclusive distributor everywhere else in the world.

Our consolidated Income from Operations has grown at a 3-Year CAGR (Fiscal 2010) of 47.4% achieving ₹11,619 Million in Fiscal 2010. Our consolidated EBITDA grew at a 3-Year CAGR (Fiscal 2010) of 58.6% with ₹2,719 Million in Fiscal 2010 i.e. 23.4% of our consolidated Income from Operations. Our consolidated PAT grew at a 3-Year CAGR (Fiscal 2010) of 36.3% with ₹626 Million in Fiscal 2010 i.e. 5.4% of our consolidated Income from Operations. As on September 30, 2010, our Net Worth on consolidated basis was ₹6,286 Million and our Gross Block on consolidated basis was ₹8,116 Million.

STRENGTHS AND STRATEGIES

Our Competitive Strengths

We believe the following are our competitive strengths:

Diversified Offering Portfolio

We have diversified our offering portfolio to include a product mix of more than 120 products (over 65 APIs and over 55 Intermediates) across various therapeutic segments including side chains of Semi-Synthetic Isoxazole Penicillins under Antibiotics, Lipid Lowering Agents, Oncology, Anti-Platelet Agents, Anti-Asthmatic, Anti-Retroviral, Decongestant, Anti-Herpes, Anti-Malarial, NSAIDs, Anti-Anginal segments. We have increased our presence in therapeutic segments treating lifestyle diseases like Lipid Lowering and Anti-Platelet Agents and have forayed into growth potential segments like Oncology and Controlled Substances. Over the years we have extended our business offerings to add a range of services under CRAMS starting from route selection / process development / optimization, analytical development, stability studies, safety studies, scale-up to technology transfer / clinical-trial manufacturing to commercial manufacture.

De-risked Business Model

We believe we have de-risked our business model as we cater to over 400 customers worldwide including global innovator and generic companies from over 60 countries including the regulated markets, across continents. We cater to pharmaceutical players from USA and Canada in North America; Germany, Italy, Spain, Switzerland, Turkey, UK and Ireland in Europe; Japan and Korea in the Far East; Argentina, Brazil and Chile in South America; Oman and UAE in the Middle East; Bangladesh in the South of Asia; Hong Kong and Singapore in the South East of Asia, to name some. Our collaboration agreement with Mitsui gives us an access to the Japanese pharmaceutical market, the second largest in the world, after the US. We focus on broadening the geographies we cater and continuously strive to maintain and enlarge our customer base to reduce our dependence on specific markets or customers. Our sales to our top customer and to top 10 customers in Fiscal 2010 amounted to 9.61% and 41.72% of our consolidated Income from Operations, respectively.

Key Technology Tie-Ups

We believe that technologies we have developed or have access to, give us a competitive edge. We have developed our quality and efficiencies in delivery of our products and services through our R&D and key technology tie-ups. We have capabilities to handle several complex reactions in a cost-effective manner with scale of operations ranging from multiple, multi-product facilities with capacities varying from gram to kilograms and multi tons. We benefit from proprietary technologies availed through technology agreements with Codexis, DSM and Orochem and through our recent dealing with Corning. The use of these technologies enables us to work towards implementing various green chemistry initiatives which besides being environment friendly, also help us in reducing the product costs and improving the quality of the products which we manufacture under the above agreements.

Strength in R&D Capabilities

Our Corporate R&D Center has a team of 199 process and analytical resources (23 PhDs) and 7 process engineers and we also have 4 in-house R&D labs, apart from our lab at Avon Medak Unit (owned by our Subsidiary Avon), to support on-site process improvement. We have R&D capabilities for the identification and development of potential API and Intermediate products and towards process development, analytical research and clinical research. Our R&D capabilities have enabled us to make inroads into the Custom Chemical Synthesis business where we have developed relationships with both innovator and generic companies, and to develop non-infringing processes, filing process patents and striving to achieve process improvement and to drive production cost efficiencies for existing as well as new APIs and Intermediates. Our dedicated focus has resulted in various patent applications with Indian, US and European patent offices. We have been granted process patents for the manufacture of Clopidogrel and that of DKT III (an Atorvastatin intermediate) from the Indian Patent Office and USPTO, respectively.

Manufacturing Infrastructure - equipped for regulated market supplies and to deliver multiple products

We believe our strength lies in our cGMP compliant manufacturing assets inspected and approved by global regulatory agencies. All our 11 multipurpose manufacturing facilities are compliant with internationally accepted Environment,

Health and Safety (EHS) standards. 6 of our facilities are ISO 9001:2008 certified and Medak Unit 1 and Gurgaon Unit are also ISO 14001:2004 and OHSAS 18001:2007certified. 3 of our API manufacturing facilities viz., Gurgaon Unit, Dombivli Unit and Avon Solapur Unit (owned by our Subsidiary Avon), are inspected and approved by the USFDA. Our Dombivli Unit is also inspected and approved by EDQM, TGA-Australia and PMDA-Japan. As on the date of this Draft Red Herring Prospectus, we have filed 46 DMFs with the relevant regulatory authorities to increase our penetration in the regulated markets. This includes 36 USDMFs filed with USFDA and 10 dossiers filed with the EDQM.

Our manufacturing facilities are designed to manufacture a variety of APIs and Intermediates using a combination of processes. Our flexible manufacturing infrastructure enables us to expand our product range and change our product mix in response to changes in customer demand and to serve customer requirements ranging from laboratory scale research to commercial production. We have integrated our operations over the years through strategic acquisitions, integrating them together and deriving synergies to make our business model achieve efficiencies in both cost and delivery. As a result of our continuous integration process, we are strategically backward integrated with combination of technologies, for instance we are backward integrated in the manufacturing of Montelukast and side chains of Semi-Synthetic Isoxazole Penicillins. We are fully backward integrated in the manufacturing of Atorvastatin intermediates.

Experienced Management and well-qualified Workforce

We are led by first generation entrepreneurs who have track record of turnaround and building synergies from inorganic initiatives. Our senior management team is well placed to provide strategic leadership and direction to explore new emerging opportunities as well as constantly improve our current operations. Under their direction and guidance we have grown both organically and inorganically over the years. Our management team is entrepreneurial and growth oriented, and has a proven ability to manage high growth in rapidly changing business environment and delivery of high quality products at sustainable cost.

As on March 04, 2011, we have a workforce of 2,323 employees comprising 322 R&D resources, 366 resources for QC/QA and Regulatory Affairs, 41 resources for EHS initiatives, 1,145 resources for production, 68 resources for sales and marketing and 115 resources for supply chain. We believe our management bandwidth with domain knowledge and expertise provides us a competitive advantage to expand, diversify and manage the challenges of growth effectively.

Key Business Strategies

Our key business strategies aim at differentiating ourselves through our increased presence in CRAMS, continued focus on Oncology, increased access to regulated markets like Japan and emerging markets, and our technology alliances, ensuring our distinct positioning against our competitors.

To increase presence in CRAMS

Our success in CRAMS is reflected in its increasing share in our consolidated Income from Operations from 0.8% in Fiscal 2008 to 15.2% in Fiscal 2010 achieving ₹1,763 Million during Fiscal 2010. We have increased our focus in CRAMS and intend to grow this business further. With various drugs going off-patent in the US and EU markets we believe there are significant opportunities available to Indian CRAMS players. We have developed capabilities to provide a wide range of CRAMS suited to US/ EU/ other regulatory requirements. Our cGMP compliant manufacturing facilities provide us opportunities to partner with innovator and generic companies for on-patent / off-patent APIs/ Intermediates. With more and more innovator companies going in for launch of on-patent APIs in India and other emerging markets, we believe that our R&D and low-cost manufacturing capabilities can position us to be a partner of choice for manufacturing such APIs/ Intermediates.

Further, our experience in executing multiple CRAMS projects helps us in leveraging our existing relationships to secure new projects from them while at the same time developing new customer relationships. We focus on targeting projects from large innovator as well as generics players. Under our CCS portfolio we have supplied key Advanced Intermediates to innovator companies out of which two are pipeline drugs. We have been associated with both of these products from early phase-II trials. We have developed a wide spectrum of differentiating capabilities that we can offer in CRAMS and we believe that executing CCS projects successfully is an opportunity to clinch commercial scale manufacturing deals with our clients.

To focus on Oncology therapeutic segment, both in Products and CRAMS

We intend to differentiate ourselves from other Indian API manufacturers by offering technologically advanced and

non-commoditized products having better margins. With this strategy in mind, going ahead, we are targeting growth in Oncology and Controlled Substances segment. There exists a rising global need for Oncology drugs. At the same time, the drug pipeline of most of the innovator companies is concentrated in this therapeutic segment with the objective of developing more effective drugs. This growing demand for Oncology drugs brings in growth opportunities for API supplies. However, the capital investment required in setting up a cGMP compliant Oncology API manufacturing facility is high and thus acts as an entry barrier. This has restricted the number of players having Oncology API manufacturing capabilities. Moreover, most companies which have Oncology API manufacturing capabilities are forward integrated into finished dosage forms. We have, therefore, targeted this segment and positioned ourselves as a non-competing standalone manufacturer of Oncology APIs whereby our customers are those who manufacture only finished dosage forms.

We, today, offer 8 Oncology APIs on a commercial scale from our cGMP compliant facility, Tarapur Unit 2. We are also developing another 6 APIs to be launched during the next 12 months. Our revenues from Oncology have grown from 6.6% of our consolidated Income from Operations in Fiscal 2009 to 8.2% in Fiscal 2010 to 18.7% (contributing highest to our total revenues) in H1 2011.

To increase presence in regulated markets including Japan and emerging markets

We have presence in the regulated markets like the US, the EU, Japan and Australia. We believe that the regulated markets will continue to provide growth opportunities for us. We will focus on leveraging our existing relations to penetrate further into the regulated markets like the US and the EU, and increase our presence in other regulated markets, particularly in Japan. We intend to increase the number of DMF filings in the US and other regulated markets and develop long term manufacturing relationships with customers there from. We seek to strengthen our existing relationships with leading innovator and generic companies and plan to grow our business further in regulated markets through license and supply arrangements.

We intend to explore benefits from our access to the Japanese pharmaceutical companies through our recent collaboration agreement with Mitsui. Traditionally Japan, which is second largest pharmaceutical market in the world, after the US with sales of around USD 66.5 billion, has been one of the most difficult markets to access and penetrate for global pharmaceutical companies. We have been supplying key Intermediates to a Japanese innovator company through Mitsui, a general trading company from Japan having global presence through it's over 150 offices in over 60 countries across the world. Pursuant to this collaboration agreement, we sell the products to Mitsui for resale. Both parties have agreed to use their business relations and resources to expand business in Japan. Mitsui is the exclusive distributor for our products in Japan, except for a few customers. We have also formed a Steering Committee with Mitsui under this agreement for the purpose of expanding our business in Japan. Mitsui will not only make the Japanese market more accessible to us but its global presence will help us in other markets as well. Our business strategy with Mitsui for other markets is different. For existing, established markets such as the European and US markets, we shall endeavor to create business opportunities and formulate profit sharing schemes for the conduct of business activities with them. For markets we have identified as emerging markets (i.e. Asia Pacific, Middle East, South America, Africa, Russia and others), we shall first survey marketability and potential along with the regulatory framework and accordingly formulate a sales strategy with them.

As existing blockbuster drugs go off patent in regulated markets, more and more innovator companies are focusing on their generic product portfolio through increasing their presence in the emerging markets. These innovator companies have identified manufacturing partners including in India, to supply generic drugs to them for the emerging markets. The manufacturing partners in turn outsource the APIs and Intermediates from companies such as ours. It is this opportunity that we aim to capitalize on.

To explore innovative and new technology platforms

Our access to proprietary technologies through agreements with Codexis, DSM and Orochem has helped us to develop our competence and capabilities to handle several complex reactions in clean, green and cost effective manner for those products that we manufacture under these agreements. Biocatalyst−enabled manufacturing processes are advantageous and may address a number of drawbacks of conventional chemistry−based manufacturing. We currently use Codexis biocatalyst technology to manufacture various API / Intermediates on a commercial scale and DSM biocatalyst technology to manufacture Atorvastatin API on a commercial scale. Further, we have been using biocatalyst technology for manufacturing advanced intermediates for new drug candidates in advanced clinical trials which exhibit potential for commercialization.

We use SMB Technology for manufacturing APIs through our technology agreement with Orochem, which has higher throughput and provides high yield and high purity in a relatively short time, and can reduce time to market while being eco-friendly. Our Company is in possession of a Corning® Advanced-Flow™ glass reactor procured from Corning, the technology of which is expected to increase the efficiency, scalability and quality of chemical processing and at the same time reduce environmental impact, performance variability and costs. We believe these technologies are environmental friendly, contribute in reducing the product costs, improve processes and thereby leading to improvement in margins across products. We will continue in future to explore, invest in and utilize new, innovative and cost effective technology platforms as a strategy to stay ahead in competition.

OUR BUSINESS - PRODUCT & SERVICE OFFERINGS

I. Products - APIs and Intermediates

We provide products across various therapeutic segments:

Major Therapeutic Categories	Key APIs and Intermediates
Antibiotics - side chains	Side Chains of Semi-Synthetic Isoxazole Penicillins
Lipid Lowering Agents	Atorvastatin and its intermediates
Oncology	Gemcitabine and its intermediates, Docetaxel, Paclitaxel and Imatinib
Anti-Platelet Agents	Clopidogrel and its intermediates
Decongestant	Pseudoephedrine and Ephedrine
Anti-Herpes	Valacyclovir
Anti-Malarial	Piperaquine Phosphate
NSAIDs	Naproxen, Bromfenac, Ibuprofen, S(+) Ibuprofen, S(+) Ibuprofen Dc, Meloxicam, Piroxicam, Diclofenac Sodium, Aceclofenac and Mefenamic Acid
Anti-Asthmatic	Montelukast and its intermediates
Calcium Channel Blocker	Amlodipine Besylate, Isradipine and Lacidipine
Anti-Retroviral	Efavirenz and its intermediates and Zidovudine and its intermediates

Antibiotics – side chains

We offer the side chains of Semi-Synthetic Isoxazole Penicillins namely CMIC Chloride, DCMIC Chloride, FCMIC Chloride and PMIC Chloride for Cloxacillin, Dicloxacillin, Flucloxacillin and Oxacillin respectively. We have filed Type II USDMFs for all these four side chains. Towards our endeavour to lower our costs we did backward integration in the year 2008 into manufacturing of PCL5, a key raw material for the Isoxazole Penicillins' side chains.

Lipid Lowering Agents

Atorvastatin is a member of the drug class known as statins, used for the treatment of elevated LDL - cholesterol levels

in the blood. We manufacture 4 key Atorvastatin intermediates namely, ATS-5 (HN), ATS-8 (TBIN), ATS-9 and ATV-1 (L1) using proprietary Codexis biocatalysis technology. Our technology agreement with Codexis in the year 2005 has helped us to substitute the traditional chemistry route in certain key steps of manufacturing these intermediates with enzymatic route, improving both our cost and quality efficiencies. We also have a technology agreement with DSM for the manufacturing of Atorvastatin API using their proprietary enzymatic technology scaled up by us for commercial manufacturing and we have commenced commercial-scale manufacturing for them since October 2009. Today, we are fully backward integrated in the Atorvastatin intermediates product segment (refer page 93 for further details). Our key customers for Atorvastatin Intermediates and Atorvastatin API are global pharmaceutical majors like Codexis and DSM respectively.

Oncology

With our acquisition of Tarapur Unit 2 we made a foray in the Oncology API manufacturing segment. We identified manufacturing Oncology API as a new growth avenue on account of unmet global demand of Oncology drugs and our cost effective position. The Tarapur Unit 2 is engaged in the manufacturing of Oncology APIs like Gemcitabine, Paclitaxel, Docexatel and Imatinib. Gemcitabine is an anti-cancer drug that has recently gone off-patent in the regulated markets. We today offer 8 Oncology APIs on a commercial scale from this cGMP compliant facility, Tarapur Unit 2. We are also developing another 6 APIs to be launched during the next 12 months. We have filed 3 DMFs from this plant and have plans to file more USDMFs and EDMFs. We have an ongoing expansion program at this facility for increasing our capacities and adding more products on a commercial scale under our Oncology API portfolio.

Anti-Platelet Agents

We have been manufacturing Clopidogrel Bisulphate API at our Gurgaon Unit among various other products. Clopidogrel is an Anti-Platelet Agent used to inhibit blood clots in coronary artery disease and is used to prevent heart attacks and strokes.

Decongestant

Avon Solapur Unit, a unit owned by our Subsidiary Avon, is a USFDA inspected and approved facility manufacturing Pseudoephedrine API. Pseudoephedrine is commonly used in cold and cough formulations worldwide. Ephedrine, which is required to manufacture Pseudoephedrine, is made through fermentation of molasses, which is available in plenty at a low cost, in the sugar-belt around Solapur. Since Pseudoephedrine is classified as a controlled substance, it is difficult for new entrants to procure licenses to manufacture this drug.

Anti-Herpes

We have a contract manufacturing agreement for the manufacturing and supply of an API for a generic drug treating herpes. We make this compound at our USFDA inspected and approved Avon Solapur Unit (owned by our Subsidiary Avon) which earlier was solely focused on the production of Pseudoephedrine (a Decongestant product). This contract manufacturing, we believe, has improved this Unit from a single product facility to a multiple product facility as part of our diversification strategy.

Our Products business - Approach and Strategy

Our Products business segment comprise majority of our revenues over the years. We plan to sustain our growth in Products business segment through continued focus on high-value-added products where we have a distinct cost advantage / leadership over our competitors. We achieve this through multiple factors such as technology tie-ups, manufacturing scale, patents, choosing products in therapeutic segments with high entry barriers, increasing presence in the regulated markets backed by manufacturing infrastructure compliant to international regulatory standards and strong R&D resources. Technology agreements with Codexis, DSM and Orochem and our recent dealing with Corning provide us key advantages in reducing costs as well as fulfilling our commitment towards adopting green chemistry. Further, our backward integration strategy in key products helps us to not only lower the input costs but also gives us full control on the supply chain of key inputs.

Backward Integration: We target to achieve backward-integration in select products for additional cost advantage which we briefly describe as follows:

- ***Atorvastatin intermediates*** *- Fully Backward Integrated Manufacturing:*

- *Illustrative Chart*

As seen from the above flowchart, we are fully backward integrated in the manufacture of the Atorvastatin intermediates. Starting with E4CAA, which is manufactured at Avon Medak Unit (owned by our Subsidiary Avon) using Diketene Chemistry, we manufacture HN using Codexis' bio-catalytic/ enzymatic technology. HN is further used to manufacture TBIN/ subsequent advanced intermediates of Atorvastatin, using Codexis' bio-catalytic/ enzymatic technology. We also manufacture another intermediate, namely DKT 3 at our Medak Unit 1 which when coupled with ATS–9 yields ATV-1. We believe this strategy of backward integration coupled with our technology edge (bio-catalytic/ enzymatic technology) gives us a competitive advantage in terms of both cost and process efficiencies and also eliminates our dependencies for procuring key inputs/ intermediates.

- ***Montelukast:***

Illustrative Chart

We have an advantage of manufacturing Hydroxy-Ester from Keto Ester using the Codexis Bio-catalytic/ Enzymatic technology. This in turn makes Diol cost competitive and thereby giving us a competitive edge in the positioning of Montelukast API.

- ***Isoxazole Penicillins' side chains:***

One of the key inputs for the manufacturing of all the four side chains of Isoxazole Penicillins is PCl5 which is manufactured at Medak Unit 2, thereby giving us significant cost advantage and insulating us from erratic availability of this raw material.

II. Services - CRAMS

We have evolved to include Contract Research and Manufacturing Services as our growing business vertical. We have developed capabilities to provide a wide range of CRAMS starting from route selection / process development / optimization, analytical development, stability studies, safety studies, scale-up to technology transfer / clinical-trial manufacturing to commercial manufacturing to suit US / EU regulatory requirements. We can cost-effectively manage several complex reactions at various scales of operation, ranging from a few grams to several tonnes. For instance, we, using a proprietary bio-catalytic/ enzymatic technology availed by us, have developed innovative route for the manufacturing of key advanced intermediates.

We aim to capture value at three important parts of the CRAMS value chain through initiatives namely,

- pre-commercial work: exclusive synthesis / custom work for innovators on NCE candidates,
- high-value technologies with significant entry barriers: manufacture of technologically challenging products, and
- commercial manufacture of on-patent APIs and Intermediates: actively partnering in drug development efforts through custom manufacturing of APIs and Intermediates and participating in process research like scale-up of manufacturing.

Presence of Arch Pharmalabs Limited

We are increasingly focused on moving up the value chain in the pharmaceutical services business by targeting projects from large innovator firms which can allow us to exemplify our end-to-end competence across the entire services spectrum of CRAMS. These projects typically involve customized research and manufacturing services. These are projects that form part of the drug development process, customized synthesis of drug intermediates, small-scale manufacturing of APIs for clinical trials and commercial-scale manufacture of patent protected APIs.

We focus on customised solutions based on complex technologies thereby increasing margins and customer stickiness. NCE i.e. New Chemical Entity is a chemical molecule developed by the innovator company in the early drug discovery stage, which after undergoing clinical trials could translate into a drug that could be a cure for some disease. Synthesis of NCE is the first step in the process of development of a drug. Once the synthesis of the NCE has been completed, companies have two options before them. They can either go for clinical trials on their own or license the NCE to another company. In the latter option, companies can avoid the expensive and lengthy process of clinical trials, as the licensee company would be conducting further clinical trials and subsequently launching the drug. Innovator companies adopting this model of business would be able to generate high margins as they get a huge one-time payment for the NCE apart from entering into a revenue sharing agreement with the licensee company.

We believe that executing Custom Chemical Synthesis ("**CCS**") projects successfully is an opportunity to clinch commercial scale manufacturing deals with our clients. Under our CCS portfolio we have supplied key Advanced Intermediates of two pipeline drugs . We have been associated with both of these products from early phase-II trials. We have developed a wide spectrum of differentiating capabilities that we can offer in CRAMS and we believe that executing CCS projects successfully is an opportunity to clinch commercial scale manufacturing deals with our clients.

We believe CCS projects can provide opportunities in securing Contract Manufacturing contracts. We have transfer of technology under secrecy agreement. We target Contract Manufacturing of on-patent APIs / Intermediates through existing pipeline with innovator customers. We intend to leverage the capabilities that we have developed in Contract Manufacturing for generic companies and innovators to expand further. We aim to enhance visibility and consolidate relationships through Custom Synthesis and Contract Manufacturing services and become an outsourcing partner of choice for global innovator companies. We have built assets and capabilities to enter high-margin business lines through strategic acquisitions in India. Going forward we are going to carry on this strategy by increasing our presence in CRAMS and becoming a high value player with specialized product and service offerings.

Key Technology Tie-Ups

We have key technology tie-ups with Codexis, DSM and Orochem.

- ***Codexis Technology***

  Codexis is a developer of biocatalytic chemical processes that can dramatically reduce manufacturing costs. These processes are also more environment-friendly (Codexis won US President's 'Green Chemistry Award' in 2006 and jointly with Merck in 2010), enhancing the sustainability of the operations. The proprietary technology platform available to us from Codexis can transform the industrial application of biocatalysts by improving their commercially relevant characteristics, such as stability, activity, product yield and tolerance to industrial conditions, while reducing product inhibition. In addition, this technology platform allows developing and optimizing biocatalysts much more rapidly than is currently possible with alternative methods. Perhaps most importantly, this technology platform can enable the manufacture of products cost−effectively, at commercial scale and with significantly reduced environmental impact relative to conventional manufacturing processes. This technology platform provides benefits in a number of ways, including reducing the use of raw materials and

intermediate products, improving product yield, using water as a primary solvent, performing reactions at or near room temperature and pressure, eliminating the need for certain costly manufacturing equipment, reducing energy requirements, reducing the need for late stage purification steps, eliminating multiple steps in the manufacturing process and eliminating hazardous inputs and harmful emission of byproducts.

Our relationship with Codexis began in 2005 and has grown over the years and today, our Company has acquired an exclusive right to manufacture certain key APIs and intermediates using Codexis' proprietary enzymes and technology for a period of 10 years. As per the agreements entered in February 2010, our Company has an exclusive right to manufacture APIs like Montelukast, Phenylephrine and Duloxetine and intermediates for manufacture of these APIs along with intermediates used for production of Carbapenems and intermediates for Atorvastatin i.e. HN, TBIN (ATS 8), ATS (9), DKT3 and ATV1, using Codexis' proprietary enzymes and technology. These products can be supplied to third party innovator companies across the world (other than in India) and third party generic companies located in US, Canada, Israel and Europe through Codexis, and to third party innovator companies in India and the companies in India viz., Ranbaxy, Indswift, Zydus (Cadila), MSN, Dr. Reddys, Biocon, Apex, Swiss Garnier, Teva (together with its affiliates, TAPI and Regent), Aurobindo, Matrix, Unimark, Centaur and Calyx, through Codexis India and to rest of the third party generic companies directly.

- ***DSM Technology***

DSM is a global player in APIs, catering to Big Pharma companies across multiple specialties. We had entered into agreements with DSM in 2007, for joint development of non-infringing processes for certain APIs and Intermediates. Pursuant to this agreement, DSM Netherlands imparted DSM Technology on the basis of which we developed processes for the manufacture of Atorvastatin API. We have commenced commercial-scale manufacturing of Atorvastatin API for DSM using DSM Technology since October 2009. Subsequently, in December 2010 we have entered into a letter of agreement with DSM Netherlands which is valid for a term of 5 years where in it has been agreed that we continues providing Atorvastatin API and to develop Caspofungin for commercial supplies.

- ***Orochem Technology***

We use SMB Technology for manufacturing APIs through our technology agreement with Orochem. We entered into an agreement in August 2009 with Orochem to provide our Company with chemical process and analytical development services to establish proof of concept for its SMB Technologies for various molecules selected by our Company. SMB Technology is a chromatography technique used to separate particles and / or chemical compounds that is difficult to separate otherwise. This technology is used for the efficient separation of enantiomers, disastereomers, regioisomers and other two component systems in manufacturing process. SMB chromatography is employed in manufacturing a number of API products, among them esomeprazole, escitalopram, leviteracetam, cephalosporins, macrolides, levocetirizine, sertraline and paclitaxel. This is a continuous purification technique that has higher throughput and requires up to 90 percent less materials than regular batch chromatography. Compared with other large-scale separation technologies, SMB can provide high yield and high purity in a relatively short time, and can reduce time to market while being eco-friendly.

MANUFACTURING FACILITIES

We presently have 11 manufacturing facilities across India. Over the years we have leveraged organic growth and acquisitions to strengthen both our manufacturing infrastructure. All these 11 manufacturing facilities have been multipurpose with reactor capacities of around 1500 KL. We have 4 manufacturing facilities located in Medak, Hyderabad, 5 in Mumbai (2 in Tarapur and 1 each in Badlapur, Taloja and Dombivli) and 1 each in Gurgaon, Haryana and Solapur, Maharashtra. We have 5 API manufacturing facilities and 6 Intermediate manufacturing facilities. Of these 6 facilities are ISO 9001-2008 and cGMP compliant, 3 of them are inspected and approved by the USFDA and another 2 of these facilities is expected to be inspected by the USFDA by 2012. These facilities allow us to supply our products in regulated markets on registration and approval of the products with the relevant authorities.

Our manufacturing facilities are designed to manufacture a variety of APIs and Intermediates using a combination of processes. Our flexible manufacturing infrastructure enables us to expand our product range and change our product mix in response to changes in customer demand and to serve customer requirements ranging from laboratory scale research to commercial production. We have the capability to handle several complex reactions in a cost-effective manner with scale of operations ranging from multiple, multi-product facilities with capacities varying from gram to kilograms and multi tons. These complex reaction capabilities include cryogenics, cyanation, enzymatic, chlorination, carboxylation, hydrogenation and organoborane chemistry – across lab-scale, pilot-scale and commercial scale.

PARTICULARS	MEDAK UNIT 1	TARAPUR UNIT 1	GURGAON UNIT	BADLAPUR UNIT	TALOJA UNIT	MEDAK UNIT 2	TARAPUR UNIT 2	DOMBIVALI UNIT	AVON SOLAPUR UNIT	AVON MEDAK UNIT	MEDAK UNIT 3
VERTICAL & PRODUCTS											
Vertical	Intermediates	Intermediates	APIs	Intermediates & Contract Manufacturing	Intermediates & Contract Manufacturing	Intermediates	APIs	APIs	APIs	Intermediates	APIs & Intermediates & Contract Manufacturing
Primarily catering to Therapeutic Segments	Lipid Lowering Agents (Atorvastatin), Antibiotics (Synthetic Side Chains)	Lipid Lowering Agents (Atorvastatin)	Cardivascular, Anti-Platelet, Anti-Asthamatic, Anti-Retroviral	Lipid Lowering Agents (Atorvastatin), Cardiovascular, Anti-diabetic	Corteico-Steroids	Antibiotics (Synthetic Side Chains), Phosphorous Derivatives	Oncology	Various	Decongestant, Anti-Viral (Anti-Herpes)	Diketene Derivatives	Lipid Lowering Agents (Atorvastatin), Anti-Retroviral
Key Products	ATS-8 (TBIN), ATS-9 and ATV-1 (L1), DKT3, Isoxazole Penicillins Side Chains	ATS-5 (HN)	Atorvastatin, Clopidogrel, Montelukast, Perindopril, Zidovudine, Lamivudine, Ritonavir, Piperaquine-DHA	GBI, SOLE3, NFHDA, Amlodipine	Budesonide, Fluticasone, Propionate, Ciclesonide	Isoxazole Penicillins Side Chains, Phosphorous Pentachloride, Phosphorous Oxychloride	Gemcitabine, Docetaxel, Paclitaxel, Capecitabine, Imatinib, Benztropine, Irinotecan, Busulfan	Cetrizine, Citalopram, Diclofenac, s-lbuprofen, Meloxicam, Piroxicam, Ramipril, Simvastatin	Pseudo Ephedrine, Ephedrine, Valacyclovir	E4CAA, AABI, Pthaloyl Amlodipine, MMAA	ATS-5 (HN), Efavirenz, Zidovudine, Lamivudine
QUALITY CERTIFICATIONS											
cGMP	NA	NA	Compliant	Compliant	NA	Compliant	Compliant	Compliant	Compliant	NA	Compliant
Inspected / Accredited	--	--	USFDA Inspected, USP-PI Certified	--	--	--	--	USFDA Inspected, EDQM Inspected, TGA Inspected, Japanese Accredited and GMP Certification by AFSSAPS, France	USFDA Inspected	--	--
Drug Master Files	6 USDMFs		9 USDMFs/1 EDQM				3 USDMFs	10 USDMFs / 8 EDQMs	3 USDMFs / 1 EDQM		5 USDMFS
ISO 9001:2008	√	√	√	√ *(inspected but renewed certificate awaited)*		√		√		√	
ISO 14001:2004	√		√								
OHSAS 18001:2007	√		√								
INFRASTRUCTURE											
Plot area	105,200 sq.mt.	1,600 sq.mt.	33,500 sq.mt.	6,700 sq.mt.	4,400 sq.mt	48,600 sq.mt.	4,000 sq.mt	7,650 sq.mt.	81,000 sq.mt.	109,300 sq.mt.	161,900 sq.mt.
In-house R&D Site	√		√				√			√	√

Over the years we have invested and will continue to further invest in our manufacturing facilities and infrastructure with a pre-set objective of enhancing our organic growth capabilities. We summarize expansion/up-gradation plans undertaken by us in the last few years for each of our manufacturing facilities as given below:

- **Medak Unit 1:**
  Medak Unit 1 is the key facility from where we manufacture Isoxazole Penicillins' Side Chains. To meet our market position, quality and GMP standards of the customer, regular investments have been made over the years. In Fiscal 2009, investments were made in the QC division and solvent recovery division and up-gradation from an EHS perspective. In Fiscal 2006, besides the production of Acid Chlorides we added two key intermediates of Atorvastatin. Further, investment was also made for the manufacturing of new products viz., IP-5 and ATV-1 (forward integration of existing Atorvastatin intermediate). This facility needed to be modified to enable us to enter the Japanese market and thus cater to the requirements of products like ILC, PHA, etc. The facility is getting further expanded for Atorvastatin family intermediates and capex inputs are being added to multiply the capacity of these products. Capacity is also getting upgraded for IP-5, the product being manufactured for a German company and a couple of other products for the Japanese markets.

- **Tarapur Unit 1:**
  This facility manufactures an important intermediate of Atorvastatin supplied to an innovator company through Codexis. Investments have been made to meet with the customer's specific requirements of capacity, safety, quality, and process control.

- **Gurgaon Unit:**
  We initiated the first phase of the expansion cum up-gradation program at Gurgaon Unit in Fiscal 2009, which was completed during the same fiscal. Besides this in Fiscal 2009, we invested in effluent treatment plant to ensure that we remain a Zero discharge facility. During this fiscal we were also in the process of taking up the second phase of the project wherein two new production blocks were to be constructed along with a pilot plant. The expanded capacities were to be utilized to manufacture products primarily under Cardiovascular, Anti-Retroviral, Anti-Asthmatic and Anti-Platelet Therapeutic Segments. Most of the products to be manufactured from these two new production blocks were meant for exclusive uses by MNCs from the US and the Europe for regulatory markets. Majority of our business from this facility relates to regulatory market. During Fiscal 2010, this facility was upgraded and refurbished including QA/QC departments to stand regulatory audits like USFDA/ EDQM/TGA audit. This facility was inspected in 2009 and received USFDA approval in April 2010. Further, we have invested funds in the third phase for expansion of facilities and to increase the capacities to manufacture new products. During H1 2011, the expansion of the plant including QC Lab expansion continued to cater products manufactured for specific customers.

- **Badlapur Unit:**
  Badlapur Unit was primarily used for the manufacturing and at times for the scale up of Intermediates and APIs. In Fiscal 2010, Badlapur location was actively used for production of SIPA to manufacture the intermediate stage of Atorvastatin. Further, we added number of intermediates to be manufactured for specific customers using modified plant. In H1 2011 Badlapur location is earmarked for further expansion of SIPA facility as well as addition and expansion of capacity for accommodating additional intermediates earmarked for specific customers. Improving infrastructure to accommodate expanded capacity is in progress on new plot with administration block, fire hydrant system, waste-water treatment.

- **Taloja Unit:**
  We acquired our Taloja Unit in March 2008. The investment in this unit was made from logistic point of view as it is in close proximity of our R&D unit at Taloja. The set up of this facility was in two phases completed in the year 2009. Considering this we envisaged that this facility could be utilised mainly for customs synthesis, scaling up of new products as well as development of the existing high value-low volume products which can be under the direct supervision of the R&D team primarily considering the costs involved. This required upgrading this facility to meet stringent requirements and production conditions as required by the regulated markets. We have also felt the need to invest in new equipments to serve specific as well as multi-purpose requirements of scale up and product development. To mitigate the different requirements that may come it was decided that the facility be developed with such designs, utilities and facilities that the production of any product would require the bare minimum time for manufacturing process to start. In view of the same we invested in equipments to handle any type of technology that would be required for that process. Apart from capacity expansion for custom synthesis products in multi-purpose plant, this facility is also adding new ETP facility and upgrading on infrastructure.

- **Medak Unit 2:**
  This facility caters to large volume production of basic and advanced intermediates/chloride and phosphorous chemistry based basic chemicals. Since its acquisition in August 2008, investments have been made primarily for enhancing the supporting infrastructure including electrical, piping and EHS. Further, expansion of phosphorous/ chlorine chemistry products is undertaken in this unit. Additional facility is being built for introducing new product meant for US market for which trial production is already approved by the customer. The capacity of Isoxazole Acids is also being doubled. ETP up-gradation is being undertaken to match increased volume of production.

- **Tarapur Unit 2:**
  We acquired this unit in December 2008. Investments have been made to expand and upgrade to cater to the regulatory and niche market. It was also decided that this facility shall be solely dedicated for Oncology segment for all markets, including regulated markets. It is being further upgraded with two separate projects for clean room areas, addition of isolator, setting up of new process development lab specialized in handling Oncology products and expansion of ETP infrastructure. We have designed this facility and installed quality systems and cGMP standards, thereby making this facility suitable for inspections from regulatory agencies like USFDA, EDQM, TGA and others.

- **Dombivli Unit:**
  We acquired this unit from Watson Pharma Private Limited from January 1, 2009. After acquiring the facility, it required up-gradation to make it a multi-product facility as per our Company's philosophy. In order to do so, the facility was developed to meet our expected internal standard and requirement so that we are able to harmonise quality standards of this facility with other appropriately designed facilities of our Company. It was decided for various reasons including logistics, cost considerations, facilities existing and available, that the Dombivli Unit would be used for catering the manufactured products in the regulatory market. To achieve the desired output, the existing facility was required to be upgraded including QA/QC departments to pass the stringent regulatory audits like USFDA/ EDQM/ TGA audit. These audits and certifications help in expanding the market for the existing products business and also attract customers for exploring the possibility of manufacturing new products forregulated markets. Thus, the investment had to be made in the facility to increase production capacities.

  Dombivli Unit was inspected and approved through audits by USFDA, EDQM and TGA which is helping us to expand market for existing products and encouraging addition of new products needing further investment. We received PMDA Japan accreditation in July 2009 and TGA certificate in April 2010. This facility was last inspected for EDQM and USFDA in February and December 2010 respectively. Further, in an attempt to ensure product rationalization and optimum capacity utilization per cub met of volume, the capacity and GMP upgrade also is resorted to. Dombivli facility is being aligned for producing high value-high volume products. This will enable us to cater to a contractual business with a global generic player pursuant to a regulatory approval. This facility is being further upgraded for safety, fire hydrant system and rationalization of solvent storage.

- **Medak Unit 3:**
  We continued the expansion work during Fiscal 2010 initiated earlier to make the unit multipurpose manufacturing facility for various APIs and Intermediates and custom synthesis projects. The additional space available has been utilised for the new production blocks and suitable supporting utilities, for which the capex is being incurred. During H1 2011, the expansion work continued uninterruptedly so as to ensure that the facility gets USFDA compliant. New production blocks are also getting filled with equipments earmarked for specific US customers. Up-gradation of utilities and ETP are major areas being improved for infrastructure up-gradation. New HVAC systems are being added in production block and also in pilot plant so as to make them customer compliant. Production volume of existing products and major custom synthesis product made for US market is being expanded further. Further, we plan to develop this facility as an USFDA approved facility.

- **Corporate R&D Center:**
  Considering the market demand for custom synthesis we felt the need for expanding the current facilities and invest in upgrading the existing facilities available. The R&D Center at Taloja set up in November, 2006 houses 12 synthetic labs and fully equipped analytical lab with all latest analytical instruments. This is a centralized facility which caters to process / analytical development for all our major facilities. Hence, for designing the development of a product for all the facilities, the research activity is carried out in Corporate R&D Center. In order to do so we have increased the number of synthetic labs from 6 to 12, expanded the existing analytical lab and made two autoclave chambers. Expansion was completed on the services side to translate in to higher custom synthesis and services outsourcing business. Besides the custom synthesis and FTE business, we scaled up program for various compounds which were to result in higher volumes and visibility. This centralized facility is catering to process and analytical development for all facilities. It is being upgraded with additional instruments so as to expand analytical lab. In addition, ETP facility is being upgraded and safety related issues are being attended to.

RESEARCH AND DEVELOPMENT

Our investment in R&D is essential to our future growth. Accordingly, we are increasingly engaged in R&D programs to develop innovative product delivery systems and manufacturing methods.

Our Corporate R&D Center is situated at Taloja, near Mumbai (Corporate R&D Center) and 4 in-house R&D labs at our manufacturing units to support technology transfer of new products and on-site process improvement. These 5 in-house R&D labs are located at our Gurgaon Unit, Tarapur Unit 2, Medak Unit 1, Medak Unit 3 and Avon Medak Unit (owned by our Subsidiary Avon). The R&D Center at Taloja set up in November, 2006 admeasuring 8000 sq. meters, houses 12 synthetic labs and fully equipped analytical lab with all latest analytical instruments. The Center R&D Center at Taloja, is approved by the Department of Scientific and Industrial Research (DSIR), Government of India on November 29, 2006. This R&D Center provide custom synthesis and contract research services in addition to process development of new products-APIs and Intermediates.

As on date of this Draft Red Herring Prospectus, in Corporate R&D Center we have a team of 199 process and analytical resources (23 PhDs) and 7 process engineers with apt academic qualifications.

The Corporate R&D Center focuses on offering services to both innovator and generic companies. These services revolve around custom synthesis and contract research services, offer of Full Time Equivalence business model and scale up of hitherto untested processes and assisting our various manufacturing facilities for perpetual cost reduction programs. The Centers are equipped with state of the art analytical equipment and built to international working and safety standards with a focus on developing innovative processes for APIs and Intermediates, improving the existing manufacturing process with the intent to reduce cost, attain higher standards of safety and reduced environmental impact. Towards this objective the R&D assimilated eco- friendly and cost- effective biocatalytic processes and sophisticated techniques such as Simulated Moving Bed Technology.

Our R&D team primarily focuses on the following main area:

1. Attract Innovator and Generic companies by offering Custom Synthesis services and R&D outsourcing options;
2. Developing non- fringing processes, filing process patents;
3. Improvement of existing processes and driving cost efficiencies, increasing safety and lower environmental impact;
4. Development of commercially viable, operationally safe and environmentally acceptance processes for APIs and Intermediates;
5. Protection of technologies through IPR;
6. Support to the Regulatory Affairs Department in complying with the regulatory requirements and protection of Technologies through IPR.

Our R&D capabilities have enabled us

- to support our growth strategy via new product development,
- to forge partnership and develop relationship with both innovator and generic majors into the area of Custom Chemical Synthesis business,
- to develop IP capabilities via development of non-infringing processes and filing process and product patents, and
- to strive for manufacturing excellence via continuous process improvements and driving manufacturing cost efficiencies for existing as well as new APIs and Intermediates.

Our dedicated focus has resulted in 21 patent applications (including one granted patent) with the Indian Patent Office. Apart from the applications made to the Indian Patent Office, we have also filed PCT applications for 9 process patents with WIPO. In addition we have additional patent applications –(1) for Gemcitabine and (2) for Montelukast, have also been filed with USPTO and another process patent application has also been made for DKT III with European Patent Office. We have been granted process patents for the manufacture of Clopidogrel and that of DKT III (an Atorvastatin intermediate) from the Indian Patent Office and USPTO, respectively.

Consistent investment into R&D activities has been a key to our successful business model and strategy. Our revenue expenditures towards R&D activities were ₹112 Million, ₹174 Million and ₹128 Million in HI 2010, Fiscal 2010 and Fiscal 2009 which is 1.8%, 1.5% and 1.3% of our consolidated Income from Operations respectively.

SALES, MARKETING AND DISTRIBUTION NETWORK

We manufacture APIs and Intermediates and supply it to customers in the regulated and semi-regulated markets. We believe the key to our success is the sales and distribution model employed to enhance our reach to customers. Since the market dynamics and regulations in which we operate differ, we employ diverse models in each of these markets. The business is increasingly tending towards the need to develop customer specific products and therefore the necessity to develop a closer contact with the actual users. Our Company's growth strategy is based on using newer technology platforms as a key differentiator and Intellectual property for products / processes. Our marketing operations are centralized at our head office in Mumbai, however to effectively manage the sales and distribution operations in India, we also have marketing personnel operating out of Hyderabad and Gurgaon. Our wholly owned subsidiary, Arch Pharmalabs (USA) Inc. based in California is responsible for our sales to Big Pharma in USA and Europe. Further our strategic alliances with Mitsui and Codexis helps us to reach some of our key customers in Japan and Europe, respectively.

Broadly, we classify the markets we operate in, into regulated markets, semi-regulated markets and India.

- Regulated Markets:
  The products used in generic formulations can be sold either through distributors who stock and sell to end users, or through agents or directly to end users. We have agents and distributors in key markets such as USA, UK, Germany, France, Italy, Spain, Switzerland and Austria to effectively reach our customers. For products developed for specific customers on an exclusive basis, we have direct relationships with such customers. We also have strategic partnerships in place which helps us to create a pipeline of products. Another approach would be to partner with dossier development / specialty pharmaceutical companies as a principal supplier for the API in the dossiers either as a pure play API supplier or partner in the development and marketing of the dossier. We have been working on such partnerships.

- Semi-Regulated Markets:
  The sales strategies for key emerging markets i.e. various countries in Asia-Pacific, Middle East, Africa and Latin America, include relationship with key customers including partnering with them for product launches with regulatory and product technical support which are either managed directly or through agents and the distributors who stock and sell

- Indian market:
  The Indian market is characterized by companies selling in India (serviced through direct sales, through agents or through distributors) and companies with global markets and multinational companies who have also set up production bases in India and are serviced through direct sales.

MAJOR CUSTOMERS

We supply our products both in domestic as well as export markets, including regulated markets. We cater to over 400 customers including global innovator and generic companies from over 60 countries.

Fiscal 2010 – Continent-wise Export Revenues

Over the years we have increased our focus on Exports which is evinced from the growth in its share in our total revenues from 15.4% of the Net Sales in Fiscal 2008 to 38.9% of that in Fiscal 2010 i.e. its share has more than doubled in the last three years. In the Fiscal 2010, we exported to over 60 countries across continents primarily to Middle East, USA and the East Asia which comprised 55.9% of our total Exports for that fiscal.

The percentage of Sales (by value) derived from our top customers are given below (including domestic and export sales):

Client Concentration – Consolidated Income from Operations	H1 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
Sales to Top Customer	9.61%	7.01%	5.85%	5.99%
Sales to Top 5 Customers	27.38%	24.86%	18.82%	23.45%
Sales to Top 10 Customers	41.72%	39.46%	31.59%	38.12%

We enjoy enduring long-term relationships with large customers. We are focused on extending these relationships, as these partners increasingly involve participation across a wider range of products and services. With varied products and service offerings coupled with the technology advantage, cost competitiveness etc., we continue increasing our client base. Our key customers for Atorvastatin Intermediates and Atorvastatin API are global pharmaceutical majors like Codexis and DSM respectively.

We serve countries across continents including USA and Canada in North America; Germany, Italy, Spain, Switzerland, Turkey, UK and Ireland in Europe; Japan and Korea in the Far East; Argentina, Brazil and Chile in South America; Oman and UAE in the Middle East; Bangladesh in the South of Asia; Hong Kong and Singapore in the South East of Asia, to name some. Japan is the second largest pharmaceutical market in the world, after the US where we have been supplying key Intermediates to a Japanese innovator company through Mitsui.

COMPETITION

We have evolved our business and have, over the years, extended from manufacturing APIs and Intermediates to add CRAMS to our offerings. We have witnessed growth in CRAMS through its increasing share in our total revenues which increased from approximately 5% in Fiscal 2009 to approximately 15% in Fiscal 2010 to approximately 20% for the period ended September 30, 2010. Top MNCs like Pfizer, Merck, GSK, Sanofi Aventis, Novartis, Teva etc. are increasingly partnering with Indian companies for many of their APIs and intermediates requirements. The strategy of these companies is to focus on their core strengths and look for competent outsourcing partners for other activities. Companies like Divis Laboratories Limited, Dishman Pharmaceuticals & Chemicals Ltd and Jubilant Life Sciences Limited have been active in contract manufacturing and related activities and there are other Indian companies which have started undertaking contract manufacturing projects of APIs and intermediates.

HUMAN RESOURCES

Our HR policies are targeted at creating a motivated and committed work force through people enabling processes and knowledge sharing practices based upon our value system. We believe in having a workforce that broadly reflects the composition of local communities and demographics of the company. It is our ethics policy, to be an equal opportunity employer; we do not discriminate on the basis of sex, age, gender, race, caste, colour, creed or religion.

As on March 4, 2011, we have a workforce of 4,076 of which 2,323 are full-time employees and 1,753 contractual labourers. Of our 2,323 full-time employees, over 70% is skilled staff and the rest being semi-skilled and unskilled. Our manufacturing process requires an appropriate mix of skilled, semi-skilled and un-skilled workforce. This includes corporate and managerial staff, staff located at manufacturing facilities and R&D Center. Out of this number, 318 employees are engaged in R&D activities.

We have approximately 639 post graduates (including 35 doctorate holders) and 962 graduates. We summarize our full-time employees based on qualification as follows:

Category- Qualification	No. of Employees*
PhD's	35
M.Tech /M.Chem /M.E	8
B.Tech /B.Chem /B.E	102
M.Sc	483
B.Sc	634
Other PG	113
Other Graduates	226
Non Graduates	722
Total	**2,323**

* Includes only the employees of our Company and excludes employees of our Subsidiaries

The functional classification of our full-time employees would be as follows:

Category- Functional	No. of Employees*
Top Management	12
Finance, Accounts & I.T	139
HR & Administration	115
Production	1,145
Stores & Procurement	115
Quality (QC/QA/RA – Regulatory Affairs)	366
Environment, Health & Safety	41
Marketing/Sales & Projects	68
R&D	322
Total	**2,323**

* Includes only the employees of our Company and excludes employees of our Subsidiaries

The average age of our senior management team members is approximately 48 years and the average age of our employees is approximately 33 years. Our corporate objective is to provide every employee training, which is one of the mandatory leadership competencies for promotion. Our Company conducts regular technical, behavioral, and induction/orientation program for all of its employees. The number of man days invested in training was of over 1,530 days during the financial year ended March 31, 2010 and over 2,579 days as on March 4, 2011. Employees at some of our locations have formed trade unions and we have entered into valid and registered Trade Union Agreements for the same. There have been no work disruptions, strikes, lock-outs or other employee unrest to date. We believe that our relations with our employees are cordial and good. We maintain the highest safety standards in our facilities to ensure that none of our employees, the public and environment are exposed to any hazards.

TECHNOLOGIES

We purchased Core ERP 4.0 in March 2008 and deployed it in a phased manner. The implementation was completed by the end of the financial year 2009. The ERP comprises of modules viz. Purchasing Cycle, Stores and Inventory, Sales and Financial Accounting. This is a closed system which allows access based on User IDs and passwords. The system documents have in-built work flows. The system does not allow posting a document with single user ID. Users are provided with system roles according to their job profiles, roles and responsibilities. In December 2009, we procured 402 licenses of SAP ECC 6.0 and the implementation project was launched in May 2010. This is planned to have modules viz. Financial Accounting (FI), Controlling (CO), Materials Management (MM), Plant Maintenance (PM), Production Planning (PP), Quality Management (QM), Project System (PS) and Sales & Distribution (SD). The implementation project is in process and is scheduled to go-live in the first quarter of the financial year 2011-12.

Our Company has opted for SAP to cater to its growing business needs. SAP being a global ERP leader will enable us to get the maximum benefits in terms of customer satisfaction, regulatory requirements, external reporting and internal MIS. The implementation shall also comprehend our continuous efforts to adapt global industry processes and standards. SAP is targeted to provide key business information at operation level, mid management level and top management level.

We use QA-Document Control Management System in our Dombivli Unit and Gurgaon Unit. The system is used by batch manufacturing records and batch packing records. All our facilities are provided with MPLS / VPN connectivity. Majority of the locations have video conferencing facility along with data. The pictorial presentation of our connectivity layout is given below:

ENVIRONMENT, HEALTH AND SAFETY (EHS)

We are committed to the safety and health of our employees, sub-contractors and visitors and care of the environment and the prevention of accidents, health hazards and pollution. Our Company ensures that all the activities and services carried out and products are manufactured considering appropriate Environmental, Health and Safety risks, aspects, impacts and objectives and in conformance with the relevant legal requirements. All levels of management and all employees have a primary responsibility for the safety and well-being of all employees, subcontractors and visitors and prevention of pollution.

EHS Objectives:

Identify and update systems for the safety, health & environmental hazards and risks associated with our activities and products.

- To categorize high risk areas and improve conditions for enhanced safety
- To improve conditions in order to prevent accidents, health hazards and pollution.
- To minimize waste generation, promote recycling and green chemistry.
- To reduce energy consumption.
- To reduce harmful solids, liquids and gas emissions.
- To create safety awareness to our suppliers and customers.
- To the best extent possible, to work with suppliers who themselves have sound safety, health and environmental policies.
- To set Environmental, Health & Safety objectives and targets by all departments to improve EHS performance.
- To implement and continually improve an Integrated Environmental, Health & Safety Management System which conforms to the latest requirements of ISO 14001 and OHSAS 18001.

We have incorporated following EHS measures:

- Full-fledged effluent treatment plants on all facilities
- Solid Waste Management Systems
- Solvent Recycling
- Water Treatment Facilities

Our Company's investments in reverse osmosis plants are proof of its commitment to exemplary EHS practices. We have established solvent recovery processes in place. Our effluent treatment plants have both aerobic and anaerobic treatment facilities. We are required to obtain consents from the State Pollution Control Board to establish and operate our facilities and to comply with their conditions regarding the emissions and discharge of effluents in air and water. The employees are educated and trained to improve their awareness and skills.

We have received OHSAS 18001:2007 for our Medak Unit 1 and Gurgaon Unit. We have also been honored with the

National Safety Award by the Ministry of Labour & Employment for our Gurgaon Unit in the year 2006 in recognition of our team efforts for continual improvement in the field of Safety Health and Environment.

INTELLECTUAL PROPERTY

Our continued focus and ability to generate innovative research ideas has resulted in more than 21 patents applications including granted patents. We have been granted process patents for the manufacture of Clopidogrel and that of DKT III (an Atorvastatin intermediate) from the Indian Patent Office and USPTO, respectively.

We have filed 20 patent (18 for process and 2 for product) applications to the Indian Patent Office. We have also filed PCT applications for 9 process patents with WIPO. In addition, two (2) patent applications – one (1) for Gemcitabine and two (2) for Montelukast have been filed with the USPTO. We have also made another process patent application for DKT III with European Patent Office.

Our Trademark " " is a registered trademark with Regn. No. 1324105 issued under Class 5 by the Registrar of Trademarks, Mumbai *vide* certificate of Registration of Trade Mark dated August 14, 2007. This registration is valid for a period of 10 years from the date of application for registration i.e. December 6, 2004.

For details regarding the Intellectual Property rights enjoyed by our Company please refer to the chapter titled "***Licences and Approvals***" beginning on page 312.

OUR PROPERTIES

We have our manufacturing units at Gurgaon, Hyderabad, Tarapur, Badlapur, Taloja and Dombivli. Our registered office is at Andheri, Mumbai and the administration offices are at Mumbai, Chandigarh and Hyderabad. We have godown / warehouse facilities near our manufacturing sites viz., at Badlapur, Tarapur, Hyderabad and Taloja (which also houses an office premise)besides two other godowns at Bhiwandi, one at Ambernath and one at Vadodara. We also have guest house facilities at Mumbai, Thane, Gurgaon and Hyderabad.

Freehold properties of our Company

1. Chandivali, Mumbai	
Date of Sale Deed / Agreement for Sale	Agreement for Sale dated December 29, 2004
Particulars of the Property, Description	Unit No.6 admeasuring saleable 1370 sq. feet or equivalent to 127.32 sq. meters on the third floor of a building known as 'Tytanic' situated at Saki Vihar Road, Chandivali, Mumbai 400 072 bearing CTS Nos. 14,15, 25 to 32, 37 to 39, 43, 44, 48 to 52.
2. Chandivali, Mumbai	
Date of Sale Deed / Agreement for Sale	Agreement for Sale dated December 29, 2004
Particulars of the Property, Description	Unit No.7 admeasuring saleable 918 sq. feet or equivalent to 85.32 sq. meters on the third floor of a building known as 'Tytanic' situated at Saki Vihar Road, Chandivali, Mumbai 400 072 bearing CTS Nos. 14,15, 25 to 32, 37 to 39, 43, 44, 48 to 52.
3. Chandivali, Mumbai	
Date of Sale Deed / Agreement for Sale	Agreement for Sale dated December 29, 2004
Particulars of the Property, Description	Unit No.8 admeasuring saleable 918 sq. feet or equivalent to 85.32 sq. meters on the third floor of a building known as 'Tytanic' situated at Saki Vihar Road, Chandivali, Mumbai 400 072 bearing CTS Nos. 14,15, 25 to 32, 37 to 39, 43, 44, 48 to 52.
4. Pathreri, Gurgaon	

Date of Sale Deed / Agreement for Sale	Sale Deed dated May 9, 2005
Particulars of the Property, Description	Agricultural land in the revenue estate of Village Patheri, Tehsil and District, Gurgaon (Haryana) the details of which are as follows a) Land admeasuring 9 Kanal currently reflected in khewat No. 186, khata no. 275,Rect No. 62, Killa No.2/1/2 min East(2-4), 9 min East (6-16). b) Land admeasuring 11 Kanal and 2 Marla currently reflected in khewat No. 186, khata no. 275,Rect No. 62, Killa No. 12(8-0) 19 min North (3-2) c) Land admeasuring 6 Kanal and 2 Marla, Rect. No. 62, 9/2 min South (0-13), 19/2 (4-18), 18 min south (0-11) d) Land admeasuring 7 Kanal and 9 Marla in Rect. No. 62, Kila No. 18 min north (7-9) the total land being 4.21 acres.
5. Pathreri, Gurgaon	
Date of Sale Deed / Agreement for Sale	Sale Deed dated July 14,2005
Particulars of the Property, Description	Agricultural land in the revenue estate of Village Patheri, Tehsil and District, Gurgaon (Haryana) bearing Khewat No. 229, Khata No.314, Rect. No. 62, Killa No.22(8-0), Killa No. 23(7-0), Rect. No. 82 Killa No. 2/3(1-0), Killa No. 3(8-0), Killa No. 8/1(7-7), measuring 31 Kanal 7 Marla and Khewat No. 216 Khata No. 290, Rect. No. 82 Killa No. 9(8-0), measuring 8 Kanal to the extent of 26/160 share which comes to 1 Kanal 6 Marla total land measuring 32 Kanal 13 Marla.
6. Pathreri, Gurgaon	
Date of Sale Deed / Agreement for Sale	Sale Deed dated January 6, 2006
Particulars of the Property, Description	Agricultural land bearing Khewat No.251 Khata No.331, Rect. No. 82, Killa No. 2/2 (2-0) measuring 2 Kanal in the revenue estate of village Patheri and District, Gurgaon (Haryana)
7. Siddipet, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated April 28, 2010
Particulars of the Property, Description	(i) Land admeasuring acres 5.00 guntas in Survey No.311 situated at Mittapally Village, Siddipet Mandal, Medak District. (ii) Land admeasuring acres 4.01 guntas in Survey No.311 situated at Mittapally Village, Siddipet Mandal, Medak District. (iii) Land admeasuring acres 1-12.25 guntas in Survey No.311 situated at Mittapally Village, Siddipet Mandal, Medak District. (iv) Land admeasuring acres 4-22 guntas in Survey No. 280 situated at Mittapally Village, Siddipet Mandal, Medak District. (v) Land admeasuring acres 5-00 guntas in Survey No. 280 situated at Mittapally Village, Siddipet Mandal, Medak District. (vi) Land admeasuring acres 4-27.25 guntas in Survey No. 280 situated at Mittapally Village, Siddipet Mandal, Medak District. (vii) Land admeasuring acres 5-00 guntas in Survey No. 280 situated at Mittapally Village, Siddipet Mandal, Medak District. (viii) Land admeasuring acres 3-06 guntas in Survey No. 327 situated at Mittapally Village, Siddipet Mandal, Medak District. (ix) Land admeasuring acres 0-20 guntas in Survey No. 330 situated at Mittapally Village, Siddipet Mandal, Medak District. (x) Land admeasuring acres 6-24.5 guntas in Survey No. 281 situated at Mittapally Village, Siddipet Mandal, Medak District. (xi) Land admeasuring acres 0-36.75 guntas in Survey No. 290/1B situated at Mittapally Village, Siddipet Mandal, Medak District. (xii) Land admeasuring acres 0-60 guntas in Survey No. 291/1B situated at Mittapally Village, Siddipet Mandal, Medak District. (xiii) Land admeasuring acres 0-22 guntas in Survey No. 328/3 situated at Mittapally Village, Siddipet Mandal, Medak District. (xiv) Land admeasuring acres 0-4.25 guntas in Survey No. 276 situated at Mittapally Village,

	Siddipet Mandal, Medak District. (xv) Land admeasuring acres 0-6 1/2 guntas in Survey No. 279 situated at Mittapally Village, Siddipet Mandal, Medak District.
8. Siddipet, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated December 24, 2007
Particulars of the Property, Description	Agricultural land admeasuring acres 8.31 ½ guntas in Survey No. 279; acres 0.12 ¾ guntas in Survey No.280; acres 7.03 ½ guntas in Survey No. 281; acres 8.18 guntas in Survey No. 290/AA acres 2.00 ½ guntas in Survey No. 290/1B; acres 2.34 ¾ guntas in Survey No. 291/1B; acres 8.37 guntas in Survey No. 291; acres 2.33 guntas in Survey No.290/1A; acres 2.39 guntas in Survey No. 291/2A; acres 2.33 guntas in Survey No.290/1; acres 2.39 guntas in Survey Number. 291/1 and acres 3.27 ¾ guntas in Survey No. 311 of Mittapally Village, Siddipet Mandal, Medak District, total land admeasuring Acres 53.29 guntas.
9. Siddipet, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated November 06, 2010
Particulars of the Property, Description	Survey No. 238 admeasuring acres 8.00 guntas, Survey No. 239 admeasuring acres 12.30 guntas, Survey No. 281 admeasuring Acres 7.04 guntas, total admeasuring acres 27.34 guntas, situated at Mittapally Village, Siddipet Mandal, Medak District & all the Survey Nos 275/4 admeasuring acres 0.28 ¾ guntas, Survey No. 276 admeasuring Acres 10.27 ¾ guntas, Survey No. 279 admeasuring acres 8.38 guntas, total admeasuring acres 20.14 ½ guntas situated at Mittapally Village, Siddipet Mandal, Medak District
10. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated April 28, 1994
Particulars of the Property, Description	Land admeasuring 1 acre 2 guntas or 0.42 hectares situated at Survey No. 322 in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
11. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated May 17, 1994
Particulars of the Property, Description	Land admeasuring 2 acre or 0.81 hectares situated at Survey No. 323 (PART) in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
12. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated May 17, 1994
Particulars of the Property, Description	Land admeasuring 1 acre 4 guntas or equivalent to 0.44 hectares situated at Survey No. 322 in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
13. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated May 17, 1994
Particulars of the Property, Description	Land admeasuring 1 acre 11 guntas or 0.51 hectares situated at Survey No. 323(PART) in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
14. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated May 17, 1994
Particulars of the Property, Description	Land admeasuring 1 acre or 0.40 hectares situated at Survey No. 325/1 in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.

15. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated June 14, 1994
Particulars of the Property, Description	Land admeasuring 3 acres or 1.20 hectares situated at Survey No. 323A in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
16. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated June 13, 1994
Particulars of the Property, Description	Land admeasuring 3 acres or 1.20 hectares situated at Survey No. 323C in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
17. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated June 15, 1994
Particulars of the Property, Description	Land admeasuring 2 acres 11 guntas or 0.91 hectares situated at Survey No. 323B in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
18. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated October 31, 1995
Particulars of the Property, Description	Land admeasuring 5 acres situated at Survey No. 323 part situated at Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
19. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale deed dated April 28, 1994.
Particulars of the Property, Description	Land admeasuring 1 Acres 7 Guntas or 0.47 Hectares situated at Survey No. 322 and 1 Acre 8 Guntas or 0.48 Hectares in Survey No. 322 total 2 Acres 15 Guntas in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
20. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale deed dated June 13, 1994.
Particulars of the Property, Description	Land admeasuring 3 Acres or 1.20 Hectares situated at Survey No. 323 D in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
21. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale deed dated June 14, 1994.
Particulars of the Property, Description	Land admeasuring 2 Acres or 0.80 Hectares situated at Survey No. 323 E in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
22. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale deed dated May 06, 1995
Particulars of the Property, Description	Land admeasuring 1 Acre 18 Guntas or 0.58 Hectares, situated at Survey No. 325 in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
23. Gundlamachnoor, Medak District, Andhra Pradesh	
Date of Sale Deed /	Sale deed dated February 15, 2002

Agreement for Sale	
Particulars of the Property, Description	Land admeasuring 3 Acre 01 Guntas or 1.21 Hectares, situated at Survey No. 322/2 in Gundlamachnoor village, Hathnoora Mandal, Medak District, Andhra Pradesh.
24.Gaddapotharam, Medak District, Andhra Pradesh	
Date of Sale Deed / Agreement for Sale	Sale Deed dated September 14, 2010
Particulars of the Property, Description	Land bearing Survey Nos.10, 10F/1/A, 10F/A/2, 10/F/A3 & 10,10/F/1 admeasuring 2 acres, Survey Nos.10,10F/A/1,2 (part), 10,10/F/1(part), 10/F/1(part) admeasuring 5 acres and survey No. 10, 10F/A/1, 10F/A/2, 10F/A/3 admeasuring 5 acres and totally admeasuring 12 acres situated at Gaddapotharam Village, Jinnaram Mandal, Medak District, Andhra Pradesh.
25. Village Samasim, Vadodoara	
Date of Sale Deed / Agreement for Sale	Sale deed dated May 11, 2008
Particulars of the Property, Description	Property bearing R.S. No-161 Paiki, T.P. Scheme No.11, Final Plot No-236 Paiki and 238,235,237 the total land admeasuring 1241 Sq Mts. On this Plots the scheme named "Abilasha Square" on the Second Floor, Office No-S.F-14. The construction is 21.27 Sq. Meters.

Leasehold properties of our Company

Sr. No.	Details of Deed / Agreement	Nature of right Granted	Fees payable under the Lease	Particulars of the Property, Description & Area	Tenure / Term
1.	Leave and License Agreement dated February 11, 2011 between Anhita Financial Services (Bombay) Private Limited ("Licensor") and our Company ("Licensee")	Leave and License	Monthly Rent: ₹150,000; payable on or before 15th of every month without default. In case of any delay in payment of rent, the licensee shall pay interest @18% p.a. **IFSD**: ₹5,000,000	Unit nos 401, 402 and 403, H wing, 4th Floor, Tex Centre, Off Saki Vihar Road, Chandivali, Andheri East, Mumbai – 72. Area: 290 sq meters	36 months commencing from January 1, 2011.
2.	Leave and License Agreement dated January 15, 2011 between Vijeta Trading Private Limited ("Licensor") and our Company ("Licensee")	Leave and License	**Monthly Rent**: ₹150,000 payable on or before 15th of every month without default. In case of any delay in payment of rent, the licensee shall pay interest @18%p.a.	Unit nos 401, 402 and 403, J wing, 4th Floor, Tex Centre Off Saki Vihar Road, Chandivali, Andheri East, Mumbai.	36 months commencing from January 1, 2011
3.	Leave and License Agreement dated January 15, 2011between Vijeta Trading Private Limited ("Licensor") and our Company ("Licensee")	Leave and License	**Monthly Rent**: ₹150,000 payable on or before 15th of every month without default. In case of any delay in payment of rent, the licensee shall pay interest @18%p.a. **IFSD:** ₹5,000,000	Unit nos 401, 402 and 403, G wing, 4th Floor, Tex Centre Off Saki Vihar Road, Chandivali, Andheri East, Mumbai.	36 months commencing from January 1, 2011

4.	Leave and License Agreement dated September 1, 2008 between Hasmukh Shah (HUF) ("Licensor") and our Company ("Licensee")	Leave and License	₹30,000 per month	N wing, units nos 3, Tex Centre Off Saki Vihar Road, Chandivali, Andheri East, Mumbai – 72 Area: 45 Sq mts	33 months commencing from September 1, 2008
5.	Lease Deed dated March 23, 2009 between Pingle Sujana ("Lessor") and our Company ("Lessee")	Lease	₹75,000 per month	1st floor, Madhupala Towers, Greenlands, Ameerpet, Hyderabad 500 016 Area: 4000 Sq ft	36 months commencing from April 1, 2009
6.	Lease Deed dated January 1, 2008 between Sainath Investments Private Limited (Lessor) and our Company ("Lessee")	Lease	₹150,000 subject to escalation of 10% every year. Applicable service taxes to be paid by the Lessee.	House no. 389, Road No 14, Banjara Hills, Hyderabad	5 years commencing from January 01, 2008
7.	Lease Deed dated March 23, 2009 between Pingle Vasudeva Reddy ("Lessor") and our Company ("Lessee")	Lease	₹25,000 per month	1st floor, Madhupala Towers, Greenlands, Ameerpet, Hyderabad 500 016 Area: 4000 Sq ft	36 months commencing from April 1, 2009
8.	Lease Deed dated November 1, 2010 1, 2009 between S.S Yadav ("Lessor") and Vitalife Laboratories (A division of Arch Pharmalabs Limited) ("Lessee").	Lease	Monthly Rent: ₹50,000 **IFSD**: ₹60,000	House No. 994, Sector 15, Part II, Gurgaon	11 months commencing from November 1, 2010
9.	Leave and License Agreement dated May 1, 2009 between Raymond Paints Private Limited ("Licensor") and our Company ("Licensee")	Leave and License	Monthly Rent: ₹40,000 escalations of 5% on completion of each year. **IFSD**: ₹500,000	Plot no. 17/37 MIDC Industrial Estate, Opp. Gujarat Petrochem, Taloja, Dist Raigad.	5 years commencing from May 01, 2009
10.	Leave and License Agreement dated October 1, 2007 between Hemraj Depar Jakharia ("Licensor") and our Company ("Licensee")	Leave and License	Monthly Rent: ₹33,600 , Annual Maintenance charges: ₹18,876 **IFSD**: ₹78,750	Unit No. Z-2/3 in RCC building situated at Shree Rajalaxmi Complex, Village Kalher, Thane Area: 4200 Sq ft	55 months from April 1, 2008.
11.	Rent Agreement dated October 1, 2006 between Navneet Tokhi ("Land Lord") and our Company ("Tenant")	Rent Agreement	Monthly Rent: ₹4,000	RCC office on the first floor Plot No. 91 1A Phase II Chandigarh Area: 100 Sq ft	60 months from October 1, 2006
12	Leave and License Agreement dated October 1, 2010 between Chirag S Patel ("Licensor") and our Company ("Licensee").	Leave and License	Monthly Rent: ₹29,500 for first year and ₹32,000 for the second year.	Bungalow No. 90, Union Park, 2nd Milestone, Boisar, Bategaon, Thane	24 months commencing from October 01, 2010.

13.	Leave and License Agreement dated July 15, 2010 between Rekha S. Sawade, Shahaji A. Sawade, Mr Sujit S. Sawade ("Licensor") and our Company ("Licensee")	Leave and License	Monthly License Fee: Rs 44, 800 for first eleven months and 5% increase after every eleven months. IFSD: ₹130,000	R.C.C Godown No.s 4 & 5 in D Block, Built up on Ground Floor at Survey Nos. 145/247 (Part), B-Block, Shree Umiya Commercial Complex, Mumbai Agra Road and Retibender Road Corner, Kalher, Bhiwandi, Thane.	33 months commencing from July 1, 2010
14	Leave and License Agreement dated June 1, 2010 between Jay Bajaj Paper & Board Mills Private Limited ("Licensor") and our Company ("Licensee").	Leave and License	Monthly Rent: ₹10,000 IFSD: ₹300,000	Shed No. 5, Plot No. D-3, MIDC, Tarapur, Boisar, Palghar, Thane.	11 months commencing from June 1, 2010.
15	Lease Agreement dated April 30, 2010 between B.R Gulati (Lessor) and Vitalife Laboratories(A Division of Arch Pharmalabs Limited) (Lessee)	Lease	Monthly Rent: ₹21,175	House No. 265, Sector 15, Part I, Gurgaon	12 months commencing from May 1, 2010.
16.	Leave and License Agreement dated August 1, 2010 between Famous Silk Mills Private Limited ("Licensor") and our Company ("Licensee")	Leave and License	Monthly Rent: ₹38,000 IFSD: ₹300,000	Plot No. F-1/12, MIDC Industrial Area, Badlapur, Thane	22 months commencing from August 1, 2010.
17.	Rental Deed dated June 17, 2010 between Sri Narasimha Ramulu ("Owner") and our Company ("Tenant")	Rental	Monthly Rent:₹1,500	Plot No. B-51, Papireddynagar Colony, Jagadgirigutta, Hyderabad.	36 months commencing from June 1, 2010
18.	Leave and License Agreement dated March 17, 2010 between Kailash Sharma and Kumuda Kulandaivelu ("Licensor") and our Company ("Licensee").	Leave and License	Monthly Rent:₹27,000 IFSD: ₹150,000	No.902, 9th floor Yucca Building at Nahar Amrit Shakti, Chandivali, Andheri, Mumbai.	24 months commencing from March 20, 2010.
19.	Leave and License Agreement dated March 17, 2010 between Abhishek Mundra ("Licensor") and our Company ("Licensee").	Leave and License	Monthly Rent: ₹27,000 IFSD: ₹100,000	No.904, 9th floor Yucca Building at Nahar Amrit Shakti, Chandivali, Andheri, Mumbai.	24 months commencing from March 20, 2010.
20.	Leave and License Agreement dated August 9, 2010 between Asiel Laboratories Private Limited ("Licensor") and our Company ("Licensee")	Leave and License	Monthly Rent:₹1,00,000 IFSD: ₹5,000,000	Unit Nos. 301, 302,303, H wing, 3rd Floor, Tex Centre, Chandivali, Andheri, Mumbai.	36 months commencing from July 01, 2010.
21.	Leave and License Agreement dated May 1, 2010 between Asiel Laboratories Private Limited ("Licensor") and our Company ("Licensee")	Leave and License	Monthly Rent: ₹15,000 IFSD: ₹12,500,000	Unit Nos 1 and 4, I Wing, 3rd Floor, Tex Centre, Off Saki Vihar Road, Chandivali, Andheri, Mumbai	36 months commencing from October 01, 2010

22	Leave and License Agreement dated August 09, 2010 between Arch Pharmachem Limited ("Licensor") and our Company ("Licensee")	Leave and License	Monthly Rent: ₹100,000	Unit Nos. K-1, K-2, K-3, K wing, Ground Floor, Tex Centre, Off Saki Vihar Road, Chandivali Andheri, Mumbai	36 months commencing from July 01, 2010
23	Leave and License Agreement dated October 12, 2010 between Captain Netin Khandelwal ("Licensor") and our Company ("Licensee")	Leave and License	Monthly Rent: ₹30,000 and the rent will be increased by 10% to ₹33,000 per month from September 12, 2011. IFSD: ₹100,000	13th Floor, No.1304, Yucca Building, Nahar Amrit Shakti, Chandivali, Andheri (E), Mumbai	24 months commencing on September 15, 2010
24	Leave and License Agreement dated December 10, 2010 between M/S Dhiraj Organics ("Licensor") and our Company ("Licensee")	Leave and License	Monthly Rent: ₹60,000 IFSD: ₹500,000	Plot No. 23, Additional Ambernath, MIDC	33 months commencing on December 5, 2010
25	Leave and License Agreement dated September 20, 2010 between Gaurav Jagdale ("Licensor") and our Company ("Licensee")	Leave and License	Monthly Rent: ₹29,000 and the rent will be increased by 10% to ₹33,000 per month from September 10, 2011.	8th Floor, No. 802, Yucca Building, Nahar Amrit Shakti, Chandivali, Andheri (E), Mumbai	24 months commencing on September 10, 2010

Leased Properties from MIDC

Sr. No.	Details of Deed / Agreement	Nature of right granted	Fees payable under the Lease	Particulars of the Property, Description & Area	Tenure / Term
1.	Lease Agreement dated July 1, 2008 between Super Containers Private Limited ("Lessor") and our Company ("Lessee").	Lease	**Monthly Rent:** ₹165,000 with escalation of 7 % p.a. every year **IFSD**:- ₹990,000	Plot no C- 424, MIDC Industrial area, TTC Turbhe, Navi Mumbai, Thane admeasuring approx 7695 square feet plus 5000 Sq ft open areas.	3 years commencing from July 01, 2008.
2.	Leave and License agreement dated February 15, 2010 between Mandar Chemicals Private Limited ("Licensor") and our Company ("Licensee")	Leave and License	**Monthly:-** ₹9,40,000 with escalation of 10 % every year **IFSD**: ₹5,410,000	Plot No. 21, MIDC, Taloja, Taluka Panvel, District Raigad, Maharashtra-401 208 admeasuring approx 37,000 Sq. ft. plus open space	5 years commencing from February 01, 2010
3.	Deed of Assignment dated March 24, 2005 between Arch Pharmachem Limited ("Assignor") and our Company ("Assignee")	Assignment	₹9,277,840 (total consideration)	Plot No. G-4, Badlapur Industrial Area, Badlapur, Thane, Maharashtra admeasuring 2406 Sq. mtrs	95 years computed from August 1, 1990

Sr. No.	Details of Deed / Agreement	Nature of right granted	Fees payable under the Lease	Particulars of the Property, Description & Area	Tenure / Term
4.	Lease Agreement dated November 24, 2005 between MIDC ("Lessor") our Company ("Lessee")	Lease	Premium paid: ₹527,900	Plot No. G-5, Badlapur Industrial Area, Badlapur, Thane, Maharashtra admeasuring 2246 Sq mtrs	95 years computed from July 1, 1991
5.	Deed of Assignment dated February 09, 2011 between Chromato Labs Private Limited ("Assignor") and our Company ("Assignee")	Assignment	₹35,000,000	Plot No. G6, MIDC, Taloja, Maharashtra admeasuring 4387 Sq. mtrs	95 years computed from June 16, 1978.
6.	Deed of Assignment dated April 27, 2001 between Shahi Deep Plastic Processors ("Assignor") and our Company. ("Assignee")	Assignment	₹1,500,000	Plot No. T-86 in the Tarapur Area, Pamtembhi village, Palghar Taluka, Thane admeasuring 600 Sq. mtrs	95 years from May 1, 1989
7.	Deed of Assignment dated December 9, 2009 between Watson Pharma Private Limited ("Assignor") and our Company ("Assignee").	Assignment	Property valued at ₹14,760,000	Plot number 21, Dombivli Industrial Area, Kalyan Sub-District, District Thane admeasuring 2,460 Sq. mtrs.	95 years from May 1, 1979
8.	Deed of Assignment dated December 9, 2009 between Watson Pharma Private Limited ("Assignor") and our Company ("Assignee").	Assignment	Property valued at ₹19,296,000	Plot number 22, Dombivli Industrial Area, Kalyan Sub-District, District Thane admeasuring 3,216 Sq. mtrs.	95 years from January 1, 1989
9.	Deed of Assignment dated December 9, 2009 between Watson Pharma Private Limited ("Assignor") and our Company ("Assignee").	Assignment	Property valued at ₹11,844,000	Plot number F-40, Dombivli Industrial Area, Kalyan Sub-District, District Thane admeasuring 1,974 Sq. mtrs.	95 years from April 1, 1982

In addition to the above lease agreements entered into by our Company, we are in the process of entering into the following agreements:

Sr. No.	Details of Deed / Agreement	Nature of right granted	Fees payable under the Lease	Particulars of the Property, Description & Area	Tenure / Term	Stage currently in
1.	Agreement to Lease dated January 21, 2009 between MIDC and our Company	Lease	Premium paid: ₹3,119,400	Plot No. G-3 Badlapur Industrial Area, Badlapur, Thane, Maharashtra	95 years computed from January 21, 2009	Our Company is in the process of executing a lease deed

Sr. No.	Details of Deed / Agreement	Nature of right granted	Fees payable under the Lease	Particulars of the Property, Description & Area	Tenure / Term	Stage currently in
2.	Agreement to Lease dated October 5, 2004 between MIDC ("Grantor") and our Company ("Licensee").	Lease	Premium : ₹642,600 Yearly Rent of ₹1	Plot No. T-84 in the Tarapur Area, Pamtembhi village, Palghar Taluka, Thane admeasuring 510 Sq. mtrs	95 years from October 5, 2004	Our Company is in the process of executing a lease deed
3.	Agreement to Lease dated January 23, 2003 between MIDC ("Grantor") and our Company ("Licensee").	Lease	Premium : ₹479,400 Yearly Rent of ₹1	Plot No. T-85 in the Tarapur Area, Pamtembhi village, Palghar Taluka, Thane admeasuring 510 Sq. mtrs	95 years from January 23, 2003	Our Company is in the process of executing a lease deed
4.	Deed of Assignment dated February 23, 2007 between Gayatri Laboratories Private Limited ("Assignor") and Benzochem Lifesciences Private Limited ("Assignee")	Assignment	₹9,800,000	Plot No.E-64, Tarapur Industrial area, MIDC, Thane, Maharashtra- 401 506 admeasuring 2080 sq mtrs	95 years from November 12, 1987.	Company is in the process of entering into a fresh Deed of Assignment assigning the lease in favour of our Company from Benzochem Lifesciences Private Limited
5.	Deed of Assignment dated April 16, 2007 between Palasar Chemicals Private Limited ("Assignor") and Benzolife ("Assignee")	Assignment	₹6,000,000	Plot No.E-80, Tarapur Industrial area, MIDC, Thane, Maharashtra- 401 506 admeasuring 1000 sq mts	95 years from September 1, 1987	Company is in the process of entering into a fresh Deed of Assignment assigning the lease in favour of our Company from Benzolife
6.	Lease Agreement dated May 13, 2005 between MIDC ("Lessor") and Benzochem Lifesciences Private Limited ("Lessee")	Lease	Premium: ₹144,000	Plot No.E-81, Tarapur Industrial area, MIDC, Thane, Maharashtra- 401 506 admeasuring 1000 sq mts	95 years from June 1, 1978	Company is in the process of entering into a fresh Deed of Assignment assigning the lease in favour of our Company from Benzochem Lifesciences Private Limited
7.	Lease Agreement dated July 3, 2008 between MIDC ("Lessor") and Benzolife. ("Lessee")	Lease	Premium: ₹188,000	Plot No.E-82, Tarapur Industrial area, MIDC, Thane, Maharashtra- 401 506 admeasuring 1000 sq mts	95 years from May 1, 1980	Company is in the process of entering into a fresh Deed of Assignment assigning the lease in favour of our Company from Benzolife

INSURANCE

Our Company has insurance coverage which we consider reasonably sufficient to cover all normal risks associated with our operations and which we believe is in accordance with the industry standards. Further, our contractual obligations to our lenders as also to certain business partners require us to obtain specific insurance policies.

We have taken insurance policies with various insurance companies covering certain risks in relation to our assets and our people. We have taken workmen's compensation insurance, group personal accident and group medical insurance policies for the benefit of our employees covering risks against bodily injuries. We have also taken standard fires and special perils insurance to cover against risks of damage to our property, including fire damage as also theft and burglary insurance to cover risks to our assets. We have availed office protection shield insurance and money insurance to protect cash and monies in transit. Additionally our Company has obtained public liability insurance and fidelity guarantee insurance cover. Our Company has also obtained a Directors' and Officer's Liability Insuarance.

Our Company has not availed product liability insurance, group gratuity insurance, business interruption insurance or marine transit insurance.

KEY REGULATIONS AND POLICIES

The following description is a summary of certain laws applicable to the Pharmaceutical Industry in India as well as certain other Indian Laws and foreign laws, which are applicable to our Company and our business. The information below has been obtained from sources available in the public domain. The summary of laws, regulations and policies set forth below is not exhaustive and is only intended to provide general overview to you and is neither designed nor intended to substitute for professional legal advice.

Regulations affecting Pharma Sector in India

Ministry of Health and Family Welfare, GoI (the "**MoHFW**") over sees the Indian drugs and formulations industry. It issues notifications under the regulations given below and also mandates the requirement of licenses for manufacture or sale or distribution of the drugs and formulations in India. The MoHFW appoints the central license approving authority, the Drugs Controller General of India.

The Department of Science and Technology, under the Ministry of Science and Technology, GoI (the "**MoST**"), promotes new areas of science and technology with special emphasis on research and development, and our Company comes under its scanner since one of the major initiatives of our Company is to focus on research and development strategies.

Drugs and Cosmetics Act, 1940 *(the "**DCA**")*

DCA is to regulate the import, manufacture, distribution and sale of drugs including drug formulations, biologicals and APIs, and cosmetics. DCA also regulates the labeling, packing, testing and licensing of the items mentioned above. DCA lays down the Standards of quality to be met by the drugs and cosmetics. It prohibits imports, manufacture and sale of certain drugs or cosmetics except of small quantities for the purposes of examination, testing or analysis and violation of these regulations is an offence which invites penal action.

DCA requires a company *inter alia* engaged in import, manufacture, distribution and sale of drugs including drug formulations, biologicals and APIs, and cosmetics to obtain licenses for the manufacture, sale, distribution, and import of drugs, as the case may be, from the Drugs Controller General of India (the "**DCGI**"), an authority constituted under the DCA and to maintain records of the same. In order to obtain a License for a particular drug, the approval of the Central Drugs Laboratory, an authority constituted under the DCA, certifying the standards of quality is required for which the product is subjected to series of tests involving different stages and procedures. The Central Drugs Standard Control Organization (the "**CDSCO**") has been constituted for the purpose of testing and approving APIs and formulations in consultation with the DCGI.

In the case of APIs, the DCGI issues, subject to passing of the series of tests and on fulfilling certain additional requirements like building specifications, product containers, in-process controls, provision of utilities and services etc. that need to be mandatorily complied with, a manufacturing and marketing license which is submitted by the company seeking to produce the drug to the drug control administration of the state which clears the drug for manufacturing and marketing.

Drugs and Cosmetics Rules, 1945 *(the "**DCR**")*

DCR has been framed under the Drugs and Cosmetics Act, 1940. These Rules, inter alia, provide that for the purpose of importing drugs import license and registration certificate is required from the Licensing Authority. The DCR lays down the provisions for the manufacture, sale, packing and labeling of medicines, both homeopathic and non-homeopathic, drugs and cosmetics, and the licenses thereto. The functions of the Central Drugs Laboratory, instituted under the DCA, which include analysis and testing in respect of certain drugs, as well as of the Central Licence Approving Authority (the "**CLAA**"), are laid down. The CLAA may, after giving the licensee an opportunity to show cause why such an order should not be passed, cancel a license issued or suspend it for such period as he thinks fit, either wholly or in respect of some of the substances to which it relates, if in his opinion, the licensee has failed to comply with any of the conditions of the licence or with any provisions of the Act or Rules thereunder. DCR contains various forms and applications for grants of licences as well as test and analysis reports. The authorization by a manufacturer to his agent in India is documented by a Power of Attorney executed and authenticated in India before a 1st class Magistrate or in the country of origin before such equivalent authority. DCR also provides for the approval of the Technical staff as per the Drugs and Cosmetics Act and rules framed under the legislation abiding by the World Health Organization inspection norms.

Essential Commodities Act, 1955 *(the "**ECA**")*

ECA empowers the Central government to provide (by way of orders) for regulating or prohibiting the production, supply and distribution of, quality and trade and commerce in essential commodities including drugs, in the event of necessity of increasing supplies, distribution and availability at fair prices of such commodities or for securing their availability for defence purposes. A Controller is authorised by the Central Government to exercise functions of control. The Central Government may confer powers and impose duties upon State Governments and may also contain directions to the State Governments as to exercise of these powers. Under the ECA provisions have been made for the regulation of sugar, oilseeds, drugs, food grains and other essential items. The collector is empowered to order confiscation of the essential commodity if he is satisfied that orders as above have been contravened. But such seizure is authorised only after giving the owner a notice and an opportunity of being heard. The Act also provides for penalties in case of non-compliance or abetment of contravention with the said orders.

The Hathi Committee (1975) (*the* ***"Hathi Committee")***

The Hathi Committee in its report emphasized the achievement of self-sufficiency in medicines and of abundant availability at reasonable prices of essential medicines. Since 1975, the Indian Pharmaceutical Industry has grown to be the most diversified and vertically integrated pharmaceutical industry in the entire Third World. The country had achieved self-sufficiency in formulations and also in a large number of bulk drugs. Technologies for the production of several bulk drugs, including antibiotics like Ampicillin, Amoxycillin, Erythromycin, Anti-infectives like Sulphamethaxazole and Trimethoprim., anti-TB drugs like Ethambuto Cardio Vascular drugs like Methyl Dopa; Analgesics like Ibuprofen and Isopropyl antipyrine; anti - amoebics like Metronidazole and Tinidazole, anti-cancer drugs like Vinblastine, Vincristire and Cisplatin were indigenously developed. The diverse production and technological capabilities developed by the Indian Pharmaceutical Industry are valuable assets in achieving the goals of the National Health Policy and in fully harnessing the export potential. The Hathi Committee in its report recommended setting up of a National Drug Authority to oversee the monitoring of the drugs manufactured however the concept of a National Drug Authority did not find favour with the government and hence the first national drug policy in 1978 did not refer to a National Drug Authority-like body. However, the concept surfaced in the 1986 Drug Policy as National Drug and Pharmaceutical Authority (the **"NDPA"**) but without clear enunciation of its functions.

National Health Policy, 1983 *(the "**National Health Policy**")*

National Health Policy was promulgated to improve public health and to objectively move towards the goal of "Health for all by the year 2000 A.D." through the universal provision of comprehensive primary health care service. The attainment of this goal requires an accelerated development of all inputs to the health care system, including essential and life saving drugs and vaccines of proven quality. Drugs alone are not sufficient to provide health care. However, if rationally used, they do play an important role in protecting, maintaining and restoring the health of the people and in controlling population. The Indian Pharmaceutical Industry has, therefore, a vital role in serving the basic health needs of the people.

Drug Policy, 1986 *(the "**Drug Policy**")*

The main objectives of the Drug Policy are to ensure abundant availability, on a continuous basis, at reasonable prices, of essential life saving and prophylactic medicines of good quality at reasonable prices, and strengthening the system of quality control in relation to drug production. As it is imperative to impart a technological and productivity thrust to the Indian Pharmaceutical Industry which would also enable it to harness export opportunities, it aims at increasing technological assistance to manufacturers. It also aims at creating an environment conducive to infusion of fresh investment in the pharmaceutical industry while strengthening indigenous capability for production of drugs. The Drug Policy provided for a controlled pricing mechanism in relation to the prices of drugs, where fixation of prices would be done by the National Pharmaceutical Pricing Authority (the "**NPPA**").

Drug Policy, 1994 *(the "**1994 Drug Policy**")*

1994 Drug Policy Government has made certain modifications in the Drug Policy, 1986 relating to industrial licensing, foreign investment and foreign technology agreements. Industrial licensing for all bulk drugs and their formulations and for intermediates was exempted except for the Bulk drugs (reserved for public sector), Bulk drugs involving use of re-combatant DNA technology and bulk drugs requiring in vivo use of nucleic acids as the active principles and Formulation based on use of specific cells/tissue-targeted formulations. In respect of all other items, industrial undertakings are required to file a Memorandum in the prescribed form (Form IEM) along with the performa with the Secretariat for Industrial Assistance (SIA), Department of Industrial Development, Ministry of Industry. All units

wanting to go in for expansion would also have to file the IEM as above. However, even for delicensed items, license would be required for locational reason. Non-Small Scale Units proposing to manufacture items reserved for small scale sector will also require industrial license. The 1994 Drug Policy stated that Foreign investment upto 51% and foreign technology agreements in the case of all bulk drugs, their intermediates and formulations thereof (except those produced by the use of recombinant DNA technology) would be granted automatic approval subject to the parameters by the RBI. The automatic approval of RBI will be available to all the items of drugs and pharmaceutical industry covered by the Annex-III of the Press Note No. 10 (1992 Series) dated 24th June, 1992. Other proposals which do not qualify for automatic approval schemes require approval of the Government on a case to case basis. Applications for such proposals will be required to be submitted Secretariat for Industrial Approvals (SIA), Department of Industrial Development, Ministry of Industry, in Form FC (SIA) as per the existing procedure

Drugs (Prices Control) Order, 1995 *(the "**DPCO**")*

The first drug price control orders in India were issued under the Defence of India Act, 1963. Thereafter, the Drug Price Control Order was promulgated under section 3 of the Essential Commodities Act, 1955, and is to be read with DCA. The DPCO lists drugs including certain APIs, formulations and substances by way of schedules and formulations, and entails provisions where-under manufacturers thereof are required to submit information regarding the production of the said drugs to the Government. The Order also fixes the prices for the drugs under its purview.

Under the DPCO, no manufacturer, distributor or dealer is to withhold from sale any drug, without good and sufficient reasons. Manufacturers are to maintain records of sales turnovers, cash memo or credit memo, books of account and records of purchase and sale, and make such records available for Government inspection. The Government has the power under the DPCO to recover amounts charged in excess of the notified price from the manufacturer, importer or distributor of the drugs and the said amounts are to be deposited in the Drugs Prices Equalization Account. Any contravention of any of the provisions of this Order shall be punished in accordance the ECA.

NPPA is a Government of India organization which was established, inter alia, to fix/ revise the prices of controlled bulk drugs and formulations and to enforce prices and availability of the medicines in the country, under the Drugs (Prices Control) Order, 1995. It is also entrusted with the task of recovering amounts overcharged by manufacturers for the controlled drugs from the consumers. It also monitors the prices of decontrolled drugs in order to keep them at reasonable levels. NPPA also renders advice to the Central Government on changes/ revisions in the drug policy.

The following information is required to be printed on the label of a medicine under the provisions of the DCA and the DPCO:

- Name of the formulation;
- Composition of the formulation;
- Pack size;
- Address of the manufacturer;
- Manufacturing license number;
- Date of manufacture;
- Expiry date; and
- Maximum retail price (excluding local taxes).

The Mashelkar Committee, 1999 *(the "**Mashelkar Committee**")*

The Mashelkar Committee submitted a report to the GoI in 1999, on the drug regulatory framework in India, recommending certain changes in the licensing norms, administrative and investigative apparatus and inspection and monitoring schemes, both at manufacturing level and points of sale. The key recommendation was to centralize drug licensing by creating a new national body to strengthen the implementation of drug laws in India. The recommendations of the Mashelkar Committee have not been incorporated in their entirety.

National Pharmaceutical Policy, 2002 *(the **"NPP")***

Pursuant to the liberalization of Indian Economy, globalization and on account of additional obligations undertaken by India under various World Trade Organization (the "**WTO"**) agreements, the GoI introduced the NPP which incorporated further changes in relation to the industrial licensing regime by abolishing licensing requirements except for bulk drugs produced by the use of recombinant DNA technology, bulk drugs requiring in-vivo use of nucleic acids, and specific cell/tissue targeted formulations. The policy relaxed the FDI limit to up to 100% under the automatic route, and also provided that the guiding principles for deciding whether a drug would be subject to price control, would be

(a) mass consumption nature of the drugs, and (b) absence of sufficient competition in such drugs. The main objectives of this policy are:-

1. Ensuring abundant availability at reasonable prices within the country of good quality essential pharmaceuticals of mass consumption.
2. Strengthening the indigenous capability for cost effective quality production and exports of pharmaceuticals by reducing barriers to trade in the pharmaceutical sector.
3. Strengthening the system of quality control over drug and pharmaceutical production and distribution to make quality an essential attribute of the Indian pharmaceutical industry and promoting rational use of pharmaceuticals.
4. Encouraging research and development in the pharmaceutical sector in a manner compatible with the country's needs and with particular focus on diseases endemic or relevant to India by creating an environment conducive to channelising a higher level of investment into research and development in pharmaceuticals in India.
5. Creating an incentive framework for the pharmaceutical industry which promotes new investment into pharmaceutical industry and encourages the introduction of new technologies and new drug.

However, on account of ongoing litigation in the Supreme Court of India, the NPP was not notified. Furthermore, the GoI has formulated a draft National Pharmaceutical Policy, 2006 (the "**Draft National Pharmaceutical Policy**") in which it has recommended, among other things, that patented drugs, i.e., formulations under product patents launched in India after January 1, 2005, be subject to price negotiations before granting market approval. The Draft National Pharmaceutical Policy has not been notified and is not in effect as on the date of this Draft Red Herring Prospectus. The draft National Pharmaceutical Policy may undergo further changes before it is notified by the Government.

Pharmaceutical Export Promotion Council

The Pharmaceutical Export Promotion Council (the "**Pharmexcil**") was set up by the Ministry of Commerce and Industry, GoI (the "**MCI**") in order to serve as an exclusive export promotion council for the Indian pharmaceutical industry. Pharmexcil is the sole issuer of registration-cum-membership certificates to exporters of pharmaceutical products in India and Certificate of Origin. It organizes Trade delegations/Buyer-Seller Meetings in India and abroad. The council assists members to get their MDA/MAI claims refunded from Govt. of India. It organizes periodical Seminars/Interactive meetings on exports related issues. Various pharmaceutical products such as bulk drugs and formulations, collaborative research, contract manufacturing, diagnostics, clinical trials and consultancy are covered under its purview. The council has a major role in making suggestions to GoI on policy issues relating to Pharma exports and in making representations to GoI and other agencies in India and abroad to get amicable solutions for the common problems of the Pharma Industry.

***Indian Pharmacopoeia* Commission** (*the "**Pharmacopoeia Commission**"*)

The GoI have created a separate, dedicated, autonomous institution in the form of the Pharmacopoeia Commission to deal with matters relating to timely publication of the Indian Pharmacopoeia which is the official book of standards for drug included therein, in terms of the Second Schedule to the Drugs and Cosmetics Act, 1940 so as to specify the standards of identify, purity and strength of the drugs imported, manufactured for sale, stocked or exhibited for sale or distributed in India. The mandate of the Commission is to perform, inter-alia, functions such as revision and publication of the Indian Pharmacopoeia and National formulary of India on a regular basis besides providing IP Reference Substances and training to the stakeholders on Pharmacopoeia issues. The Pharmacopoeia Commission is dedicated to setting standards for drugs, pharmaceuticals, healthcare devices and technologies etc. besides providing reference substances and training. The Pharmacopoeia Commission has become fully operational from January 1, 2009 as an Autonomous Body, fully financed by the Central Government with specific budgetary allocations under administrative control of the Ministry of Health and Family Welfare.

Foreign Investment in the Pharmaceutical Sector

According to the April 2006 Foreign Direct Investment Policy, Foreign Direct Investment ("**FDI**") upto 74% was permitted through automatic route in the case of bulk drugs, their intermediates and formulations (except those produced by the use of recombinant DNA technology)and 100% FDI in such cases was considered by the Government on a case by case basis but, under the Consolidated FDI Policy 2010, foreign direct investment in the Indian pharmaceutical sector is permitted up to 100% through the 'automatic route', which does not require prior approval of the GoI or the RBI.

Foreign investment in Indian securities is governed by the provisions of the Foreign Exchange Management Act, 1999 ("**FEMA**") read with the applicable FEMA Regulations and the FDI Policy issued by the DIPP. Foreign investment is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which foreign investment is sought to be made.

Under the automatic route, no prior approval of the GoI is required for the issue of securities by Indian companies/acquisition of securities of Indian companies, subject to the sectoral caps and other prescribed conditions. Investors are required to file the required documentation with the RBI within 30 days of such issue/acquisition of securities. If the foreign investor has any previous joint venture/tie-up or a technology transfer/trademark agreement in the same field in India as on January 12, 2005, prior approval from the FIPB is required even if that activity falls under the automatic route, except as otherwise provided.

Under the approval route, prior approval from the FIPB/RBI is required. FDI for the items or activities that cannot be brought in under the automatic route may be brought in through the approval route. Approvals are accorded on the recommendation of the FIPB, which is chaired by the Secretary, DIPP, with the Union Finance Secretary, Commerce Secretary and other key Secretaries of the GoI as its members.

United States Drugs Regulations

In the United States, the United States Food and Drug Administration (the "**USFDA**"), established under the Department of Health and Human Services, regulates medicines through its Center for Drug Evaluation and Research. For biological products, the Centre for Biologics Evaluation and Research, also under the USFDA, is responsible for ensuring the safety and efficacy of the products. The USFDA has issued guidelines relating to good clinical practice and clinical trials that are to be followed even by manufacturers of APIs outside the US. Over-the-counter and prescription drugs, including generic drugs, are regulated by FDA's Center for Drug Evaluation and Research ("**CDER**").

The USFDA mandates drugs to be manufactured in conformity with current good manufacturing practice ("**CGMP**"). All the establishments and operation of facilities, whether within or outside the US, in which the APIs or drugs are manufactured, and the manufacture and marketing of new drug compounds, new formulations for existing drug compounds and generic drugs require prior USFDA approval.

To obtain USFDA approval for a new drug to be used in a clinical investigation, an application has to be filed along with data and information relating to pre-clinical Laboratory and animal toxicology tests, methods of manufacture of the product, quality control testing, etc. Thereafter, for the sale and marketing of a new pharmaceutical product or new formulations for existing drug compounds in the US, an NDA, has to be made to the USFDA. The USFDA has removed various unapproved drugs from the market and has also taken enforcement actions against a number of firms with significant violations of CGMPs.

Abbreviated New Drug Application ("**ANDA**") is an application for a U.S. generic drug approval for an existing licensed medication or approved drug. This application has its basis in the Hatch-Waxman Act, 1984, which permits generic versions of previously approved innovator drugs to be approved by submission of bio-equivalency data without the need for complete reports of pre-clinical and clinical studies. An ANDA is required to include certifications of invalidity or non-infringement of any patents relating to certain listed drugs, by the generic drug applied for (paragraph IV certification). The Hatch-Waxman Act provides an incentive of 180 days of market exclusivity to the first generic applicant who challenges a patented drug by filing a paragraph IV certification. The ANDA contains data which when submitted to FDA's Center for Drug Evaluation and Research, Office of Generic Drugs, provides for the review and ultimate approval of a generic drug product. Once approved, an applicant may manufacture and market the generic drug product to provide a safe, effective, low cost alternative.

In the case of a bulk supplier of APIs to a US Company, the Drug Master Files (the "**DMF**") assumes importance. The DMF contains confidential, detailed information about facilities, processes, or articles used in the manufacturing, processing, packaging, and storing of the APIs. The DMF supports the INDA, NDA or ANDA, as the case may be, and is submitted by the supplier of the API. Upon submission of an INDA, NDA or ANDA by the US Company for the finished product, the USFDA examines the DMF in the course of reviewing the INDA, NDA or ANDA. Increasingly, the USFDA is adopting the format contained in the Common Technical Document for submission of technical data to regulatory authorities. If a review by FDA physicians and scientists shows the drug's benefits outweigh its known risks and the drug can be manufactured in a way that ensures a quality product, the drug is approved and can be marketed in the United States.

Section 510 of the Federal Food, Drug, and Cosmetic Act requires manufacturers, repackers, and relabelers that engage in the manufacture, preparation, propagation, compounding, or processing of human or veterinary drugs and human biological products to register their establishment(s) and submit a listing of every product in commercial distribution with the FDA, thus helping the FDA maintain a catalog of all human and veterinary drugs and biologics in commercial distribution in the United States.

European Directorate for the Quality of Medicines *(the "**EDQM**")*

The EDQM is a Directorate of the Council of Europe located in Strasbourg, France. It is responsible for the preparation, establishment and distribution of chemical and biological reference standards and for the evaluation of applications for certificates of suitability of the monographs of the European Pharmacopoeia and coordination of related inspections. The objective of EDQM is to establish and provide official standards applicable to the manufacture and quality control of medicines in Europe, and ensuring application of these official standards to substances used for the production of medicines.

- In April 2010, the EDQM took over responsibility for the establishment, preparation, storage and distribution of WHO International Chemical Reference Substances (ICRS) which is supplied primarily for use in physical and chemical tests and assays.
- Since 2007, the EDQM has expanded its responsibilities to include two new areas: blood transfusion and organ transplantation changing its name to European Directorate for the Quality of Medicines & Healthcare
- In 2008, the EDQM became responsible for the co-ordination of activities for the elaboration of programmes and policies linking the quality of medicines to the quality and safety of their use, in the fields of pharmaceutical practice and care, risk prevention and management as regards counterfeiting of medicines, and the classification of medicines as regards their supply.

Laws applicable to the Creation and Protection of Intellectual Property Rights

Indian Patent Regulation

The Patents Act, 1970 ("**Patents Act**") governs the patent regime in India. India is a signatory to the Trade Related Agreement on Intellectual Property Rights ("**TRIPS**"); India recognizes both product as well as process patents. The new regime provides for:

- Recognition of product patents in respect of food, medicine and drugs;
- Patent protection period of 20 years;
- Patent protections allowed on imported products; and
- Under certain circumstances, the burden of proof in case of infringement of process patents may be transferred to the alleged infringer.

The Patents Act provides for compulsory licensing for manufacture and export of patented pharmaceutical products to a country having insufficient or no manufacturing capacity for the concerned product to address public health issues. Such country must have either granted compulsory license or allowed import of the products from India. The Patents Act states that in the case of a patent in respect of any medicine or drug, it may be imported by the Government for its own use or for distribution to any hospital or other medical institution which the Central Government may specify. Compliance with Section 47 may be used as a defence in a suit for infringement.

The Patents (Amendment) Act, 2005 passed by Indian Parliament on March 17, 2005, has made certain changes to the Patents Act. The term non-patents was expanded to include the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, unless such known process results in a new product or employs at least one new reactant.

The proviso to section 11A (7) has been introduced in the Patents Act to provide protection to those Indian enterprises which have made significant investment and have been producing and marketing a product prior to January 1, 2005, for which a patent has been granted through an application made under section 5(2) of the Patents Act and have continued to manufacture the product covered by the patent on the date of grant of the patent. In such a case, the patent-holder shall only be entitled to receive reasonable royalty from such enterprises and cannot institute infringement proceedings against such enterprises. Explanation to section 3(d) of the Act also clarifies that salts, esters, ethers, polymorphs, metabolites, pure form, particle size, isomers, mixtures of isomers, complexes, combinations, and other derivatives of known substance shall be considered the same substance, unless they differ significantly in properties with regard to

efficacy. Hence, this explanation will ensure that derivatives, isomers, metabolites of known substances are not easily patentable without the establishment of significant improvements in properties.

The Trade Marks Act, 1999 (*the* ***"Trademark Act")***

The Trademarks Act governs the statutory protection of trademarks in India. In India, trademarks enjoy protection under both statutory and common law. Indian trademark law permits the registration of trademarks for goods and services. Certification marks and collective marks can also be registered under the Trademark Act. An application for trademark registration may be made by individual or joint applicants and can be made on the basis of either use or intention to use a trademark in the future. However, the registration of a trademark that is not inherently distinctive on the basis of intent to use may be difficult to obtain.

Applications for a trademark registration may be made for in one or more international classes. Once granted, trademark registration is valid for ten years unless cancelled. If not renewed after ten years, the mark lapses and the registration has to be restored. The average timeline for the completion of the entire registration process is three to four years. However, it is likely that this timeline may be reduced in the near future due to initiatives which have been recently undertaken to expedite trademark filings.

Patent Cooperation Treaty, 1970

The PCT is administered by the World Intellectual Property Organization ("**WIPO**"). The PCT facilitates filing of patent applications under a single umbrella and provides for simplified procedure for the search and examination of such applications. PCT applications claim priority over ordinary patent applications.

The provisions of the PCT do not diminish rights under the Paris Convention for the Protection of Immovable Property.

The PCT has two phases – national and international.

A national phase is when they are converted into national patent applications in designated countries of interest.

The international phase is when a PCT application, called an international application is filed for the purpose of protecting the invention in any of the contracting states at the International Bureau ("**IB**") at the WIPO, Geneva. The international application contains a request, description, one or more claims, one or more drawings (where required) and an abstract. The application is checked for defects and if there are any, the applicant is called upon to correct it and on not doing so, the application shall be considered withdrawn when so declared by the Receiving office. An applicant may make a demand for an international preliminary examination upon payment of required fees and compliance with certain regulations.

During the international phase, the designated international searching authority ("**ISA**") conducts a patent search, the object of which is to find out prior art. A national office or intergovernmental organization may be appointed as the ISA. If the International Searching Authority considers that the international application does not comply with the requirement of unity of invention as set forth in the Regulations, it shall invite the applicant to pay additional fees.

An international search report is provided within around six months of filing to assist the application in deciding whether or not to proceed with patent protection. The international search report shall, as soon as it has been established, be transmitted by the International Searching Authority to the applicant and the International Bureau.

The applicant shall, after having received the international search report, be entitled to one opportunity to amend the claims of the international application by filing amendments with the International Bureau within the prescribed time limit, along with which he may file a brief statement explaining these amendments.

International publication of the international application shall be effected promptly after the expiration of 18 months from the priority date of that application. Any dispute between two or more Contracting States concerning the interpretation or application of this Treaty or the Regulations, not settled by negotiation, may, by any one of the States concerned, be brought before the International Court of Justice by application in conformity with the Statute of the Court, unless the States concerned agree on some other method of settlement.

Miscellaneous

Standard of Weights and Measures Act, 1976 *(the "****Weights and Measures Act****")*

The Weights and Measures Act aims at introducing standards in relation to weights and measures used in trade and commerce, to provide better protection to consumers by ensuring accuracy in weights and measures and to regulate trade or commerce where goods are sold or distributed by weights, measures or numbers. Use of non-standard weights and measures is a criminal offence under the Weights and Measures Act. Although the Weights and Measures Act is a central legislation, it is enforced by the state governments under the Standard of Weights and Measures (Enforcement) Act, 1985 (the "**Weights and Measures Enforcement Act**"). The Rajya Sabha has recently passed the Legal Metrology Bill, 2008 which seeks to repeal the Weights and Measures Act and the Weights and Measures Enforcement Act, to introduce a single comprehensive statute which would be enforced centrally, with delegation of certain powers and responsibilities to state governments for inter-state trade and commerce.

Indian Boiler Regulations, 1950 *(the "**Boiler Regulations**")*

Under the Boiler Regulations the owner of any boiler (as defined therein), which is wholly or partly under pressure when is shut off, shall under the provisions of the Boilers Act, apply to the Inspector appointed thereunder to have the boiler registered which shall be accompanied by prescribed fee. A boiler is inspected by the inspectorate as per the procedure laid down under the Boiler Regulations and if found satisfactory, a certificate is issued for operation for a maximum period of one year, provided that a certificate in respect of an economiser or of an unfired boiler which forms an integral part of a processing plant in which steam is generated solely by the use of oil, asphalt or bitumen as a heating medium may be issued for a period not exceeding twenty-four months in accordance with the regulations made under Boilers Act. The objective of the Boiler Regulations is mainly to provide for the safety of life and property of persons from the danger of explosions of steam boilers and for achieving uniformity in registration and inspection during operation and maintenance of boilers in India. On the expiry of the term or due to any structural alteration, addition or renewal to the boiler, the owner of the boiler shall renew the certificate by providing the Inspector all reasonable facilities for the examination and all such information as may reasonably be required of him to have the boiler properly prepared and ready for examination in the prescribed manner. Violation of any provision under the Boiler Regulations may attract a penalty of ₹5,000 or more.

Explosives Act, 1884 *(the "**Explosives Act**")*

Under the Explosives Act, the Government has the power to regulate the manufacture, possession, use, sale, transport and importation of explosives and grant of license for the same activities. The Government may prohibit the manufacture, possession or importation of especially dangerous explosives. Any contravention of the Explosives Act or rules made under it, being the Explosives Rules, 1983, may lead to an arrest without warrant and imprisonment for three years, including a fine which may extend up to ₹5,000.

The Explosives Act stipulates as follows:

No person-

i. who has not completed the age of 18 years;
ii. who has been sentenced on conviction of any offence involving violence or moral turpitude for a term of not less than 6 months, at any time during a period of 5 years after the expiration of the sentence;
iii. who has been ordered to execute under Chapter VIII of the Code of Criminal Procedure, 1973 (2 of 1974), a bond for keeping the peace or for good behaviour, at any time during the term of the bond; or
iv. whose licence under this Act has been cancelled, whether before or after the commencement of the Indian Explosives(Amendment) Act, 1978 (32 of 1978) for contravention of the provisions of this Act or the Rules made thereunder, at any time during a period of 5 years from the date of cancellation of such licence shall:

- manufacture, sell, transport, import or export any Explosive; or
- possess any such Explosive as the Central Government may, having regard to the nature thereof, by notification in the Official Gazette, specify.

Further the Explosives Act stipulates that no person shall import, export, transport, manufacture, possess, use or sell any explosive which is not an authorised explosive. The Explosives Act also prescribes safety standards and qualifications required in order to obtain a license for the manufacture, use, possession, sale etc., of explosives.

Foreign Trade (Development and Regulation) Act, 1992 (the "Foreign Trade Act")

The Foreign Trade Act was enacted to provide for the development and regulation of foreign trade by facilitating imports into and augmenting exports from India. The Foreign Trade Act prohibits anybody from undertaking any

import or export except under an importer-exporter code number granted by the Director General of Foreign Trade. Any contravention of the provisions of the Foreign Trade Act would result in a penalty of ₹1,000 or five times the value of the goods in which contravention is made or attempted.

Labour related laws

India has stringent labour related legislation. We are required to comply with certain labour and industrial laws, which includes the Industries (Development and Regulation) Act, 1951, Industrial Disputes Act 1947, the Employees' Provident Funds and Miscellaneous Provisions Act 1952, the Minimum Wages Act, 1948, the Payment of Bonus Act 1965, Workmen Compensation Act, 1923, the Payment of Gratuity Act, 1972, the Payment of Wages Act, 1936 and the Factories Act, 1948, amongst others.

Factories Act, 1948

The Factories Act, 1948 (the "**Factories Act**") defines a 'factory' to cover any premises which employs ten or more workers and in which manufacturing process is carried on with the aid of power and covers any premises where there are at least 20 workers who may or may not be engaged in an electrically aided manufacturing process. Each State Government has rules in respect of the prior submission of plans and their approval for the establishment of factories and registration and licensing of factories. The Factories Act provides that the occupier of a factory, i.e. the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors, must ensure the health, safety and welfare of all workers especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions. Persons who design, manufacture, import or supply articles for use in a factory must ensure the safety of the workers in the factory where the articles are used. If the safety standards of the country where the articles are manufactured are above Indian safety standards, the articles must conform to the relevant foreign standards. There is a prohibition on employing children below the age of fourteen years in a factory. If there is violation of any provisions of the Factories Act or rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment for a term up to two years and/or with a fine up to ₹100,000 or both, and in case of such violation continuing after conviction, with a fine of up to ₹1,000 per day of violation. In case of a contravention which results in death or serious bodily injury, the fine shall not be less than ₹25,000 in the case of an accident causing death, and ₹5,000 in the case of an accident causing serious bodily injury. In case of contravention after a prior conviction, the term of imprisonment increases up to three years and the fine would be ₹300,000 and in case such contravention results in death or serious bodily injury the fine would be a minimum of ₹35,000 and ₹10,000, respectively.

The Employees State Insurance Act, 1948

The Employees State Insurance Act 1948, ("**ESI Act**") provides for certain benefits to employees in case of sickness, maternity and employment injury. The ESI Act extends to the whole of India. It applies to all factories (including government factories but excluding seasonal factories) employing ten or more persons and carrying on a manufacturing process with the aid of power or employing 20 or more persons and carrying on a manufacturing process without the aid of power and such other establishments as the Government may specify.

A factory or other establishment, to which the ESI Act applies, shall continue to be governed by its provisions even if the number of workers employed therein falls below the specified limit or the manufacturing process therein ceases to be carried on with the aid of power, subsequently.

The ESI Act does not apply to the following:

i. Factories working with the aid of power wherein less than 10 persons are employed;
ii. Factories working without the aid of power wherein less than 20 persons are employed;
iii. Seasonal factories engaged exclusively in any of the following activities viz. Cotton ginning, cotton or jute pressing, decortications of groundnuts, the manufacture of coffee, indigo, lacs, rubber, sugar (including gur) or tea or any manufacturing process incidental to or connected with any of the aforesaid activities, and including factories engaged for a period not exceeding seven months in a year in blending, packing or repackaging of tea or coffee, or in such other process as may be specified by the Central Government;
iv. A factory which was exempted from the provisions of the Act as being a seasonal factory will not lose the benefit of the exemption on account of the amendment of the definition of seasonal factory;
v. Mines subject to the Mines Act, 1952;
vi. Railway running sheds;
vii. Government factories or establishments, whose employees are in receipt of benefits similar or superior to the

benefits provided under the Act and Indian naval, military or air forces.

The appropriate Government may exempt any factory o r establishments or class of factories or establishments or any employee or class of employees from the provisions of the ESI Act. Every employee (including casual and temporary employees), whether employed directly or through a contractor, who is in receipt of wages upto ₹10,000 per month is entitled to be insured under the ESI Act. However, apprentices engaged under the Apprentices Act are not entitled to the ESI benefits. Coverage of part time employees under the ESI Act will depend on whether they have contract of service or contract for service with the employer. The former is covered whereas the latter are not covered under the ESI Act.

Payment of Gratuity Act, 1972

Under the Payment of Gratuity Act, 1972 (the "**Gratuity Act**"), an employee in a factory is deemed to be in 'continuous service' for a period of at least 240 days in a period of 12 months or 120 days in a period of six months immediately preceding the date of reckoning, whether or not such service has been interrupted during such period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee.

An employee who has been in continuous service for a period of five years will eligible for gratuity upon his retirement, superannuation, death or disablement. The maximum amount of gratuity payable shall not exceed ₹350,000.

Payment of Bonus Act, 1965

Under the Payment of Bonus Act, 1965 (the "**Payment of Bonus Act**") an employee in a factory who has worked for at least 30 Working Days in a year is eligible to be paid bonus. 'Allocable surplus' is defined as 67% of the available surplus in the financial year, before making arrangements for the payment of dividend out of profit of our Company.

The minimum bonus to be paid to each employee is 8.33% of the salary or wage or ₹100, whichever is higher, and must be paid irrespective of the existence of any allocable surplus. If the allocable surplus exceeds minimum bonus payable, then the employer must pay bonus proportionate to the salary or wage earned during that period, subject to a maximum of 20% of such salary or wage. The maximum bonus payable must not exceed ₹500. Contravention of the Act by a company will be punishable by proceedings for imprisonment up to six months or a fine up to ₹1,000 or both against those individuals in charge at the time of contravention of the Payment of Bonus Act.

Minimum Wages Act, 1948

The State Governments may stipulate the minimum wages applicable to a particular industry. The minimum wages generally consist of a basic rate of wages, cash value of supplies of essential commodities at concession rates and a special allowance, the aggregate of which reflects the cost of living index as notified in the Official Gazette. Workers are to be paid for overtime at overtime rates stipulated by the appropriate State Government. Any contravention may result in imprisonment of up to six months or a fine of up to ₹500.

Workmen's Compensation Act, 1923

If personal injury is caused to a workman by accident during employment, his employer would be liable to pay him compensation. However, no compensation is required to be paid if the injury did not disable the workman for three days or the workman was at the time of injury under the influence of drugs or alcohol, or the workman willfully disobeyed safety rules. Where death results from the injury the workman is liable to be paid the higher of 50% of the monthly wages multiplied by the prescribed relevant factor (which bears an inverse ratio to the age of the affected workman, the maximum of which is ₹228.54 for a worker aged 16 years) or ₹80,000. Where permanent total disablement results from injury the workman is to be paid the higher of 60% of the monthly wages multiplied by the prescribed relevant factor or ₹90,000. The maximum wage which is considered for the purposes of reckoning the compensation is ₹4,000. On December 1, 2009, the Indian Parliament passed the Workmen's Compensation Amendment Bill, 2009, which broadens the scope of the Workmen's Compensation Act to include clerical staff, raising the monetary compensation payable in the event of death or permanent disability, and introducing reimbursement for treatment of injuries sustained in course of employment. The restriction of the application of this law to companies with at least 20 employees has been done away with, and it would now be obligatory for compensation commissioners to decide on a claim within three months of an application being filed. Under the Workmen's Compensation Act, it obligatory for the employers brought within the ambit of the Act to furnish, to the State Governments/Union Territory Administrations, annual returns containing statistics relating to the average number of workers covered under the Act,

number of compensated accidents and the amount of compensation paid.

Payment of Wages Act, 1936 (the "Payment of Wages Act")

The Payment of Wages Act applies to persons employed in factories and industrial or other establishments where the monthly wages payable are less than ₹10,000 and regulates the period and payment of wages, overtime wages and deductions from wages and also regulates the working hours, overtime, weekly holidays of certain classes of employed persons. It requires the persons responsible for payment of wages to maintain certain registers and display of the abstracts of the rules made their under. The Act also contains provisions as to the minimum wages that are to be fixed by the appropriate governments for the employees, entitlement of bonus of the employees, fixing the payment of wages to workers and ensuring that such payments are disbursed by the employers within the stipulated time frame and without any unauthorized deductions.)

Employees (Provident Fund and Miscellaneous Provisions) Act, 1952 (the "EPF Act")

The EPF Act applies to factories employing more than 20 employees and such other establishments and industrial undertakings as notified by the government from time to time. It requires all such establishments to be registered with the relevant state provident fund commissioner. Also, such employers are required to contribute to the employees' provident fund the prescribed percentage of the basic wages, dearness allowances and remaining allowance payable to employees. Employees are also required to make equal contribution to the fund. A monthly return is required to be submitted to the relevant state provident fund commissioner in addition to the maintenance of registers by employers.

The Contract Labour (Regulation and Abolition) Act, 1970 (the "CLRA")

The CRLA regulates the employment, and protects the interests, of workers hired on the basis of individual contracts in certain establishments. In the event any activity is outsourced, and is carried out by labourers hired on contractual basis, compliance with the CLRA including registration will be necessary and the principal employer will be held liable in the event of default by the contractor to make requisite payments towards provident fund. The CRLA regulates the employment of contract labour in certain establishments provides for its abolition in certain circumstances. It applies:

- to every establishment which does not carry on intermittent/ casual work in which 20 or more workmen are/ were employed on any day of the preceding 12 months as contract labour ("**Establishment**");
- To every contractor who employs, or who employed on any day of the preceding 12 months, 20 or more workmen.

Every Establishment must, within the specified period, apply to the registering officer for registration of the Establishment and obtain a certificate of registration containing such particulars as may be prescribed.

Further, a contractor can only undertake or execute any work through contract labour under and in accordance with a licence issued in that behalf by the licensing officer. The license may contain conditions including, in particular, conditions as to hours or work, fixation of wages and other essential amenities in respect of contract labour. The license will be valid for the period specified therein.

Every contractor is duty-bound to provide and maintain supply of drinking water, canteens, rest-rooms latrines and urinals, washing facilities, first- aid box in the prescribed manner for contract labour employed in connection with the work of an Establishment to which the Act applies. If such amenities are not provided by the contractor within the prescribed time, such amenities shall be provided by the principal employer of the Establishment. Contractor shall be responsible for payment of wages to each worker employed by him as contract labour within the prescribed period and in case he fails to do so, the principal employer of the Establishment will be so responsible. Every principal employer and contractor is required to maintain the prescribed records in respect of the contract labour employed.

The Contract Labour (Regulation and Abolition) Central Rules, 1971

The rules were formulated to carry out the purposes of the Contract Labour (Regulation and Abolition) Act, 1970 ("**Act**") has not been captured. As per the Rules, the application for registration of establishments to which the Act applies shall be made in Form I in triplicate and shall be accompanied by a treasury receipt showing payment of fees. A certificate of registration in Form II containing particulars of the name of the establishment, type of work carried on therein, number of contract labourers employed and other particulars is then issued. Any change in these particulars must be intimated by the principal employer at the establishment within 30 days of such change along with details of such change. Every application for license by the Contractor, made in Form IV, shall be accompanied by a certificate

by the principal employer in Form V to the effect that the applicant has been employed by him as a contractor in relation to his establishment. Security as prescribed must also be deposited. Every license granted to the contractor in Form VI is non- transferable and shall contain particulars such as the maximum number of contract labourers employed.

The Industrial Employment (Standing Orders) Act, 1946 (the "Standing Orders Act")

The Standing Orders Act requires employers in industrial establishments, which employ 100 or more workmen to define with sufficient precision the conditions of employment of workmen employed and to make them known to such workmen. The Standing Orders Act requires every employer to which the Standing Orders Act applies to certify and register the draft standing order proposed by such employer in the prescribed manner. However until the draft standing orders are certified, the prescribed standing orders given in the Standing Orders Act must be followed. The standing orders as finally certified under this Act shall be prominently posted by the employer in English and in the language understood by the majority of his workmen on special boards to be maintained for the purpose at or near the entrance through which the majority of workmen enter the industrial establishment and in all departments thereof where the workmen are employed.

Shops and Establishments legislations in various states

The provisions of various Shops and Establishments legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of inter alia registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

Environmental Laws

Manufacturing projects must also ensure compliance with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974 ("**WPA**"), the Air (Prevention and Control of Pollution) Act, 1981 ("**APA**") and the Environment Protection Act, 1986 ("**EPA**").

The WPA aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board.

The Central and State Pollution Control Boards constituted under the WPA are also to perform functions as per the APA for the prevention and control of air pollution. The APA aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area.

EPA has been enacted for the protection and improvement of the environment. EPA provides for the constitution of Boards to regulate pollution levels and protect the environment, the formulation of rules with regard to environmental standards and imposes certain obligations. It stipulates that no person carrying on any industry, operation or process shall discharge or emit or permit to be discharged or emitted any environmental pollutant in excess of such standards as may be prescribed. Further, no person shall handle or cause to be handled any hazardous substance except in accordance with such procedure and after complying with such safeguards as may be prescribed. EPA empowers the Central Government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The Central Government may make rules for regulating environmental pollution.

The issue of management, storage, and disposal of hazardous waste is regulated by the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008 (the "**HWM Rules**") made under the EPA Act.

The Rules become applicable in case of an industrial activity in which a hazardous chemical which satisfies certain criteria as listed in the schedule thereto, and to an industrial activity in which there is involved a threshold quantity of hazardous chemicals as specified in the schedule thereto. The occupier of a facility where such industrial activity is undertaken has to provide evidence to the prescribed authorities that he has identified the major accident hazards and that he has taken steps to prevent the occurrence of such accident and to provide to the persons working on the site with the information, training and equipment including antidotes necessary to ensure their safety. Under the HWM Rules, the PCBs are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility. A similar regulatory framework is also established with respect to bio-medical waste under the Bio-Medical Waste (Management and Handling) Rules, 1998.

Where a major accident occurs on a site or in a pipe line, the occupier shall forthwith notify the concerned authority and submit reports of the accident to the said authority.

Furthermore, an occupier shall not undertake any industrial activity unless he has submitted a written report to the concerned authority containing the particulars specified in the schedule to the Rules at least 3 months before commencing that activity or before such shorter time as the concerned authority may agree.

In addition, the Ministry of Environment and Forests, GoI (the "**MoEF**") looks into environment impact assessment ("**EIA**"). The MoEF receives proposals for expansion, modernization and setting up of projects, and the impact such projects would have on the environment is assessed by the MoEF before granting clearances for the proposed projects. Furthermore, the Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989 (the "**Hazardous Chemicals Rules**") stipulate that an occupier in control of an industrial activity has to provide evidence for having identified the major accidental hazards and taking adequate steps to prevent major accidents and to limit their consequences to persons and the environment. The persons working on site have to be provided with information, training and equipments including antidotes necessary to ensure their safety.

The Public Liability Insurance Act, 1991 (the "**PLIA**") imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of hazardous substances covered by the legislation has been enumerated way of a notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The rules made under the PLIA mandate that the employer has to contribute towards the environment relief fund, a sum equal to the premium paid on the insurance policies. The amount is payable to the insurer. Where death or injury to any person (other than a workman) or damage to any property has resulted from an accident (being caused during the handing of any hazardous substance resulting in continuous or intermittent or repeated exposure to death of, or injury to, any person or damage to any property), the person who owns, or has control over handling, such hazardous substance at the time of the Accident shall be liable to give such relief as is specified in the Schedule to the Act for such death, injury or damage.)

Tax Laws

*The Customs Act, 1962 ("**Customs Act**")*

The Customs Act, 1962 has been enacted to consolidate and amend the laws related to customs. The Custom Act provides that all importers must file a bill of entry or a cargo declaration, containing the prescribed particulars for a customs clearance. Additionally, a series of other documents relating to the cargo are to be filed with the appropriate authority. After registration of the bill of entry, it is forwarded to the concerned appraising group in the custom house. This is followed by an assessment by the assessing officer in order to determine the duty liability which is on the basis of statement made in the entry relating thereto and the documents produced and information furnished by the importer or exporter. Further, all imported goods are examined for verification of correctness of description given in the bill of entry. Post- assessment, the importer may seek delivery of the goods from the custodians.

Central Excise

Excise duty imposes a liability on a manufacturer to pay excise duty on production or manufacture of goods in India. The Central Excise Act, 1944 is the principal legislation in this respect, which provides for the levy and collection of excise and also prescribes procedures for clearances from factory once the goods have been manufactured etc. Additionally, the Central Excise Tariff Act, 1985 prescribes the rates of excise duties for various goods.

Value Added Tax ("VAT")

Value Added Tax is a system of multi-point levy on each of the entities in the supply chain with the facility of set-off

input tax whereby tax is paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. VAT is based on the value addition of goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period. VAT is essentially a consumption tax applicable to all commercial activities involving the production and distribution of goods, and each State that has introduced VAT has its own VAT Act, under which, persons liable to pay VAT must register themselves and obtain a registration number.

Sales Tax Act ("STA")

The tax on sale of movable goods within India is governed by the provisions of the Central Sales Tax Act, 1956 or relevant state law depending upon the movement of goods pursuant to the relevant sale. If the goods move inter-state pursuant to a sale arrangement, then the taxability of such sale is determined by the Central Sales Tax Act, 1956. On the other hand, when the taxability of an arrangement of sale of movable goods which does not contemplate movement of goods outside the state where the sale is taking place is determined as per the local sales tax/VAT legislations in place within such state.

HISTORY AND CERTAIN CORPORATE MATTERS

Corporate Profile

Our Company was incorporated on April 2, 1993 as "Merven Drug Products Private Limited" under Certificate of Incorporation bearing number 01-15571 of 1993-94 issued by the Registrar of Companies, Andhra Pradesh, Hyderabad. Our Company was converted into a public limited company *vide* special resolution passed on April 24, 1993 and our name was subsequently changed to "Merven Drug Products Limited" pursuant to grant of Fresh Certificate of Incorporation consequent on conversion dated September 13, 1993 by the Registrar of Companies, Andhra Pradesh, Hyderabad. Subsequently, with changes in control of our Company, our Company's name was changed to "Vitara Merven Limited" and then to "Merven Drug Products Limited" pursuant to grant of Fresh Certificate of Incorporation consequent on change of name dated January 9, 1998 and September 10, 1999, respectively, by the Registrar of Companies, Andhra Pradesh, Hyderabad. In accordance with the Scheme of Rehabilitation, ACPL reverse-merged with our Company in the year 2003. Pursuant thereto the name of our Company was changed to "Arch Commerz Limited" *vide* Fresh Certificate of Incorporation consequent on change of name dated January 2, 2004 issued by the Registrar of Companies, Andhra Pradesh, Hyderabad. The name of our Company was then changed to the current name "Arch Pharmalabs Limited", to reflect the business activities of our Company, *vide* Fresh Certificate of Incorporation consequent on change of name dated March 11, 2004 issued by the Registrar of Companies, Andhra Pradesh, Hyderabad.

Our Company's Corporate Identification Number is U24231MH1993PLC150891.

Changes in Registered Office

Effective date of change in address of Registered Office	Address of Registered Office	Reason for Change
April 2, 1993	B/13, Madhura Nagar, S.R. Nagar (post office), Hyderabad 500 038, Andhra Pradesh, India	Registered office at the time of incorporation
December 1, 1994	B/11, Madhura Nagar, S.R. Nagar (post office), Hyderabad 500 038, Andhra Pradesh, India	Administrative convenience
September 8, 1997	Survey No. 323, Gundlamachnoor Village Hathnoora Mandal, Medak District 502 296, Andhra Pradesh, India	Administrative convenience
December 16, 2004	'H' Wing, 4th Floor, Tex Center, Off Saki Vihar Road, Chandivali, Andheri (East), Mumbai 400 072, Maharashtra, India	Pursuant to the Scheme of Rehabilitation and on receipt of Certificate of Registration of the order of the Company Law Board, Southern Region Bench, Chennai confirming the transfer of the Registered Office from the State of Andhra Pradesh to the State of Maharashtra.

Main Objects of our Company

The main objects of our Company, as contained in our Memorandum of Association, are:

- To carry on business of manufacture, import, export, loan license, purchase, sell, deal in India or outside India in all kinds of chemicals – inorganic or organic – all kinds of drugs including vitamins like Niacinamide, Thinamine and its derivatives, Anti TB Drugs like INH, PAS Hydrochloride, pyrazinamide, Anti Malarials, Anti fugals, Anti leprotics, Anti Asmatics, Anti 129pasmodic, Anti amoebics, Anti pyretics, Anti cancer, Anti Gout, Anti inflammatory, Anti diarroheeal, Anti convulsant drugs, Antacids, Anaesthetics, Diruetics, Tranquilisers and Haematics along with pharmaceutical formulations based on the aforesaid drugs either in the form of powder, tablets, injectibles, liquids or otherwise.

- To carry on business as chemical engineers, analytical chemists, importers, exporters, loan license, manufacturers of and dealers in India or outside India heavy chemicals, acid alkalis, petro-chemicals, chemical compounds, and chemicals of all kinds (solid, liquid and gaseous), drugs, medicines, pharmaceuticals, antibiotics.

- To carry on business as buyers, sellers, importers, exporters and acting as dealers, purchasing agents, selling agents in and manufacturers in India or elsewhere of surgical, scientific equipments, appliances, accessories of all types and descriptions.

- To manufacture, import, export, buy, sell and deal in all raw materials and either substance used in the manufacture or production for attaining the aforesaid objects

The main objects as contained in our Memorandum of Association enable us to carry on the business that is being presently carried out.

For details relating to our business, description of our activities, services, products, location of plants, capacity/ facility creation, marketing, competition, markets of each segment, *inter alia*, please refer to the chapters titled "***Our Business***" and "***Industry Overview***" beginning on pages 86 and 72, respectively.

Amendments to our Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

EGM/ AGM	Date of Shareholders' resolution	Nature of Amendment
EGM	April 24, 1993	Change in the name clause to delete "Private" from the name of our Company consequent to the change in the status of our Company to a public limited company
EGM	November 28, 1993	Change in Clause V recording the increase of Authorized Share Capital from ₹1.5 Million to ₹10 Million by addition of 850,000 Equity Shares.
EGM	June 6, 1994	Change in Clause V recording the increase of Authorized Share Capital from ₹10 Million to ₹100 Million by addition of 9,000,000 Equity Shares.
AGM	August 24, 1995	Change in Clause V recording the increase of Authorised Share Capital from ₹100 Million to ₹200 Million by addition of 10,000,000 Equity Shares.
AGM	December 22, 1997	Change in the name clause to record the change of the name of our Company from Merven Drug Products Limited to Vitara Merven Limited
AGM	July 17, 1999	Change in the name clause to record the change of the name of our Company from Vitara Merven Limited to Merven Drug Products Limited
AGM	October 28, 2003	Change in the name clause to record the change of the name of our Company from Merven Drug Products Limited to Arch Commerz Limited.
		Change in Clause V recording the re-classification of the Authorised Share Capital of ₹200 Million into 9,000,000 Equity Shares of ₹10 each, 2,000,000 Redeemable Preference Shares of ₹10 each and 9,000,000 Convertible Cumulative Preference Shares of ₹10 each
		Change in the address clause to record the change of the registered office of our Company from Andhra Pradesh to Maharashtra (having been confirmed *vide* an order of the Company Law Board, Southern Region Bench, Chennai dated December 16, 2004)
EGM	February 23, 2004	Change in the name clause to record the change of the name of our Company from Arch Commerz Limited to Arch Pharmalabs Limited
		Change in Clause V recording the increase of Authorised Share Capital from ₹200 Million to ₹230 Million by addition of 3,000,000 Equity Shares of ₹10 each. The Authorised Share Capital of ₹230 Million thus comprised of 12,000,000 Equity Shares of ₹10 each, 2,000,000 Redeemable Preference Shares of ₹10 each and 9,000,000 Convertible Cumulative Preference Shares of ₹10 each.
AGM	September 30, 2004	Change in Clause V recording the increase of Authorised Share Capital by creation of 4,000,000 Equity Shares of ₹10 each and 3,000,000 Preference Shares of ₹10 each. 2,000,000 Redeemable Preference Shares of ₹10 each and 9,000,000 Convertible Cumulative Preference Shares of ₹10 each were also reclassified into 11,000,000 Preference Shares of ₹10 each.

EGM/ AGM	Date of Shareholders' resolution	Nature of Amendment
		The Authorised Share Capital of ₹300 Million thus comprised of 16,000,000 Equity Shares of ₹10 each and 14,000,000 Preference Shares of ₹10 each.
AGM	December 9, 2005	Change in Clause V recording the re-classification of the Authorised Share Capital of ₹300 Million into 18,000,000 Equity Shares of ₹10 each and 12,000,000 Preference Shares of ₹10 each.
AGM	December 16, 2006	Change in Clause V recording the increase of Authorised Share Capital from ₹300 Million to ₹400 Million by creation of 2,000,000 Equity Shares of ₹10 each and 8,000,000 Preference Shares of ₹10 each. The Authorised Share Capital of ₹400 Million thus comprised of 20,000,000 Equity Shares of ₹10 each and 20,000,000 Preference Shares of ₹10 each.
EGM	November 17, 2007	Change in Clause V recording the re-classification of the Authorised Share Capital of ₹400 Million into 30,000,000 Equity Shares of ₹10 each and 10,000,000 preference shares of ₹10 each.
AGM	September 29, 2010	Change in Clause V recording the re-classification of the Authorised Share Capital of ₹400 Million into 40,000,000 Equity Shares of ₹10 each.

Key Events

Month, Year	Key Events
October 1994	Initial public offering of our Equity Shares[1]
January 1995	Equity Shares listed on BSE, HSE and MSE
November 1997	Open offer by Umesh Bhatia, Meera U Bhatia, Arun Merchant, Chetana A. Merchant and V. Ravindranath Nair
August 1999, November 2000 and November 2001	References made to the BIFR under SICA
December 2001	OTS with the lenders *viz.* IDBI, Bank of Baroda and State Bank of Hyderabad[2].
June 2002	Reference made to the BIFR under SICA along with the draft scheme of rehabilitation
September 2002	Declared as sick company under SICA and IDBI was appointed as the Operating Agency
August 2003	Scheme of Rehabilitation sanctioned by the BIFR
	Reverse-merger of ACPL (owning the Tarapur Unit 1) with our Company with effect from April 1, 2002
October 2003	Investment by Swiss Tech VCF in ACPL. Pursuant to the Reverse Merger our Company issued Cumulative Convertible Preference Shares in February 2004 which were converted into Equity Shares in March and August 2005
January 2004	Mezzanine funding by funds managed by ICICI Venture
October 2004	Ceased to be a sick company under BIFR and was relieved from purview of BIFR
December 2004	Acquisition of Gurgaon Unit
February 2005	Investment by funds managed by IIML Investors
	Acquisition of Badlapur Unit
December 2005	Shareholders' approval for delisting of Equity Shares from BSE, HSE and MSE
June 2006	Delisting offer by Arch Impex Private Limited, one of our Corporate Promoters
July and August, 2006	Equity Shares delisted from BSE, MSE and HSE
October 2006	Investment by India Advantage Fund V through issue of Equity Shares and convertible warrants, which were converted into Equity Shares in October 2007
November 2006	Setting up of Corporate R&D Centre
June 2007	Acquisition of majority shareholding in Arch Life Sciences and pursuant to which it became a Subsidiary of our Company
October 2007	Acquisition of majority shareholding in Arch Finechemicals and pursuant to which it became a Subsidiary of our Company
December 2007	Acquisition of 43.6 % shareholding in Avon and open offer made for acquisition of

Month, Year	Key Events
	additional 20% of the shareholding of Avon
March 2008	Acquisition of Taloja Unit
	Listing of the NCDs issued on a private placement basis to Axis Bank Limited in March 2007, on BSE
June 2008	Acquisition of Turbhe R&D Centre
August 2008	Acquisition of Medak Unit 2
December 2008	Acquisition of Tarapur Unit 2
January 2009	Acquisition of additional 20% shareholding in Avon through an open offer, thereby acquisition of majority shareholding in Avon, pursuant to which it became a Subsidiary of our Company
	Acquisition of Dombivli Unit
March 2009	Acquisition of Medak Unit 3
July 2010	Incorporation of Regal Pharma, a subsidiary of Avon
September 2010	Investment by Dataline
	Investment by Mitsui

[1] *Merven Project had a cost overrun of ₹47.9 Million and time overrun;* [2] *there were certain defaults in servicing of loans and the loans were rescheduled prior to OTS*

Brief History

Arch Pharmalabs Limited in its present form is pursuant to the Reverse Merger of ACPL into our Company with effect from April 1, 2002.

Our Company was incorporated on April 2, 1993 by T.V. Raghava Reddy, D. Raja Gopala Reddy and Vijaya Laxmi as "*Merven Drug Products Private Limited*" with the objects of inter alia, manufacture, import and export of bulk drugs. Our Company was converted into a public limited company on April 24, 1993 and the name was changed to "Merven Drug Products Limited".

(Our Company prior to the Reverse Merger is referred as MDPL for ease of reference in this paragraph)

The Merven Project

The Merven Project was conceptualised to produce bulk drugs including, Ampicillin, Cloxacillin, Amoxycillin, Roxythyromycin, Fluoxetine, Pentoxyphyline and Esmollol. Our first unit was set up at Gundlamachnoor Village, Medak District, Andhra Pradesh with the objective of producing bulk drugs. To implement this project T. Mallikarjuna Reddy, G. Suryanarayana Reddy and Dr. Ramakrishna R. Thondapu joined MDPL as additional directors.

The cost of the Merven Project as appraised was estimated at ₹147.5 Million by IDBI, one of the Original Lenders. The Merven Project was financed by way of rupee term loans aggregating to ₹65 Million from the Original Lenders, equity share capital of ₹81 Million (which included infusion of capital by the promoters to the extent of ₹39.4 Million and financed by way of public issue of Equity Shares to the extent of ₹41.6 Million) and state subsidy of ₹1.5 Million.

In October 1994, MDPL made an initial public offering of its Equity Shares to raise ₹41.6 Million to part finance the Merven Project. The Equity Shares of our Company got listed on the BSE and the MSE on January 4, 1995, and on the HSE on January 3, 1995.

Implementation of the Merven Project as planned was delayed on account of various reasons, such as a general slowdown in the pharmaceutical industry, changes in the Government policies for import of Penicillin-G and delay in tying up financing for the Merven Project. Midstream change in the scope of the Merven Project by increase in the installed capacity thereof and change of the product mix further delayed implementation as planned. All these factors resulted in time overrun and cost overrun of ₹47.9 Million in the implementation of the Merven Project. The Merven Project commenced commercial production in January 1997.

During Fiscal 1998, MDPL entered into a strategic alliance with Vitara Chemicals Limited ("*Vitara*"), promoted by Umesh Bhatia, Meera U. Bhatia, Arun Merchant, Chetana A. Merchant and V. Ravindranath Nair ("*Vitara Promoters*"), an IDBI assisted company, for supply of raw materials and marketing of Vitara's products. A share purchase agreement dated September 9, 1997 was entered into between Vitara Promoters and T. Mallikarjuna Reddy and family, the then promoters and promoter group of MDPL, whereby the Vitara Promoters acquired 16.45 % of the total paid up equity share capital of MDPL. This together with their existing holding of 5.72% in MDPL resulted in

their holding becoming more than 20% of the equity share capital of MDPL. On October 10, 1997, Vitara Promoters made an open offer in accordance with the SEBI Takeover Regulations to purchase a further 20% of the equity share capital in MDPL. Consequently, the Vitara Promoters acquired management control of MDPL.

References to BIFR

Due to the continued losses suffered by MDPL during Fiscal 1998 and Fiscal 1999, the board of directors of MDPL in their meeting held on July 17, 1999 formed an opinion that MDPL had become a sick industrial company and made the first reference to the BIFR in August 1999. During the course of the first BIFR proceedings certain discrepancies and irregularities were observed in the accounts maintained by MDPL because of which the first reference was turned down. MDPL continued as a loss making business and the board of directors of MDPL based on their opinion formed in the meeting held on November 15, 2000 made a second reference to BIFR in November 2000. During the course of the proceedings, BIFR observed that MDPL had repaid unsecured loans to its then promoters at the cost of secured creditors and had provided prolonged credit to a sister concern which led to MDPL becoming a loss making company. For this reason, the second reference was also turned down. Thereafter, MDPL made its third reference to BIFR in November 2001 which was turned down by the BIFR due to a delay in making the application by MDPL, as prescribed by SICA.

Change of Control to Current Management

ACPL

Arch Commerz Private Limited ("*ACPL*"), promoted by Ajit Kamath, Manoj Jain and Rajendra Kaimal (our Promoter Directors), was incorporated on November 15, 1996 and was engaged inter alia in production and marketing of bulk drug intermediates. ACPL was a profit making company holding 'Export House' status for its drugs and drugs intermediate products. ACPL had business transactions with MDPL since 1999. The promoters of ACPL had acquired shareholding in MDPL aggregating to 14.8% by April 20, 2000. On October 1, 2001, ACPL entered into an agreement with MDPL for contract manufacturing of bulk drugs and intermediaries exclusively by MDPL.

MDPL's OTS with the Original Lenders and the fourth and final reference to BIFR

In December 2001, MDPL entered into a one-time settlement with the Original Lenders, wherein MDPL was required to pay a crystallized amount of ₹88.17 Million to IDBI, ₹40 Million to Bank of Baroda and ₹21.93 Million to State Bank of Hyderabad in settlement of the outstanding dues to these Original Lenders.

Scheme of Rehabilitation

MDPL made its fourth reference to BIFR on June 14, 2002 with a draft scheme of rehabilitation which envisaged a revival of MDPL essentially by a reverse merger of ACPL with MDPL. BIFR accepted the fourth reference along with the proposed Reverse Merger of ACPL into MDPL in its hearing held on September 23, 2002. BIFR, after considering the draft scheme of rehabilitation and upon receiving consensus from IDBI as Operating Agency, Central Board of Direct Taxes, the Original Lenders and MDPL on the draft scheme sanctioned the Scheme of Rehabilitation *vide* order dated August 18, 2003. The Scheme of Rehabilitation was made effective with retrospective effect from April 1, 2002 (the *"Appointed Date*").

Set forth below are constituents of the Scheme of Rehabilitation as approved by BIFR:

(i) prior to the proposed reverse merger the share capital of MDPL to reduce from ₹81 Million to ₹4.05 Million i.e. by writing off 95% of the share capital against the accumulated losses of MDPL.

(ii) Reverse Merger of ACPL with MDPL w.e.f. April 1, 2002 and consequent upon the said Reverse Merger, the shareholders of ACPL to be allotted 3 Equity Shares of post reverse merger entity for every 5 equity shares held by them in ACPL. ACPL to be dissolved without winding up and merged with MDPL giving way to a single merged entity.

(iii) the name of the merged entity to be changed to Arch Commerz Limited.

(iv) the dues of the Original Lenders to be paid as per the approved OTS.

(v) the Registered Office to be shifted to Mumbai from Medak District in Andhra Pradesh.

(vi) unsecured loan of ₹22.5 Million brought in by the promoters of ACPL to be converted into Equity Shares upon Reverse Merger.

(vii) fresh equity of ₹12.5 Million to be brought in through preferential allotment by promoters of ACPL.

(viii) the merged entity to be able to absorb the carry forward losses of MDPL for availing tax benefits.

(ix) appointment of a special director on the Board to oversee the implementation of the Scheme of Rehabilitation.

(x) the merged company would comply with listing/ SEBI guidelines and approach the stock exchanges and arrange for listing of the shares of the merged entity.

(xi) IDBI to be designated as the Monitoring Agency ("M.A.")

Pursuant to Scheme of Rehabilitation, ACPL was dissolved without winding up and got reverse merged with MDPL with retrospective effect from April 1, 2002, resulting in a single merged entity retaining the status of a listed public limited company. By virtue of the above, the management and control of MDPL was taken over by our Promoter Directors during the year 2003. Post Reverse Merger the name of MDPL was changed to Arch Commerz Limited, *vide* Fresh Certificate of Incorporation issued by the Registrar of Companies, Andhra Pradesh dated January 2, 2004. Subsequently the registered address of our Company was also changed from Survey No. 323, Gundlamachnoor Village, Hathnoora Mandal, Medak District 502 296, Andhra Pradesh to 'H' Wing, 4th Floor, Tex Center, Off Saki Vihar Road, Chandivali, Andheri (East) Mumbai 400 072, Maharashtra w.e.f. December 16, 2004.

Post Reverse Merger, our Company's net-worth turned positive and it made an application dated June 1, 2004 to the BIFR for being discharged from the purview of BIFR on the grounds that our net-worth had exceeded the accumulated losses resulting in positive net-worth as on March 31, 2004 and that we had settled the outstanding dues of the Original Lenders, as per OTS. IDBI, in its capacity of the M.A., submitted its report on June 25, 2004 confirming that all the outstanding dues to the Original Lenders were cleared as per the OTS and recommended de-registration of our Company from the purview of Section 3(1)(o) of the SICA. A certificate issued by a chartered accountant dated May 21, 2004 was also submitted, stating that our Company has paid all its dues with interest in full and final settlement as agreed as per the OTS. The BIFR on review of the chartered accountant's certificate and the balance sheet of our Company as on March 31, 2004 declared that our Company has ceased to be a sick company and the proceedings before the BIFR in the matter were closed in October 2004.

MDPL had the domain expertise and infrastructure and ACPL had a strong marketing capability. The rationale behind ACPL's acquiring 14.8% shareholding and eventually the control in MDPL was to create a single entity with manufacturing and marketing operations.

Investment by Swiss Tech VCF

In October 2003, Swisstech VCF invested in ACPL through subscription to Cumulative Convertible Preference Shares aggregating to ₹90 Million. By virtue of the aforesaid subscription agreement and post reverse merger of ACPL into MDPL, Swisstech VCF was issued Cumulative Convertible Preference Shares of our Company of equivalent value in February 2004. On conversion of these Cumulative Convertible Preference Shares our Company issued 1,600,000 and 445,455 fresh Equity Shares to Swisstech VCF in March 2005 and August 2005, respectively. For further details refer to the chapter titled "***Capital Structure***" beginning on page 28.

Investments by funds managed by ICICI Venture

In January 2004, India Advantage Fund II represented by its investment manager ICICI Venture, invested in our Company by subscription to 567,324 convertible warrants of ₹10 each of our Company and by purchase of 646,749 Equity Shares from some of our Individual Promoters namely Bindu Jain and Vidya Kamath. The convertible warrants issued to India Advantage Fund II were converted into 567,324 Equity Shares in November 2004. Further, in the years 2006 and 2007, India Advantage Fund V represented by its investment manager ICICI Venture, made an investment in our Company by subscribing to 2,400,000 Equity Shares and 804,272 convertible warrants in October 2006. The warrants were converted into 804,272 Equity Shares in October 2007. For further details refer to the chapter titled "***Capital Structure***" beginning on page 28.

Investments by funds managed by IIML Investors

IIML Investors acting in its capacity as the investment manager to Leverage India Fund had entered into a convertible debenture purchase agreement dated February 11, 2005, with Arch Pharmachem Limited, one of our Corporate Promoters, and Ajit Kamath, Manoj Jain, Vidya Kamath and Bindu Jain wherein Arch Pharmachem Limited had issued 15,840,000 Optionally Unsecured Fully Convertible Debentures to Leverage India Fund. Our Company pursuant to the agreement dated February 24, 2005 entered into with Arch Pharmachem Limited and our Promoter Directors, acquired the assets and liabilities of Arch Pharmachem Limited, which included 15,840,000 optionally fully convertible debentures of ₹10 each allotted by Arch Pharmachem Limited to Leverage India Fund. Our Company, pursuant in the Shareholders' resolution dated March 22, 2005 issued 15,840,000 optionally unsecured fully convertible debentures against the debentures held by Leverage India Fund in Arch Pharmachem Limited which could be convertible into upto 1,760,000 Equity Shares at a premium of ₹80 per Equity Share. Pursuant to Board Resolution dated March 31, 2005, 1,690,000 Equity Shares were issued at a premium of ₹80 per equity share in part conversion of the Convertible Debentures. The remainder of the Convertible Debentures were converted into 70,000 Equity Shares which were issued at a premium of ₹80 per equity share, pursuant to the Board Resolution dated August 4, 2005.

Pursuant to the Shareholders' resolution dated March 29, 2005, SARA Fund was issued 240,000 Equity Shares and IEWT was issued 40,000 Equity Shares in our Company at a rate of ₹90 per Equity Share. For further details refer to the chapter titled "***Capital Structure***" beginning on page 28.

Delisting from BSE, HSE and MSE

Pursuant to the Scheme of Rehabilitation our Company made applications to BSE, HSE and MSE for the listing of outstanding Equity Shares pursuant to the Scheme of Rehabilitation. BSE *vide* its letter dated April 23, 2004, communicated to our Company that the listing would be permitted only after our Company raises the non-promoter shareholding to above 25% and presented our Company with the following options: (i) Dilution of equity by the Promoters of our Company; (ii) Fresh issue of Equity Shares by way of public issue and a further option of voluntary delisting of our securities. Our Board in its meeting dated October 28, 2005 decided to voluntarily delist the Equity Shares of our Company from the BSE, HSE and MSE as per the SEBI (Delisting of Securities Guidelines), 2003. The proposal to de-list the Equity Shares of our Company was approved by the Shareholders in the AGM held on December 9, 2005.

The delisting offer was given by our Corporate Promoter, Arch Impex Private Limited in June 2006, to acquire 306,242 Equity Shares of our Company held by persons other than the Promoters including persons who were desirous of getting the Equity Shares delisted and persons acting in concert, constituting 2.24% of the paid-up Equity Share Capital of our Company as on the date of the Public Announcement i.e. May 24, 2006. The discovered price as per the reverse book building mechanism through BSE, under the SEBI (Disclosure and Investor Protection) Guidelines, 2000 was ₹150 per share against the floor price of ₹75.15 per share. Pursuant to this delisting offer Arch Impex Private Limited acquired 75,035 Equity Shares and after the closure of the reverse book building process, our Company applied to the BSE, HSE and MSE for delisting of our Equity Shares. The Equity Shares were de-listed from the BSE, MSE and HSE with effect from July 11, 2006, July 20, 2006 and August 14, 2006 respectively, pursuant to which our Company became an unlisted public limited company.

Acquisitions and Expansion

Over the years our Company has, through the following inorganic initiatives, enhanced its manufacturing capabilities:

Business Transfer Agreement Date	Manufacturing facility/ R&D Centres	Location	Selling Party	Business Transfer Agreement Value (₹ in Million)
December 16, 2004	Gurgaon Unit	Gurgaon	Apollo International Limited	396.55
February 24, 2005	Badlapur Unit	Mumbai	Arch Pharmachem Limited	50.56
March 3, 2008	Taloja Unit	Mumbai	Chromato Labs Private Limited	125.00
June 23, 2008	Turbhe R&D Centre	Mumbai	Evonik Degussa India Private Limited	13.50
August 5, 2008	Medak Unit 2	Hyderabad	Arch Finechemicals Limited	100.16
December 20, 2008	Tarapur Unit 2	Mumbai	Benzochem Lifesciences Private Limited	320.00
January 1, 2009	Dombivli Unit	Mumbai	Watson Pharma Private Limited	258.28
March 11, 2009	Medak Unit 3	Hyderabad	Arch Life Sciences Limited	52.95

Apart from the above we acquired 43.60% shareholding in Avon pursuant to preferential allotment on December 18, 2007 for total consideration of ₹196.18 Million. Pursuant to the Open Offer, Avon became our subsidiary, as our Company acquired a further 20% shareholding in Avon for a total consideration of ₹98.33 Million. Avon manufactures Intermediates and API in the Avon Medak Unit and Avon Solapur Unit, respectively. Our Company currently holds 14,309,100 equity shares i.e. 63.60% shareholding in Avon.

For further details, please refer to the chapter titled "***Our Business***" beginning on page 86.

Awards and Certifications

Year	Certifications
2005	▪ Free sale certificate from State Drug Controller, Haryana (Licensing Authority, Directorate General Health Services) to our Gurgaon unit
2009	▪ Good Manufacturing Practices certificate awarded to our Intermediate site – Badlapur Unit by Joint Commissioner (K.D.), Food & Drug Administration, Maharashtra State, Thane ▪ ISO 9001: 2000 Certification awarded to our Gurgaon Unit ▪ WHO – Good Manufacturing Practices Certificate awarded to our Medak Unit 3 ▪ WHO – Good Manufacturing Practices Certificate awarded to our Gurgaon Unit ▪ Good Manufacturing Practices certificate from Joint Commissioner (K.D.), Food & Drug Administration, Maharashtra State, Thane to our Dombivli Unit ▪ Free sale certificate from Joint Commissioner (K.D.), Food and Drug Administration, Maharashtra State, Thane to our Dombivli Unit ▪ Accreditation Certificate of foreign drug manufacturer awarded to our Dombivli Unit by the Ministry of Health, Labour and Welfare, Japan. ▪ Certificate of suitability awarded to our Dombivli Unit by the Certification of Substances Division, European Directorate for the Quality of Medicines and Health Care, Council of Europe. ▪ Certificate awarded to our Gurgaon unit by United States Pharmacopeia Verification Programs. ▪ Good Manufacturing Practices certificate from Joint Commissioner (K.D.), Food & Drug Administration, Maharashtra State, Thane to our Tarapur Unit 2 ▪ ISO 9001: 2008 Certification awarded to our Medak Unit 2
2010	▪ ISO 9001: 2008 Certification awarded to our site at Tarapur Unit 1* ▪ ISO 14001:2004 Certification awarded to our Medak Unit 1 ▪ OHSAS 18001: 2007 Certification awarded to our Medak Unit 1 ▪ AFSSAPS grants accredition to our Dombivili Unit ▪ Good Manufacturing Practices certificate for manufacturing facility awarded to our Dombivli Unit by the Office of Manufacturing Quality, Department of Health and Ageing, Therapeutic Goods Administration, Australian Government. ("TGA-GMP") ▪ ISO 9001:2008 Certification awarded to our Dombivli Unit. ▪ BS OHSAS 18001:2007 certification awarded to our Gurgaon unit. ▪ ISO 14001:2004 certification awarded to our Gurgaon unit. ▪ Certificate of recognition of in-house Research and Development unit awarded to our Corporate R&D Centre by the Ministry of Science and Technology, Department of Scientific and Industrial Research, Government of India.
2011	▪ ISO 9001: 2008 Certification awarded to our Medak Unit 1

** The Certificate expired on November 09, 2010. However, inspection has been carried out by the Issuing Authority at the unit thereafter and the unit has been issued an interim certificate dated November 27, 2010 extending validity until a new certificate is issued.*

Further, our Company has been awarded the "ICICI – CNBC Emerging India Award 2006" in the segment of "Pharma & Chemicals" by ICICI Bank, CRISIL and CNBC TV18.

Raising of Capital in the Form of Equity or Debt

Prior Public Offering

Our Company had made a public offering of its Equity Shares in October 1994 to raise ₹41.6 Million by issue of 416,000 Equity Shares. This public offering was open for subscription from October 17, 1994 to October 27, 1994. The

Equity Shares got listed on BSE, HSE and MSE *vide* their approval letters dated January 4, 1995, January 3, 1995 and January 4, 1995 respectively.

Issue of NCDs

Our Company has, pursuant to the sanction letter dated February 28, 2007, issued 400 Secured Non-Convertible Redeemable Debentures of ₹1,000,000 each ("*NCDs*") on a private placement basis on March 20, 2007 to Axis Bank Limited ("*Debt Security Holder*") and the same have been listed on BSE w.e.f. March 5, 2008. IDBI Trusteeship Services Limited has been appointed as the Debenture Trustee *vide* agreement dated July 3, 2007. The listed NCDs have credit rating of CARE A and have the following features:

Sr. No.	Issued and Paid-up value (in ₹)	Date of Allotment	Date of Redemption	Rate of Interest (%)	Date of payment of Interest
1.	1,000,000[1]	March 20, 2007	March 7, 2009	11.50% to be reset at the end of every year	Monthly – Commencing from March 31, 2007 and on Redemption
2.	1, 000,000[2]	March 20, 2007	March 7, 2010	11.50% to be reset at the end of every year	Monthly – Commencing from March 31, 2007 and on Redemption
3.	1,000,000[3]	March 20, 2007	March 7, 2011	11.50% to be reset at the end of every year	Monthly – Commencing from March 31, 2007 and on Redemption
4.	1,000,000	March 20, 2007	March 7, 2012	11.50% to be reset at the end of every year	Monthly – Commencing from March 31, 2007 and on Redemption

[1] *redeemed on March 7, 2009 and NSDL vide its letter dated March 12, 2009 has confirmed that the same has been debited to the account(s) in the NSDL systems on March 10, 2009*
[2] *redeemed on March 7, 2010 and NSDL vide its letter dated March 19, 2010 has confirmed that the same has been debited to the account(s) in the NSDL systems on March 19, 2010*
[3] *redeemed on March 7, 2011 and NSDL vide its letter dated March 9, 2011 has confirmed that the same has been debited to the account(s) in the NSDL systems on March 9, 2011*

For further details relating to raising of capital in the form of equity or debt, which are existing as on date, please refer to the chapters titled "***Capital Structure***" and "***Financial Indebtedness***" beginning on pages 28 and 294 respectively.

Revaluation of fixed assets

Our Company has revalued its fixed assets existing as on March 31, 2002. As per the valuation report dated June 5, 2002, the total fixed assets were revalued whereby the revaluation reserve was determined to be ₹42.28 Million. The capital reserve created on the revaluation of fixed assets has been set-off against accumulated losses in the same year i.e. Fiscal 2002.

Other than as specified above and in the chapter titled "***Capital Structure***", there has been no revaluation of assets in the history of our Company.

Changes in the activities of our Company during the preceding five years

Other than certain backward integration and diversification into the CRAMS business carried out by our Company, and as discussed in this chapter and the chapter titled "***Our Business***", there has been no change in the activities being carried out by our Company during the preceding five years from the date of this Draft Red Herring Prospectus which may have a material effect on the profits/ loss of our Company, including discontinuance of lines of business, loss of agencies or markets and similar factors.

Members

As on the date of this Draft Red Herring Prospectus, the total number of members of our Company is 18,761.

Injunctions or Restraining Orders

Our Company is not operating under any injunction or restraining order.

Shareholders' Agreement

1. **Common Shareholders' Agreement dated September 26, 2006 read with the amendment agreements dated January 6, 2010 ("1st Amendment Agreement"), September 3, 2010 ("2nd Amendment Agreement"), November 3, 2010 ("3rd Amendment Agreement") and March 11, 2011 ("4th Amendment Agreement") entered into between our Company, our Promoter Directors and ICICI Venture, IIML Investors and Swisstech VCF ("Investors")**

   The parties have entered into this Common Shareholders Agreement to supersede the Shareholders and Share Subscription Agreement dated February 25, 2005 entered into with IIML Investors, the Shareholders and Share Subscriptions Agreement dated October 21, 2003 entered into with Swisstech VCF and the Investors Rights agreement dated January 8, 2004 and September 1, 2006 entered into with India Advantage Funds II and V forming part of ICICI Venture ("**SSAs and SPAs**") entered into between our Company and the Investors in their individual capacities pursuant to which the Investors had subscribed to Equity Shares in our Company ("**Investor Shares**"). For further details please refer to the chapter titled "***Capital Structure***" beginning on page 28. The Investors have, at the request of our Promoter Directors and our Company and for the sake of convenience and consistency, agreed to replace the SSAs and SPAs, in-order to define the mutual rights and obligations as shareholders of our Company inter se as well as with our Company and in order to record the representations, warranties, covenants, conditions precedent and the obligations of our Promoter Directors and our Company.

   The parties have agreed that ICICI Venture has the right to appoint two nominee Directors and IIML Investors and Swisstech VCF shall have the right to appoint one nominee director each on the Board. Our Company is restricted from constituting committees or sub-committees of the Board of Directors without prior permission of the Investors and the Investors shall have a right to appoint nominee directors to all the committees of the Board of Directors. The Investors also enjoy certain special rights like the anti-dilution and pre-emptive rights, tag along rights and a Put-option right over our Promoter Directors. The Promoter Directors have also granted a right of first refusal to the Investors, with respect to the transfer of any or all of our Promoter Director's Shares or any legal or beneficial interest therein held by our Promoter Directors in our Company.

   Our Company has agreed, under the Common Shareholders Agreement to take reasonable steps to effect an IPO of the Equity Shares on or before March 31, 2009 and the Investors shall have a right to offer upto 100% of the Equity Shares held by them in an "Offer for Sale" of the Investor Shares through an IPO. In the event the IPO is not completed within the stipulated time, the Investors have a right to cause a listing of Equity Shares of our Company and offer the Equity Shares held by them on a pro-rata basis and our Promoters shall also be required to offload 5% of the paid-up capital of our Company. Notwithstanding the aforesaid, in the event that the Listing as aforesaid does not take place, our Promoter Directors shall use their best endeavors to find a new investor to purchase the Investor Shares on or before October 31, 2009 at an agreed price. If the Investors do not exercise their option, the obligation of our Promoters and our Company to each of Investors with respect to the other exit options, including the put option and drag along rights shall cease. By the1st Amendment, the parties decided to extend this period upto October 31, 2010 and *vide* the 3rd Amendment this period was further extended to October 31, 2011.

   By the 2nd Amendment dated September 3, 2010, the parties have amended the Common Shareholders Agreement to include that in the event, our Company proposes to issue/offer its securities to the public through an Initial Public Offering, all the rights given to the Investors under this agreement (other than those rights which are in accordance with the Listing Agreement of the Stock Exchanges) shall automatically stand terminated with effect from the date of listing by Amendment of the Articles of Association of our Company, without any Shareholders being required to take any further action or furnish any notice, and without prejudice to any existing or accrued rights or liabilities of either party under this agreement. However, the Investors shall be entitled to appoint one nominee director on the Board as long as that Investor holds at least 5% of the post issue shareholding in our Company. Further, in the event of any regulatory requirement, the Investors have agreed to waive off all such rights under this Agreement as required by the regulatory authorities.

   Further the parties have agreed that, in the event, our Company initiates the process of a public offering by filing the draft offering document with SEBI and the Stock Exchanges, our Company has undertaken to abstain from such acts which may directly or indirectly affect the aforesaid public offering while the Investors shall abstain from exercising such rights under this Agreement, which may affect directly or indirectly the aforesaid public offering in any manner for a period upto June 30, 2011 or in case our Company, in consultation with the advisors to the public offering withdraws the public offer, whichever is earlier. *Vide* the 4th Amendment the parties have agreed to extend this date to September 30, 2011.

This agreement is effective from the date of the Agreement and shall remain in-force and effect as each of the Investors as long as the Investor holds onto atleast 5% of the Paid-Up Equity Share Capital of our Company. This Agreement shall be terminated by the mutual consent of the parties or on winding-up or dissolution of our Company.

2. Share Subscription Agreement dated September 22, 2010 entered into between our Company, our Promoter Directors and Mitsui & Co. Limited ("*Mitsui*")

The parties have, pursuant to Memorandum of Understanding dated August 16, 2010, entered into a Share Subscription Agreement on September 22, 2010 ("*SSA*") pursuant to which Mitsui agreed to subscribe to 1,300,000 Equity Shares which were allotted to Mitsui pursuant to a shareholder's resolution in the Annual General Meeting on September 29, 2010 and a at a premium of ₹480 per Equity Share.

Our Company is required within 6 Months of the Agreement date, to:

(i) Obtained all of the pending environmental licenses;

(ii) Make requisite filings with the RBI to register acquisition of shares in Sibra Pharmaceuticals Limited (subsequently name changed to Arch Life Sciences Limited) and any other necessary regulatory approvals (or registrations, declarations, recordings with or filings) from any governmental authorities for consummation of the transactions contemplated under this Agreement;

(iii) Ensure applications for regularization of our Company's interest in each of the parcels of land held by our Company, whether as lease-hold or free-hold;

(iv) Obtain a No Objection Certificate from certain customers as required under the exclusivity agreement entered into by our Company for supplying certain products to other commercial buyers; and

(v) Constitute an audit committee comprising not less than 3 directors, not less than two-thirds of which shall be independent directors, in accordance with the provisions of the Act.

The SSA provides that our Company shall not and that our Promoters shall procure that our Company shall not, directly or indirectly, effect any offer, issue, sale, split, grant and option to purchase, or otherwise dispose of (or announce any offer, issue, sale, split, grant and option to purchase, or other disposition of) any Equity Shares to any person, unless the Equity Shares pursuant to such share transaction shall be first offered to Mitsui in proportion to the shareholding percentage of Mitsui on the date of the share transaction. Mitsui *vide* a side letter dated February 28, 2011 has waived its rights under Clause 7.2 of the SSA including the right to be offered further Equity Shares in proportion to their shareholding percentage in our Company as on the date of allotment made to successful Bidders, pursuant to this Issue.

3. Put Option Agreement dated September 22, 2010 entered into between our Promoter Directors and Mitsui & Co. Limited ("*Mitsui*")

The parties have, pursuant to the SSA, have entered into the Put Option Agreement September 22, 2010 ("*POA*") pursuant to which upon happening of any of the events prior to the IPO of Equity Shares of our Company and listing on BSE and NSE (such IPO to be concluded on or prior to September 11, 2011), namely (i) any material breach of the POA, Collaboration Agreement entered into between Mitsui and our Company, the SSA and waiver letter by the financial investors, for waiving their rights of pre-emption and anti-dilution accruing under the Common Shareholders' Agreement (ii) breach of any financial covenants contained in our Company's agreements with third parties or their default, (iii) failure to obtain any pending environmental licenses within 6 months of execution of this Agreement as laid down in the SSA, (iv) dilution of Mitsui's shareholding in our Company due to further sale of Equity Shares by our Company; and (v) any proposal by Promoter Directors to transfer Equity Shares to a third party ("*Option Exercise Event*"), Mitsui shall be entitled to require our Promoter Directors to jointly or severally buy or cause all the Equity Shares held by Mitsui on the date of such Option Exercise Event be bought by a third party (Promoter Directors having submitted deed of adherence in manner provided by the POA and the third party agreeing to be bound by the terms of the POA and our Promoter Directors continuing to be liable in-case of default by the said third party) at a price equal to ₹490 per share or such maximum price as allowed under the application price.

In case of default by our Promoter Directors to fulfill the terms of the POA, our Promoter Directors and our Company are jointly and severally bound to indemnify Mitsui all the amount of loss incurred, liabilities, fees, claims, costs, expenses, taxes and costs.

4. Share Subscription and Shareholders' Agreement dated January 17, 2011 entered into between Dataline Investments Limited ("*Dataline*"), our Company and Promoters.

Our Company, Dataline and our Promoters entered into a Memorandum of Understanding ("MoU") dated August 17, 2010 for the purpose of subscription by Dataline of 1,000,000 Equity Shares of our Company as was envisaged in a non-binding term sheet entered into between the parties to this Share Subscription and Shareholders' Agreement. This MoU was valid for a period of 6 months from the date of its execution and it envisaged that the MoU reflected broad understanding of the parties and that the parties thereafter entered into this agreement on January 17, 2011, to reduce into writing the agreed terms and conditions envisaged in the Term Sheet and MoU.

Under this agreement, our Company is to keep Dataline informed of our Company's decision to:

(i) Issue further shares;
(ii) Change face value of Equity Shares;
(iii) Reorganization, amalgamation, merger, sale of assets etc.;
(iv) Any action that may constitute a breach under this agreement; and
(v) Material adverse change etc.

Strategic Partners and/ or Financial Partners

Our Company does not have any strategic or financial partner(s).

Our Subsidiaries

Our Company has one listed and four unlisted Subsidiaries (including one step-down subsidiary), as on the date of this Draft Red Herring Prospectus.

1. Avon Organics Limited ("**Avon**")

Avon (CIN: L24110AP1993PLC016112) was incorporated on March 8, 1993 in the state of Andhra Pradesh under the Companies Act and received the Certificate of Commencement of Business on July 5, 1994.

The registered office of Avon is presently located at survey No 18, Yawapur Village, Sadasivpet Mandal, Medak Andhra Pradesh – 502 291.

Avon has been listed on BSE, CSE and HSE (*recognition to HSE as a Stock Exchange was withdrawn by SEBI with effect from August 29, 2007)* since 1996.

The board of directors of Avon in their meeting dated November 3, 2007 approved issue of 9,809,100 equity shares of Avon i.e. 43.6% of their issued equity share capital to our Company, by way of a preferential allotment *vide* the shareholders approval on December 3, 2007 at a price of ₹20 per equity share of Avon. As our Company was acquiring more than 15% of Avon, it made a public announcement of its intention to acquire 4,500,000 equity shares i.e. 20 % of the issued equity share capital of Avon on November 7, 2007 under Regulations 10 and 12 of the SEBI Takeover Regulations at ₹20 per equity share of Avon. Thereafter a corrigendum to the open offer was issued by our Company on November 20, 2008, where-in the offer price was revised to ₹21.85 per equity share of Avon. The revised open offer was open from December 3, 2008 to December 22, 2008. Pursuant to the revised open offer, our Company acquired additional 20% of Avon's share capital, as a result of which our Company's shareholding in Avon increased to 63.6% of their issued equity share capital.

Avon became our subsidiary with effect from January 31, 2009.

Principal Business

Avon is engaged in the business of manufacture of Biotech Products and Diketene derivatives for the pharmaceutical, agrochemical and pigment industries. Its product range in Diketene derivatives includes Mono Methyl Aceto Acetamide, Methyl Aceto Acetic Ester, Diethyl Aceto Acetamide and other Diketene derivatives while the Bio-tech division includes Ephedrine and Pseudoephedrine.

Avon is authorised by its memorandum of association to undertake, interalia the business of manufacture, import, export, loan license, purchase, sell, or act a consultants, deal in India or outside India in all kinds of chemicals organic and inorganic in all forms and chemical products of any nature and kind whatsoever, and all by-products and joint-products thereof including Alcohols, Aceto, Acetic Aceto Esters, acetamide, Methyluracil, Benzly acetone, Anhydrides, Diketenes, Acetic Anhydride, Acetyl Acetones Hydroxy pyrimidines, Aceto acetanilides, Crotonaldehyde, Buteric Anhydride, Acrlylicacid and Arcylates, covmerins Aceto Acetylchlorides, Dehydroacetic, acid, Caprolactum, synthetic citric acid Acetic acid, Monomethyl Aceto acetamide, Methyl Ethyl Aceto Acetate, Diketane and all its derivatives wither in form of powder, liquids, injectibles or otherwise.

Avon Solapur Unit and Avon Medak Unit are the manufacturing facilities owned by Avon.

Board of Directors

As on the date of this Draft Red Herring Prospectus the board of directors of Avon comprises of Ajit Kamath, Non-executive Chairman & Managing Director, Manoj Jain, V S Soma, Sudhir Ghate, Ashit Shah and Upkar Singh Kohli.

Shareholding Pattern

The shareholding pattern of Avon as on December 31, 2010 is as follows:

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total Shareholding as a % of total No. of Shares	
			As a % of (A+B)	As a % of (A+B+C)
(A) Shareholding of Promoter and Promoter Group				
(1) Indian				
Bodies Corporate	1	14,309,100	63.60	63.60
(2) Foreign	0.00	0.00	0.00	0.00
Total shareholding of Promoter and Promoter Group (A)	**1**	**14,309,100**	**63.60**	**63.60**
(B) Public Shareholding				
(1) Institutions				

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total Shareholding as a % of total No. of Shares	
Financial Institutions / Banks	2	157,600	0.70	0.70
(2) Non-Institutions				
Bodies Corporate	225	950,946	4.23	4.23
Individual shareholders holding nominal share capital up to ₹1 lakh	5,492	3,412,599	15.17	15.17
Individual shareholders holding nominal share capital in excess of ₹1 lakh	62	3,294,388	14.64	14.64
Any Others (Specify)	**47**	**375,367**	**1.67**	**1.67**
Non Resident Indians	41	330,577	1.47	1.47
Clearing Members	6	44,790	0.20	0.20
Sub Total	**5,826**	**8,033,300**	**35.70**	**35.70**
Total Public shareholding (B)	**5,828**	**8,190,900**	**36.40**	**36.40**
(C) Shares held by Custodians and against which Depository Receipts have been issued	0.00	0.00	0.00	0.00
Total (A)+(B)+(C)	**5,829**	**22,500,000**	**100**	**100**

Financial Performance

The summary of audited financial statements of Avon for the last three Fiscals and for the six month period ending September 30, 2010 are as follows:

(₹ in Millions, except share data)

Particulars	For the six month period ending September 30, 2010	Fiscal 2010	Fiscal 2009	Fiscal 2008*
Equity Share Capital (par value ₹10 per equity share)	225	225	225	225
Reserves and Surplus# (excluding revaluation reserve if any)	362.77	316.82	254.12	198.29
Total Income	703.52	1,522.07	1216.12	805.41
Profit/(Loss) after Tax	45.95	89.02	55.83	(85.04)
Earnings Per Share (EPS) (in ₹)	2.04	3.96	2.48	(3.78)
Networth	587.77	541.82	479.12	423.29
Net Asset Value (NAV) per share (in ₹)	26.12	24.08	21.29	18.81

** Avon was an associate of our Company upto January 30, 2009; # Includes Profit and Loss Account (debit balance)*

Promise Vs. Performance

Avon has been listed on the BSE, the CSE and the HSE (*recognition to HSE was withdrawn by SEBI with effect from August 29, 2007)* since 1996 and has not made any public or right issues in last five years.

Details of listing and highest and lowest market price during the preceding six months

Equity shares of Avon are currently traded on BSE. The monthly high and low of closing prices of the equity shares of Avon at BSE are as follows:

Month	BSE	
	High (₹)	Low (₹)
September 2010	39.70	36.50
October 2010	42	35.55
November 2010	40.60	31
December 2010	34.40	29.50
January 2011	36.30	26.10
February 2011	28.25	22

(Source: www.bseindia.com)

The closing share price of Avon on BSE on March 22, 2011 i.e. one day prior to the date of approval of this Draft Red Herring Prospectus with SEBI was ₹26.50.

The market capitalization of Avon on BSE on March 22, 2011 i.e. one day prior to the date of approval of this Draft Red Herring Prospectus with SEBI was ₹590 Million.

Redressal of Investor Grievances

The share transfer agent of Avon is XL Softech Systems Limited, Hyderabad. Investor grievances are normally addressed by the grievance redressal mechanism of Avon within 10 days. The status of investor grievances/ complaints pending against Avon as on December 31, 2010 is as follows:

Particulars	Number of Complaints Received and Resolved	Number of Complaints Pending Resolution
For the FY ended March 31, 2008	6	Nil
For the FY ended March 31, 2009	1	Nil
For the FY ended March 31, 2010	2	Nil
For the period commencing from April 1, 2010 and ended December 31, 2010	5	Nil

No action has been initiated against Avon either by the BSE, CSE and/or SEBI.

2. Arch Life Sciences Limited ("Arch Life Sciences")

Arch Life Sciences (CIN: U24239AP2003PLC042232) was incorporated on December 15, 2003 in the state of Andhra Pradesh under the Companies Act as "Sibra Pharmaceuticals Limited" and received the Certificate of Commencement of Business on December 26, 2003. Its name was subsequently changed to its current name "Arch Life Sciences Limited" pursuant to Fresh Certificate of Incorporation consequent upon change of name dated May 27, 2008. The registered office of Arch Life Sciences is presently located as 603, Vijaya Enclave, 8-3-1010, Srinagar Colony, Hyderabad, Andhra Pradesh – 500073.

Arch Life Sciences became our Subsidiary with effect from June 21, 2007.

Principal Business

Arch Life Sciences is authorised by its memorandum of association to, interalia, carry on in India or elsewhere in the world, the business to manufacture, produce, process, prepare, treat, disinfect, compound, convert, formulate, make, mix, concentrate, pack, repack, refine, add, remove, pure, preserve, grade, freeze, distillate, boil, sterilise, improve, extract, store, dispose, manipulate, job work or otherwise to deal in all types, descriptions, specifications, strengths and applications of pharmaceutical and chemical, herbal, unani, siddha, bio-chemic or other used for treatment, cure and healthcare of human beings and animals including, basic drugs, intermediates, tonics, antibiotics, enzymes, steroids, vitamins, hormones, biological and immunological chemicals, organic and inorganic chemicals, contraceptives, surgical plaster, dressings, bandages, gauzes, adhesives, vaccines, toxins, ferments, yeasts, oils, capsules, tablets, powders, ointments, syrups, injectable, pills, fluids, granules, sprayers, inhalers, mineral waters and other medicinal goods, products, accessories and allied products.

Board of Directors

As on the date of this Draft Red Herring Prospectus, the board of directors of Arch Life Sciences comprises of Ajit

Kamath, Manoj Jain and Rajendra Kaimal.

Shareholding Pattern

The shareholding pattern of Arch Life Sciences as on the date of this Draft Red Herring Prospectus is as follows:

Name of the shareholder	Number of shares	Percentage of Shareholding (%)
Arch Pharmalabs Limited	2,279,932	58.45
Ajit Kamath	10*	0.00
Manoj Jain	10*	0.00
Rajendra Kaimal	10*	0.00
Ajit Annu Kamath (HUF)	28*	0.00
Manoj Jain (HUF)	10*	0.00
Island Biotech Private Limited	1,620,000	41.53
Total	**3,900,000**	**100**

* *Shares held by individuals are in the beneficial capacity for Arch Pharmalabs Limited*

Financial Performance

The summary of audited financial statements of Arch Life Sciences for the last three Fiscals and for the six month period ending September 30, 2010 are as follows:

(₹ in Millions, except share data)

Particulars	For the six month period ending September 30, 2010	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	39	39	39	39
Reserves and Surplus (excluding revaluation reserve if any)	14.29	14.63	14.31	(4.06)
Total Income	0.00	0.01	540.38	274.54
Profit/(Loss) after Tax	(0.34)	0.32	18.37	13.09
Earnings Per Share (EPS) (in ₹)	(0.09)	0.08	4.71	3.36
Profit and Loss Account (debit balance)	0.00	0.00	0.00	(4.06)
Miscellaneous Expenditure (to the extent not written off)	0.00	0.00	0.00	0.23
Networth*	53.29	53.63	53.31	34.71
Net Asset Value (NAV) per share (in ₹)	13.66	13.75	13.67	8.9

* *excluding Profit and Loss Account (debit balance) and Miscellaneous Expenditure*

The equity shares of Arch Life Sciences Limited are not listed on any stock exchange.

3. Arch Finechemicals Limited ("Arch Finechemicals")

Arch Finechemicals (CIN: U24110AP1993PLC015533) was incorporated on March 22, 1993 in the state of Andhra Pradesh under the Companies Act as "Watsol Organics Limited" and received the Certificate of Commencement Of Business on April 19, 1993. Its name was changed to current name "Arch Finechemicals Limited" pursuant to Fresh Certificate of Incorporation consequent upon change of name dated February 8, 2008 issued by the Assistant Registrar of Companies, Andhra Pradesh. The registered office of Arch Finechemicals is presently located 603, Vijay Enclave, 8-3-1010, Srinagar Colony, Hyderabad – 500 073, Andhra Pradesh.

Arch Finechemicals became our Subsidiary of our Company with effect from October 15, 2007.

Principal Business

Arch Finechemicals is authorised by its memorandum of association, interalia to manufacture, produce, process, formulate, mix or prepare buy, sell, exchange, distribute, trade, deal in and deal with import and export, any and all kinds of organic chemicals, their source materials, chemical intermediates, organic phosphorous based intermediates,

pesticides, intermediates, technical grade pesticides and their formulations, and other industrial and agricultural chemicals including fertilisers and manures made from organic and inorganic chemicals.

Board of Directors

As on the date of this Draft Red Herring Prospectus, the board of directors of Arch Finechemicals comprises of Ajit Kamath, Manoj Jain and Rajendra Kaimal.

Shareholding Pattern

The shareholding pattern of Arch Finechemicals as on the date of this Draft Red Herring Prospectus is as follows:

Name of the shareholder	Number of shares	Percentage of shareholding (%)
Arch Pharmalabs Limited	7,452,780	88.95
Ajit Kamath	10*	0.00
Manoj Jain	10*	0.00
Rajendra Kaimal	10*	0.00
Vidya Kamath	10*	0.00
Bindu Jain	10*	0.00
Ajit Annu Kamath (HUF)	10*	0.00
Manoj Jain (HUF)	10*	0.00
Times Guarantee Financial Limited	926,200	11.05
Total	**8,379,050**	**100**

**Shares held by Individuals are in the beneficial capacity for Arch Pharmalabs Limited*

Financial Performance

The summary of audited financial statements of Arch Finechemicals for the last three Fiscals and for the six month period ending September 30, 2010 are as follows:

(₹ in Millions, except share data)

Particulars	For the six month period ending September 30, 2010	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	83.79	83.79	83.79	83.79
Reserves and Surplus# (excluding revaluation reserve if any)	38.99	39.06	39.08	45.20
Total Income	0.00	0.00	253.44	446.98
Profit/(Loss) after Tax	(0.07)	(0.02)	(6.12)	21.30
Earnings Per Share (EPS) (in ₹)	(0.01)	(0.00)	(0.73)	2.54
Miscellaneous Expenditure (to the extent not written off)	0.00	0.00	0.00	0.42
Networth*	122.78	122.85	122.88	128.57
Net Asset Value (NAV) per share (in ₹)	14.65	14.66	14.66	15.34

*# Includes Profit and Loss Account (debit balance); * excluding Miscellaneous Expenditure*

The equity shares of Arch Finechemicals are not listed on any stock exchanges.

4. Arch Pharmalabs (USA) Inc. ("Arch Pharmalabs USA")

Arch Pharmalabs USA was incorporated as our wholly owned subsidiary on September 13, 2005 in the State of Delaware, USA under the Title 8 of the Delaware Code, under the Delaware Constitution of 1897. The registered office of Arch Pharmalabs USA is presently located at Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, State of Delaware, USA. The Authorised Share Capital Arch Pharmalabs USA is 1,000,000 equity shares of par value US$ 0.001 per equity share

Present Business

Arch Pharmalabs USA is authorised to engage in any lawful activity for which corporation may be organized under the

General Corporation Law of Delaware and is presently engaged in the business of marketing of products and services in the international markets supplied by our Company.

Board of Directors

As on the date of this Draft Red Herring Prospectus, Ajit Kamath is the sole director on the board of Arch Pharmalabs USA.

Shareholding Pattern

The shareholding pattern of Arch Pharmalabs USA as on the date of this Draft Red Herring Prospectus is as follows:

Name of the shareholder	Number of shares	Percentage of shareholding
Arch Pharmalabs Limited	1000	100
Total	**1000**	**100**

Financial Performance

The summary of audited financial statements of Arch Pharmalabs USA for the last three Fiscals and for the six month period ending September 30, 2010 are as follows:

(₹ in Millions, except share data)

Particulars	For the six month period ending September 30, 2010	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	0.004	0.004	0.004	0.004
Reserves and Surplus (excluding revaluation reserve if any)	-	-	-	-
Total Income	-	-	-	-
Profit/(Loss) after Tax	(23.54)	(38.02)	(53.18)	(11.41)
Earnings Per Share (EPS) (in ₹)	(23,537.02)	(38,017.49)	(53,180.30)	(11,413.71)
Profit and Loss Account (debit balance)	(148.36)	(124.83)	(86.81)	(33.63)
Networth[#]	(148.35)	(124.82)	(86.80)	(33.62)
Net Asset Value (NAV) per share (in ₹)	(148350.00)	(124,820.98)	(86,803.50)	(33,623.20)

[#] *excluding Profit and Loss Account (debit balance)*

The equity shares of Arch Pharmalabs USA are not listed on any stock exchanges.

5. Regal Pharma Pte Limited ("Regal Pharma")

Regal Pharma was incorporated as the subsidiary of our Subsidiary, namely Avon Organics Limited on July 27, 2010 in Singapore as a limited private company under the Singapore Laws with the company no. 201015805N. The registered office of Regal Pharma is 371 Beach Road, #02-01C, Keypoint, Singapore (199597). The Authorised Share Capital of Regal Pharma is 100 Singaporean Dollars with each share of value 1 Singaporean Dollar.

Present Business

Regal Pharma is currently engaged in the business of dealing in chemicals and intermediates.

Board of Directors

As on the date of this Draft Red Herring Prospectus, Ajit Kamath, Manoj Jain and Balasubramanian Narayan Iyer are the directors on the board of Regal Pharma.

Shareholding Pattern

The shareholding pattern of Regal Pharma as on the date of this Draft Red Herring Prospectus is as follows:

Name of the shareholder	Number of shares	Percentage of shareholding (%)
Avon Organics Limited	90	90
Ajit Kamath	5	5
Manoj Jain	5	5
Total	**100**	**100**

Financial Performance

As Regal Pharma was incorporated on July 27, 2010, and has not completed a year in operation the financial results for fiscal 2010, 2009 and 2008 are not available.

Other Confirmations

None of our Subsidiaries has made any public or rights issue in the last five years. Our Subsidiaries have not become sick companies under the meaning of SICA and are not under winding up. None of our Subsidiaries have been debarred from accessing or operating in the capital markets.

There are no accumulated profits or losses of the Subsidiaries not accounted for by our Company as on March 31, 2010.

Our Company does not have any holding company and/ or joint ventures and/ or associate companies.

OUR MANAGEMENT

The Articles of Association of our Company require us to have not less than three and not more than 18 Directors. As on the date of this Draft Red Herring Prospectus, we have ten (10) Directors which include four (4) Whole-time Directors, one (1) Non-Executive Director and five (5) Independent Directors. The Chairman of our Board is an executive director and our Board is in compliance with the requirements of clause 49 of the Listing Agreement with respect to composition of the Board.

Our Board

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

Name, Designation, Occupation, Term, Nationality and DIN	Age (years)	Address	Date of Appointment as Director	Details of other directorships
Ajit Kamath **Designation**: Chairman and Managing Director **Occupation**: Business **Term**: Liable to retire by rotation **Nationality:** Indian **DIN**: 00032799	41	404, Ila Apartment Charkop, Kandivali (West) Mumbai – 400 067 Maharashtra India	Re-appointed as Whole-time Director for a period of 5 years pursuant to the Shareholders approval in the EGM dated June 20, 2009.	i. Avon Organics Limited ii. Arch Life Sciences Limited iii. Arch Pharmachem Limited iv. Arch Finechemicals Limited v. AMRA Industries Limited vi. Arch Impex Private Limited vii. Arch Investment Private Limited viii. Arch Herbals Private Limited ix. Arch Phytochemicals Private Limited x. Avant Capital Services Private Limited xi. AMR Investments Private Limited xii. Marm Realty Private Limited xiii. Arch Pharmalabs (USA) Inc. xiv. Arch Infra Ventures Limited xv. Regal Pharma Pte. Limited xvi. AMRA Remedies Limited
T Mallikarjuna Reddy **Designation**: Executive Vice-Chairman **Occupation**: Business **Term**: Liable to retire by rotation **Nationality:** Indian **DIN**: 00298545	50	B – 13, Madhuranagar Colony S.R. Nagar Hyderabad – 500 038 Andhra Pradesh India	Re-appointed as Whole-time Director for a period of 5 years pursuant to the Shareholders approval in the EGM dated June 20, 2009.	i. Planetwildlife.Com (India) Limited ii. Marm Realty Private Limited iii. Sainath Investments Private Limited iv. Sainath Hospitality Private Limited v. Sainath Medical Systems Private Limited
Manoj Jain **Designation**: Deputy Managing Director **Occupation**: Business **Term**: Liable to retire by rotation **Nationality:** Indian **DIN**: 00034727	40	4A, Markand Society Veer Savarkar Marg, Mahim(West) Mumbai – 400 016 Maharashtra India	Re-appointed as Whole-time Director for a period of 5 years pursuant to the Shareholders approval in the EGM dated June 20, 2009.	i. Avon Organics Limited ii. Arch Life Sciences Limited iii. Arch Pharmachem Limited iv. Arch Finechemicals Limited v. AMRA Industries Limited vi. Arch Impex Private Limited vii. Arch Investment Private Limited viii. Arch Herbals Private Limited ix. Arch Phytochemicals Private Limited x. Avant Capital Services Private Limited xi. AMR Investments Private Limited xii. Arch Infra Ventures Limited xiii. Regal Pharma Pte. Limited

Name, Designation, Occupation, Term, Nationality and DIN	Age (years)	Address	Date of Appointment as Director	Details of other directorships
				xiv. AMRA Remedies Limited
Rajendra Kaimal **Designation**: Executive Director **Occupation**: Business **Term**: Liable to retire by rotation **Nationality:** Indian **DIN**: 00032839	37	Flat No 1202, C/Wing 12th Floor, Orchid Enclave Nahar Amrit Shakti Sector Road 3, Chandivali Andheri (East) Mumbai – 400 072 Maharashtra, India	Re-appointed as Whole-time Director for a period of 5 years pursuant to the Shareholders approval in the EGM dated June 20, 2009.	i. Arch Life Sciences Limited ii. Arch Pharmachem Limited iii. Arch Finechemicals Limited iv. AMRA Industries Limited v. Arch Impex Private Limited vi. AMR Investments Private Limited vii. Arch Infra Ventures Limited viii. AMRA Remedies Limited
Vandana Rajadhyaksha **Designation**: Nominee Director – ICICI Venture acting as investment manager to India Advantage Fund I, India Advantage Fund II, India Advantage Fund V and Rainbow Fund **Occupation**: Service **Term**: Till the Nomination is withdrawn **Nationality:** Indian **DIN**: 00164120	38	301, 3rd Floor Laxmi Gopal Hatiskar Marg Prabhadevi, Mumbai – 400 025 Maharashtra, India	Appointed as a Nominee Director on behalf of ICICI Venture pursuant to the terms of the Common Shareholders Agreement, with effect from July 19, 2007	i. Sainik Mining and Allied Services Limited ii. Malladi Drugs and Pharmaceuticals Limited
Dr. Hira Sadhak **Designation**: Additional Director, Independent **Occupation**: Corporate Consultancy **Term**: Liable to retire by rotation **Nationality:** Indian **DIN**: 00203098	60	B – 2/9, Jeevan Shanti, S.V. Road, Santacruz (West) Mumbai – 400 054 Maharashtra India	Appointed as an Additional Director *vide* Board resolution dated December 9, 2010	i. The Clearing Corporation of India Limited
Dr. Shailesh Mehta **Designation**: Additional Director, Independent **Occupation**: Business	61	401 EL Cerrito Ave Hillisborough California -94010 United States of America	Appointed as an Additional Director *vide* Board resolution dated December 9, 2010	i. FirstSource Solutions Limited ii. Safari Industries Limited iii. Mannapuram Finance and Leasing Limited iv. Account Now Corporation. v. All Services Under 1 Roof Private

Name, Designation, Occupation, Term, Nationality and DIN	Age (years)	Address	Date of Appointment as Director	Details of other directorships
Term: Liable to retire by rotation **Nationality:** US Citizen **DIN**: 01633893				Limited vi. Aptus Value Housing Finance Limited vii. Granite Hill Capital Ventures LLC viii. Granite Hill Capital Partners LLC
Dr. Shantilal Jain **Designation**: Additional Director, Independent **Occupation**: Practicing Physician **Term**: Liable to retire by rotation **Nationality:** Indian **DIN**: 00053142	48	306, Shivam – A 28B, Gopi Tank Road, Mahim Mumbai - 400 016 Maharashtra India	Appointed as an Additional Director *vide* circular resolution of the Board dated January 24, 2011	i. Medichek India Private Limited
Puthenveetil J. Vincent **Designation**: Additional Director, Independent **Occupation**: Corporate Consultancy **Term**: Liable to retire by rotation **Nationality:** Indian **DIN**: 00096857	66	D – 15, Sector 52 Noida -201 301 Uttar Pradesh India	Appointed as an Additional Director *vide* Board resolution dated December 9, 2010	i. UV Asset Reconstruction Co. Limited ii. Sarthak Finance
Ramakant Nayak **Designation**: Additional Director, Independent **Occupation**: Corporate Consultancy **Term**: Liable to retire by rotation **Nationality:** Indian **DIN**: 00129854	65	No. A/11, Anand Dham, 9th Prabhat Colony, Near Hotel Yatri, Santacruz (East), Mumbai – 400 055 Maharashtra India	Appointed as an Additional Director *vide* circular resolution of the Board dated January 24, 2011	i. Sun Capital Advisory Services Private Limited ii. Nine Rivers Capital Holdings Private Limited iii. Nitin Fire Protection Industries Limited iv. Max Flex & Imaging Systems Limited v. Sun Global Investments Limited vi. Sunteck Realty Limited vii. Blend Financial Services Limited viii. TRC Financial Services Limited ix. Shree Pushkar Petro Products Limited x. Arrowpoint Technologies Plc.,

Brief Biographies of our Directors

Ajit Kamath, aged 41 years, is the Executive Chairman and Managing Director of our Company and was first appointed as an Additional Director in our Company on January 1, 2001. He holds a Bachelors Degree in Commerce from the University of Mumbai and has more than 12 years of experience in the pharmaceutical industry. Prior to joining our Company he has worked with CEAT Financial Services Limited and was one of the promoters of Arch Commerz Private Limited, which reverse-merged into our Company pursuant to the Scheme of Rehabilitation. He has been instrumental in the acquisitions made by our Company since our acquisition of the Gurgaon Unit in December 2004. He has been involved and instrumental in planning and formulating the overall business strategy and developing business relations for our Company.

T Mallikarjuna Reddy, aged 50 years, is the Executive Vice-Chairman of our Company and was first appointed as an Additional Director in our Company on November 4, 1993. He holds a Masters Degree in Arts from the Andhra University. He has over 17 years experience in the pharmaceutical industry. He plays an active role in the operations of Company and reviews the functioning of our manufacturing facilities situated in Andhra Pradesh. He also assists in formulation of corporate policy and strategies for our Company. Prior to joining our Company he has worked with United India Insurance Co. Limited.

Manoj Jain, aged 40 years, is the Deputy Managing Director and Chief Financial Officer of our Company and was first appointed as an Additional Director in our Company on January 1, 2001. He is a fellow member of the Institute of Chartered Accountants of India and also holds a Bachelors Degree in Commerce from the University of Mumbai. He was one of the promoters of Arch Commerz Private Limited, which reverse-merged into our Company pursuant to the Scheme of Rehabilitation and has more than 12 years of experience in the pharmaceutical industry. He has been instrumental in planning and formulating the overall business strategy of our Company. He is the Chief Financial Officer of our Company and is overall in-charge of the accounting and finance functions of our Company. He is also responsible for the statutory and secretarial affairs and the audit and taxation related activities of our Company. He is also instrumental in the formulation of corporate policy, strategic and perspective planning and external relations for our Company.

Rajendra Kaimal, aged 37 years, is the Executive Director of our Company and was first appointed as an Additional Directo in our Company on November 1, 2003. He holds a Bachelors Degree in Commerce from the University of Mumbai. He has completed his Masters in Management Studies from Narsee Monjee Institute of Management Studies, Mumbai and is a Cost Accountant from the Institute of Cost and Works Accountants of India. He was one of the promoters of Arch Commerz Private Limited, which reverse-merged into our Company pursuant to the Scheme of Rehabilitation and has over 11 years of experience in the pharmaceutical industry. He is over-all in-charge of overseeing the commercial operations of our Company including purchase and export functions. He is also responsible for day-to-day co-ordination between all the manufacturing facilities of our Company.

Vandana Rajadhyaksha, aged 38 years, was appointed as a Nominee Director in our Company on behalf of ICICI Venture, acting as an investment manager to India Advantage Fund I, India Advantage Fund II, India Advantage Fund V and Rainbow Fund, pursuant to the terms of the Common Shareholders Agreement, with effect from July 19, 2007. She is a Metallurgical Engineer from Indian Institute of Technology, Mumbai and has also completed her Management Degree in Business Administration from the University of Pune. She has over 12 years of experience in the manufacturing, consulting and financial services sectors. She also has extensive experience in appraisal of projects in the e-business, retail, hospitality and financial services sectors and is a manager of our Company's portfolio with ICICI Venture. Prior to joining ICICI Venture, she was associated with Tata Special Steels Limited for 3 years before spending a year with the consulting practice of KPMG.

Dr. Hira Sadhak, aged 60 years, is an Independent Director of our Company and was appointed as an Additional Director on December 9, 2010. He holds a Bachelor's Degree in Economics from Calcutta University and a Master's Degree in Economics from the University of Kalyani, West Bengal. He also holds a PhD in Industrial Finance from University of Pune. He has more than 30 years of experience in the financial services industry, financial sector research and management experiences in pension fund, mutual fund, life insurance and banking companies. He has in his career held various prestigious positions in the pension fund, mutual fund, life insurance and banking companies such as the managing director and chief executive officer of LIC Pension Fund Limited, joint general manager of LIC Mutual Fund and executive director with Life Insurance Corporation of India. He has been instrumental in drafting of key policies in his position as a member of Technical Committee on Accounting Policy for National Pension Scheme, Pension Fund Regulatory and Development Authority, Technical Advisory Group on Real Estate Price Index for India, Working Group on Household Savings, 10th and 11th Planning Commission and Working Group Fifth Economic Census, India.

Dr. Shailesh Mehta, aged 61 years, is an Independent Director on the Board of our Company and was appointed as an Additional Director in our Company on December 9, 2010. He holds a Degree in B.Tech. in mechanical engineering from Indian Institute of Technology, Mumbai and M.S. in Operations Research from Case Western Reserve University, USA. He also holds a PhD in Operation Research and Computer Science from Case Western Reserve University. He is the managing general partner of Granite Hill Capital Partners and is the president of Granite Hill Capital Ventures, a family asset management and advisory firm. He has served as the Chairman of the Board and CEO of Providian Financial Corporation (1986-2001) a Fortune 500 company, (currently part of JP Morgan-Chase). He has also served as operating general partner of West Bridge Capital (2001-2004) (now Sequoia India). He has also served as president and COO of Capital Holding.

Dr. Shantilal Jain, aged 48 years, is an Independent Director on the Board of our Company and was appointed as an Additional Director in our Company on January 24, 2011. He is a practicing physician and has completed his MBBS from Grant Medical College, Mumbai. He also holds a MD in General Medicine form Grant Medical College, Mumbai. He has more than 20 years of experience in the field of medicine. He has in his career authored various books and research papers and has been a faculty member at the YMT Medical College, Mumbai.

Puthenveetil J. Vincent, aged 66 years, is an Independent Director on the Board of our Company and was appointed as an Additional Director in our Company on December 9, 2010. He holds a Bachelor's degree in Commerce from University of Calcutta. He has also completed a Management Development Programme from Indian Institute of Public Administration, New Delhi. He has more than three decades of experience in the field of higher financial management with the Government of India. He was a member of the Indian Civil Account Services (ICAS) and was responsible for expenditure control, internal audit of government departments, banks and financial institutions. In his career as an ICAS he has acted as a financial adviser to the Union Ministry of Finance and the Union Ministry of Home Affairs. He has also acted as the Chief Controller of Accounts, Union Ministry of Finance and as Controller of Aid Accounts & Audit (CAA&A), responsible for audit of external aid and monitoring, disbursement and accountant of foreign aid. He has also held senior positions as Financial Controller, Union Ministry of Civil Aviation & Tourism and Director (Finance) of Ministry of Surface Transport.

Ramakant Nayak**,** aged 65 years, is an Independent Director on the Board of our Company and was appointed as an Additional Director in our Company on January 24, 2011. He holds a Bachelor's degree in Science from Karnataka University and Bachelor's Degree in Law from University of Mumbai. He is also a member of Indian Banks Association Standing Committee of Private Sector Banks. He has, in his more than 40 years of experience in the commercial banking sector, held various prestigious positions in the banking industry such as the chairman and chief executive officer of the Lakshmi Vilas Bank Limited and managing director and chief executive officer of the Lord Krishna Bank Limited.

Except Dr. Shailesh Mehta, all our Directors are Indian nationals and none of our Directors are related to each other within the meaning of "relatives" under Section 6 of the Companies Act, 1956.

Arrangements and understanding with major shareholders

Except as stated below, none of our Directors have been appointed pursuant to any arrangement or understanding with our major shareholders, customers, suppliers or others.

Name of Director	Name of Shareholder/ Customer/ Supplier etc. and Reason
Vandana Rajadhyaksha	Nominee Director on behalf of ICICI Venture acting as investment manager to India Advantage Fund II, India Advantage Fund V and Rainbow Fund pursuant to the terms of the Common Shareholders Agreement

Compensation of our Directors

Name of Directors	Compensation	Remuneration paid in the year ended March 31, 2010[2]
Ajit Kamath	₹4.8 Million fixed as per the Non-Disclosure and Confidential Agreement dated April 1, 2010[1] between our Company and Ajit Kamath	₹4.80 *Million*[2]
T Mallikarjuna Reddy	₹4.2 Million fixed as per the Non-Disclosure and Confidential Agreement dated April 1, 2010[1] between our Company and T Mallikarjuna Reddy	₹4.2 *Million*[2]
Manoj Jain	₹4.2 Million fixed as per the Non-Disclosure and	₹3.99 *Million*[2]

Name of Directors	Compensation	Remuneration paid in the year ended March 31, 2010[2]
	Confidential Agreement dated April 1, 2010[1] between our Company and Manoj Jain	
Rajendra Kaimal	₹3.5 Million fixed as per the Non-Disclosure and Confidential Agreement dated April 1, 2010[1] between our Company and Rajendra Kaimal	₹3.50 *Million*[2]
Vandana Rajadhyaksha	Our Directors, other than Whole-time Directors, shall be paid sitting fees of ₹20,000 for attending each meeting of the Board	₹10,000
Dr. Hira Sadhak		Nil[3]
Dr. Shailesh Mehta		Nil[3]
Dr. Shantilal Jain		Nil[3]
Puthenveetil J. Vincent		Nil[3]
Ramakant Nayak		Nil[3]

[1] *as approved in the extra-ordinary general meeting of our Company held on June 20, 2009.*
[2] *includes the amount of compensation paid, and benefits in kind granted on an individual basis to all the Directors, by our Company during the last financial year. The disclosure also covers contingent or deferred compensation accrued for the year, even if the compensation is payable at a later date.*
[3] *since they were appointed after March 31, 2010.*

We have not entered into any service contracts with our Directors providing for benefits upon termination of employment.

Details of terms and conditions of employment of our Whole-Time Directors

Ajit Kamath

Ajit Kamath was re-appointed as the Chairman and Managing Director of our Company, subject to his being liable to retire by rotation, pursuant to the Shareholders approval in the EGM dated June 20, 2009 for a period of 5 years effective from November 1, 2008. Our Company has entered into a Non- Disclosure and Confidentiality Agreement dated April 1, 2010 with him fixing the terms of employment and remuneration as follows:

Particulars	Remuneration
Gross Salary	₹4.8 Million per annum
Perquisites as included in the gross salary	i. Medical reimbursement: Actual expenses incurred for self. ii. Contribution to Provident Fund, Superannuation fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act, 1961. iii. Gratuity payable shall be calculated as per the provisions of Gratuity Act, 1972. iv. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
Other terms of appointment	i. Provision of Company's car with driver and telephone at residence, which will not be considered as perquisites. ii. Reimbursement of entertainment expenses, traveling and all other expenses, actually and properly incurred for the purpose of Company's business. iii. No sitting fees shall be paid for attending the meeting of Board of Directors or committee thereof.

T Mallikarjuna Reddy

T Mallikarjuna Reddy was re-appointed as the Executive Vice-Chairman and Whole-time Director of our Company, subject to his being liable to retire by rotation, pursuant to the Shareholders approval in the EGM dated June 20, 2009 for a period of 5 years effective from October 1, 2008. Our Company has entered into a Non- Disclosure and Confidentiality Agreement dated April 1, 2010 with him fixing the terms of employment and remuneration as follows:

Particulars	Remuneration
Gross Salary	₹4.2 Million per annum
Perquisites as included in the gross salary	i. Medical reimbursement: Actual expenses incurred for self. ii. Contribution to Provident Fund, Superannuation fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act, 1961. iii. Gratuity payable shall be calculated as per the provisions of Gratuity Act, 1972. iv. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
Other terms of appointment	i. Provision of Company's car with driver and telephone at residence, which will not be considered as perquisites. ii. Reimbursement of entertainment expenses, traveling and all other expenses, actually and properly incurred for the purpose of Company's business. iii. No sitting fees shall be paid for attending the meeting of Board of Directors or committee thereof.

Manoj Jain

Manoj Jain was re-appointed as Deputy Managing Director and Whole-time Director of our Company, subject to his being liable to retire by rotation, pursuant to the Shareholders approval in the EGM dated June 20, 2009 for a period of 5 years effective from November 1, 2008. Our Company has entered into a Non- Disclosure and Confidentiality Agreement dated April 1, 2010 with him fixing the terms of employment and remuneration as follows:

Particulars	Remuneration
Gross Salary	₹4.2 Million per annum
Perquisites as included in the gross salary	i. Medical reimbursement: Actual expenses incurred for self. ii. Contribution to Provident Fund, Superannuation fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act, 1961. iii. Gratuity payable shall be calculated as per the provisions of Gratuity Act, 1972. iv. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
Other terms of appointment	i. Provision of Company's car with driver and telephone at residence, which will not be considered as perquisites. ii. Reimbursement of entertainment expenses, traveling and all other expenses, actually and properly incurred for the purpose of Company's business. iii. No sitting fees shall be paid for attending the meeting of Board of Directors or committee thereof.

Rajendra Kaimal

Rajendra Kaimal was appointed as the Whole-time Director of our Company, subject to his being liable to retire by rotation, pursuant to the Shareholders approval in the EGM dated June 20, 2009 for a period of 5 years effective from November 1, 2008. Our Company has entered into a Non- Disclosure and Confidentiality Agreement dated April 1, 2010 with him fixing the terms of employment and remuneration as follows:

Particulars	Remuneration
Gross Salary	₹3.5 Million per annum
Perquisites as included in the gross salary	i. Medical reimbursement: Actual expenses incurred for self. ii. Contribution to Provident Fund, Superannuation fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act, 1961. iii. Gratuity payable shall be calculated as per the provisions of Gratuity Act, 1972. iv. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Particulars	Remuneration
Other terms of appointment	i. Provision of Company's car with driver and telephone at residence, which will not be considered as perquisites. ii. Reimbursement of entertainment expenses, traveling and all other expenses, actually and properly incurred for the purpose of Company's business. iii. No sitting fees shall be paid for attending the meeting of Board of Directors or committee thereof.

Non-executive and Independent Directors

With the exception of the Common Shareholders Agreement entered into with ICICI Venture, Swisstech VCF and IIML Investors, we have not entered into any formal arrangements/service contracts with our Nominee, Non-Executive and/ or the Independent Directors. However, our Directors, other than Whole-time Directors, shall be paid sitting fees of ₹20,000 for attending each meeting of the Board, pursuant to the resolution passed by the Directors by a circular resolution dated January 24, 2011.

Borrowing Powers of the Board of Directors of our Company

The Articles of Association, subject to Sections 58A, 292 and 293 of the Companies Act, authorise our Board, to raise or borrow or secure the payment of any sum or sums of money for the purposes of our Company. Pursuant to a resolution passed at the AGM dated November 28, 2008 our shareholders have authorised our Board to borrow monies (apart from temporary loans obtained from our Company's bankers in the ordinary course of business) up to a limit the outstanding of which should not exceed, at any given time, ₹20,000 Million.

For further details of the provisions of our Articles of Association regarding borrowing powers of our Board, please refer to the chapter titled "***Main Provisions of the Articles of Association***" beginning on page 411.

Shareholding of Directors in our Company

The Articles of Association do not require our Directors to hold any qualification shares. The following table details the shareholding of our Directors in our Company as on the date of this Draft Red Herring Prospectus:

Name of Director	No. of Equity Shares	Percentage (%) of Pre Issue Paid-up Capital
Ajit Kamath	581,967	2.35
Manoj Jain	194,016	0.78
Rajendra Kaimal	230,000	0.93
T Mallikarjuna Reddy	510	0.00
Dr. Shailesh Mehta*	297,550	1.20

**interest is held through GHIOF Mauritius*

Interests of Directors

All our Whole-Time Directors may be deemed to be interested to the extent of remuneration paid to them for services rendered by them as Directors of our Company and reimbursement of expenses as well as to the extent of commission and other remuneration, if any, payable to them. For further details, please refer to the chapter titled ***"Our Management" under the paragraph "Details of terms and conditions of employment of our Whole-Time Directors"*** above. Some of the Directors may be deemed to be interested to the extent of consideration received/paid or any loan or advances provided to anybody corporate including companies and firms, and trusts, in which they are interested as directors, members, partners or trustees. For further details, please refer to the chapter titled "***Related Party Transactions"*** on page 187, "***Annexure VII – Consolidated Statement of Related Party Transactions***" and "***Annexure VII – Unconsolidated Statement of Related Party Transactions, as restated***" on pages 211 and 249 in the chapter "***Financial Statements"*** beginning on page 192.

Further, all our Independent Directors are entitled to receive sitting fees for attending the Board/committee meetings within the limits laid down in the Companies Act and as decided by our Board.

Except Ajit Kamath, Manoj Jain and Rajendra Kaimal, none of our Directors are interested in the promotion of our Company.

Further, except for Ajit Kamath, T Mallikarjuna Reddy, Manoj Jain and Rajendra Kaimal, none of our other Directors directly hold any Equity Shares in our Company. Dr. Shailesh Mehta, Independent Director, holds indirectly approximately 297,550 Equity Shares through GHIOF Mauritius which is controlled by GHIOF, an entity promoted by Dr. Shailesh Mehta. Our Directors may also be interested to the extent of Equity Shares, if any, held by the entities in which they are associated as promoters, directors, partners, proprietors or trustees or held by their relatives or that may be subscribed by or allotted to the companies, firms, ventures, trusts in which they are interested as promoters, directors, partners, proprietors, members or trustees, pursuant to this Issue.

Further, our Directors (except Promoter Directors) may also be deemed to be interested to the extent of Equity Shares that may be subscribed for and allotted to them, out of the present Issue in terms of this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus.

Our Directors may also be regarded interested to the extent of dividend payable to them and other distributions in respect of the Equity Shares, if any, held by them or by the companies / firms / ventures promoted by them or that may be subscribed by or allotted to them and the companies, firms, in which they are interested as directors, members, partners and promoters, pursuant to this Issue.

All our Directors may be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by our Company with any of the Directors themselves, other company in which they hold directorships or any partnership firm in which they are partners, as declared in their respective declarations. None of our Directors have availed any loans from our Company.

Except as stated below, none of our Directors have interest in any property acquired by our Company within two years of the date of this Draft Red Herring Prospectus or proposed to be acquired by it.

Name of Director	Date of Acquisition	Description of Property
Ajit Kamath, Manoj Jain and Rajendra Kaimal	March 11, 2009	Acquisition of the Medak Unit 3 from Arch Life Sciences Limited as a going concern

Further, save and except as stated otherwise under the paragraph titled "***Shareholding of Directors in our Company***" in this chapter on page 155, in the chapter titled "***Related Party Transactions***" beginning on page 187 and under the paragraphs titled *"**Interests of our Promoters and Group Companies**"* and *"**Common Pursuits**"* in the chapter titled *"**Our Promoters, Promoter Group and Group Companies**"* beginning on page 169, our Directors do not have any other interests in our Company as on the date of this Draft Red Herring Prospectus.

Our Directors are not interested in the appointment of or acting as Underwriters, Registrar and Bankers to the Issue or any such intermediaries registered with SEBI.

None of our Directors or any company where they were or are associated as promoter, director or person in control are or have been debarred from accessing the capital market by SEBI or any other regulatory authorities. Further, none of our Directors have been declared as willful defaulters by Reserve Bank of India or other authorities.

Except as stated herein below none of our Directors are/ were directors of any company whose shares were suspended from trading by Stock Exchange(s) under any order or directions issued by any stock exchange(s)/ SEBI/ other regulatory authority during their association with the said company in the last 5 years:

Sr. No.	Name of Director	Name of the companies	Listed On (name of Stock Exchange)	Term of Director (in what capacities)	Date of Suspension on (Name of Stock Exchange)	Period of suspension (Reason for suspension*)	Whether suspension revoked (specify date)	Whether presently associated with the Companies
1.	Ajit Kamath	Arch Pharmalabs Limited	BSE, MSE and HSE	Chairman and Managing Director	November 12, 2003 (BSE)	November 12, 2003 till delisting. Trading	Suspension continued till delisting	Chairman and Managing Director

2.	T. Mallikarjuna Reddy			Vice Chairman		suspended for implementation of the Scheme of Rehabilitation		Vice Chairman
3.	Manoj Jain			Deputy Managing Director				Deputy Managing Director
4.	Rajendra Kaimal			Executive Director				Executive Director

For further details please refer to the chapter titled ***'History and Certain Corporate Matters***' beginning on page 129.

Further except as mentioned below, none of our Directors are/ were directors of any entity, whose shares were delisted from any stock exchange(s) under any order or directions issued by the stock exchange(s)/ SEBI/ other regulatory authority during the period of his association with it as a director:

Sr. No.	Name of the Director	Name of the companies	Listed On (name of SE)	Term of Director (in what capacities)	Date of Delisting on (Name of SE)	Whether Compulsory/ Voluntary	Reason for Delisting	Whether Relisted (Y/N) (Date of Relisting)
1.	Ajit Kamath	Arch Pharmalabs Limited	BSE, HSE, and MSE	Chairman and Managing Director	BSE - July 11, 2006, MSE - July 20, 2006 and HSE - August 14, 2006	Voluntary	Inability to maintain the minimum public shareholding of 25% pursuant to the implementation of the Scheme of Rehabilitation	No. Arch Pharmalabs Limited is applying for relisting through this Draft Red Herring Prospectus.
2.	T. Mallikarjuna Reddy			Vice Chairman				
3.	Manoj Jain			Deputy Managing Director				
4.	Rajendra Kaimal			Executive Director				

For further details please refer to the chapter titled ***'History and Certain Corporate Matters***' beginning on page 129.

Changes in our Board of Directors during the last three years

Except as stated below, there have been no changes in the Board of Directors during the last three years:

Name of Director	Date of change	Reason
Aluri S Rao (nominee director)	April 8, 2008	Resignation
Rajiv Shukla (nominee director)	May 5, 2008	Appointment
Rajiv Shukla (nominee director)	November 30, 2009	Resignation
Jayanta Banerjee (nominee director)	December 17, 2009	Appointment
Jayanta Banerjee (nominee director)	May 27, 2010	Resignation
Sunil Diwakar (nominee director)	December 9, 2010	Resignation
K. Srinivas (nominee director)	December 9, 2010	Resignation
Dr. Hira Sadhak (Independent Director)	December 9, 2010	Appointment
Dr. Shailesh Mehta (Independent Director)	December 9, 2010	Appointment

Name of Director	Date of change	Reason
Dr. Shantilal Jain (Independent Director)	January 24, 2011	Appointment
Puthenveetil J. Vincent (Independent Director)	December 9, 2010	Appointment
Ramakant Nayak (Independent Director)	January 24, 2011	Appointment

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance and the SEBI ICDR Regulations in respect of corporate governance will be applicable to us immediately upon the listing of the Equity Shares of our Company with the Stock Exchanges. Further, we confirm that we are presently compliant with and undertake to take all necessary steps to comply with all the corporate governance requirements and adopt the corporate governance code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

Our Board, as on the date of this Draft Red Herring Prospectus, has ten (10) directors, out of which five (5) are Independent Directors. The Chairman of our Company is an Executive Director. In compliance with the requirements of Clause 49 of the Listing Agreement, at least half of the Board comprises of Independent Directors. Our Board is constituted in compliance with the Companies Act, 1956 and the Listing Agreement, which is to be signed with the Stock Exchanges. Our Board functions either on its own or through various committees constituted to oversee specific operational areas.

Policy on disclosures and internal procedure for prevention of insider trading

Our Company undertakes to comply with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992 after listing of our Company's Equity Shares on the Stock Exchanges. Vikas Kedia, Compliance Officer, is responsible for setting forth policies, procedures, monitoring and adhering to the rules for the prevention of dissemination of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

Committees of our Board

Our Company has constituted the following committees of our Board for compliance with corporate governance requirements:

a. Audit Committee.
b. Shareholders, Share Transfers and Investors' Grievance Committee.
c. Remuneration Committee; and
d. IPO Committee.

a. Audit Committee

Our Audit Committee was constituted by our Directors at their Board meeting held on January 30, 2004, pursuant to Section 292(A) of the Companies Act and Clause 49 of the Listing Agreement. It was reconstituted by a circular resolution of our Board dated January 24, 2011. Our Audit Committee consists of the following members:

Sr. No.	Name	Designation in the Committee	Nature of Directorship
1.	Dr. Shailesh Mehta	Chairman	Additional Director, Independent
2.	Ramakant Nayak	Member	Additional Director, Independent
3.	Dr. Hira Sadhak	Member	Additional Director, Independent
4.	Manoj Jain	Member	Deputy Managing Director, Executive

Our Company Secretary is the secretary of our Audit Committee. The Chairman and the Members (Non-Executive) of our Audit Committee shall be paid sitting fees of ₹20,000 per meeting.

The scope and function of our Audit Committee is in accordance with Section 292A of the Companies Act and Clause 49 of the Listing Agreement and its terms of reference are as follows:

Powers of Audit Committee

Our Audit Committee shall have powers, which should include the following:

1. To invite such of the executives, as it considers appropriate (and particularly the head of finance function) to be present at the meetings of the Committee;

2. To investigate any activity within its terms of reference;

3. To seek information from any employee;

4. To obtain outside legal or other professional advice; and

5. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Role of Audit Committee

The scope of our Audit Committee shall include but shall not be restricted to the following:

1. Oversight of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

2. Recommending to our Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

4. Appointment, removal and terms of remuneration of internal auditors;

5. Reviewing, with the management, the annual financial statements before submission to our Board for approval, with particular reference to:

    a. Matters required to be included in the Director's Responsibility Statement to be included in our Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
    b. Changes, if any, in accounting policies and practices and reasons for the same;
    c. Major accounting entries involving estimates based on the exercise of judgment by management;
    d. Significant adjustments made in the financial statements arising out of audit findings;
    e. Compliance with listing and other legal requirements relating to financial statements;
    f. Disclosure of any related party transactions; and
    g. Qualifications in the draft audit report.

6. Reviewing, with the management, the quarterly financial statements before submission to our Board for approval;

7. 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 document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

8. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

9. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit

department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

10. Reviewing management letters / letters of internal control weaknesses issued by the statutory auditors;

11. Discussion with internal auditors on any significant findings and follow up there on;

12. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

13. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

14. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors;

15. To review the functioning of the Whistle Blower mechanism, when the same is adopted by our Company and is existing;

16. Approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate; and

17. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee or as may be statutorily required to be carried out by the Audit Committee.

Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;

2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;

3. Management letters / letters of internal control weaknesses issued by the statutory auditors;

4. Internal audit reports relating to internal control weaknesses; and

5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

The recommendations of the Audit Committee on any matter relating to financial management, including the audit report, are binding on the Board. If the Board is not in agreement with the recommendations of the Committee, reasons for disagreement shall have to be recorded in the Board Meeting and the same has to be communicated to the shareholders. The Chairman of the committee has to attend the Annual General Meetings of our Company to provide clarifications on matters relating to the audit.

Meeting of Audit Committee

The audit committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there shall be a minimum of two independent members present.

b. Shareholders, Share Transfers and Investors' Grievance Committee

For redressing the Shareholder, Investor complaints, our Company had first constituted Shareholders, Share Transfer and Investors' Grievance Committee *vide* resolution dated December 13, 1994 as per the requirements of the Clause 49 of the Listing Agreement.

The Shareholders, Share Transfers and Investors' Grievance Committee was reconstituted by a circular resolution of our Board dated January 24, 2011 as per the requirements of Clause 49 of the Listing Agreement. Our Shareholders, Share Transfers and Investors' Grievance Committee consists of the following members:

Sr. No.	Name	Designation in the Committee	Nature of Directorship
1.	Dr. Shantilal Jain	Chairman	Additional Director, Independent
2.	Ramakant Nayak	Member	Additional Director, Independent
3.	Ajit Kamath	Member	Chairman and Managing Director, Executive

Our Company Secretary is the secretary of our Shareholders, Share Transfers and Investors' Grievance Committee. The Chairman and the Members (Non-Executive) of this Committee shall be paid sitting fees of ₹10,000 per meeting, respectively.

This Committee will address all grievances of Shareholders/Investors in compliance of the provisions of Clause 49 of the Listing agreements with the Stock Exchanges and its terms of reference include the following:

1. Efficient transfer of shares; including review of cases for refusal of transfer / transmission of shares and debentures;

2. Redressing of shareholders and investor complaints such as non-receipt of declared dividend, annual report, transfer of Equity Shares and issue of duplicate/split/consolidated share certificates;

3. Monitoring transfers, transmissions, dematerialization, re-materialization, splitting and consolidation of Equity Shares and other securities issued by our Company, including review of cases for refusal of transfer/ transmission of shares and debentures;

4. Allotment and listing of shares in future;

5. Review of cases for refusal of transfer / transmission of shares and debentures;

6. Reference to statutory and regulatory authorities regarding investor grievances;

7. Ensure proper and timely attendance and redressal of investor queries and grievances; and

8. To do all such acts, things or deeds as may be necessary or incidental to the exercise of the above powers.

c. Remuneration Committee

Our Remuneration Committee was constituted *vide* a circular resolution of our Board dated January 24, 2011 as per the requirements of Clause 49 of the Listing Agreement. Our Remuneration Committee is responsible for reviewing, assessing and recommending the appointment, terms of appointment and re-appointment including remuneration etc of Executive and/or Non-Executive Directors and senior employees. Our Remuneration Committee consists of the following members:

Sr. No.	Name	Designation in the Committee	Nature of Directorship
1.	Dr. Shailesh Mehta	Chairman	Additional Director, Independent
2.	Puthenveetil J. Vincent	Member	Additional Director, Independent
3.	Ramakant Nayak	Member	Additional Director, Independent

The Chairman and the Members of this Committee shall be paid sitting fees of ₹20,000 and ₹15,000 per meeting, respectively.

The scope of our Remuneration Committee shall include but shall not be restricted to the following:

1. to ensure that our Company has formal and transparent procedures for the selection and appointment of new directors to our Board and succession plans;

2. to develop and implement a plan for identifying and assessing competencies of directors;

3. to identify individuals who are qualified to become board members, taking into account a variety of factors, including, but not limited to:
   a. the range of skills currently represented on the board;
   b. the skills, expertise, experience (including commercial and/or industry experience) and particular qualities that make individuals suitable to be a director of our Company; and/or
   c. the individual's understanding of technical, accounting, finance and legal matters;

4. to make recommendations for the appointment and removal of directors;

5. ensure that our Company has in place programme for the effective induction of new directors;

6. to review, on an ongoing basis, the structure of our Board, its committees and their interrelationship;

7. To recommend to our Board, the remuneration packages of our Company's Managing/Joint Managing/ Deputy Managing/ Whole-time / Executive Directors, including all elements of remuneration package (i.e. salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirement benefits, details of fixed component and performance linked incentives along with the performance criteria, service contracts, notice period, severance fees etc.);

8. To be authorised at its duly constituted meeting to determine on behalf of our Board of Directors and on behalf of the shareholders with agreed terms of reference, our Company's policy on specific remuneration packages for Company's Managing/Joint Managing/ Deputy Managing/ Wholetime/ Executive Directors, including pension rights and any compensation payment;

9. To implement, supervise and administer any share or stock option scheme of our Company; and

10. To attend to any other responsibility as may be entrusted by our Board within the terms of reference.

Meeting of Remuneration Committee

Our remuneration committee is required to meet at least once a year.

d. IPO Committee:

Our IPO Committee was constituted by a circular resolution of our Board dated September 29, 2010. The terms of reference of our IPO Committee include carrying out such actions as may be required in relation to this Issue and shall be responsible to keep the information updated through our Company's website and comprises of the following members:

Sr. No.	Name	Designation in the Committee	Nature of Directorship
1.	Ajit Kamath	Chairman	Chairman and Managing Director, Executive
2.	Manoj Jain	Member	Deputy Managing Director, Executive
3.	Vikas Kedia	Member	Company Secretary and Compliance Officer

The broad terms of reference of our IPO Committee includes the following:

1. to decide on the actual size of the Issue, including any offer for sale by promoters/shareholders and/or any reservations on a firm or competitive basis as may be permitted, timing, pricing and all the terms and conditions of the Issue of the shares, including the price, and to accept any amendments, modifications, variations or alterations thereto in consultation with Selling Shareholders;

2. to appoint and enter into arrangements with Book Running Lead Managers, co-managers to the Issue, Underwriters to the Issue, Syndicate Members to the Issue, advisors to the Issue, Stabilizing Agent, Brokers to the Issue, Escrow Collection Bankers to the Issue, Registrars, legal advisors in relation to the Issue, advertising and/or promotion or public relations agencies and any other agencies, intermediaries or persons;

3. to finalize and settle and to execute and deliver or arrange the delivery of the offering documents (the Draft Red Herring Prospectus, the Red Herring Prospectus, Final Prospectus - including the international wrap and final international wrap, if required, for marketing of this Issue in jurisdictions outside India), Issue Agreement with the book running lead managers, memorandum of understanding with the registrar, syndicate agreement, underwriting agreement, escrow agreement, stabilization agreement and all other documents, deeds, agreements and instruments as may be required or desirable in connection with the Issue of the Equity Shares of our Company or the Issue by our Company;

4. to open one or more separate current account(s)with a scheduled bank to receive applications along with application monies in respect of this Issue or any other account with any name and style as required during or after the process of the forthcoming Initial Public Offering (IPO) of our Company in such name and style as may be decided;

5. to open one or more bank account of our Company in the name and style of "***Arch Pharmalabs Limited Public Issue Account***" and "***Arch Pharmalabs Limited Public Issue Refund Account***" for the handling of refunds for the Issue;

6. to approve/issue all notices, including any advertisement(s) in such newspapers as it may deem fit and proper about the future prospects of our Company and the proposed issue conforming to the guidelines/ regulations issued by SEBI and such other applicable authorities;

7. to make any applications to the RBI, FIPB and such other authorities, as may be required, for the purpose of Issue of shares by our Company to non-resident investors including but not limited to NRIs, FIIs, FVCI's and other non-residents;

8. to take necessary actions and steps for obtaining relevant approvals, consents from FIPB, SEBI, Stock Exchanges, RBI and such other authorities as may be necessary in relation to the IPO;

9. to make applications for listing of the equity shares of our Company in one or more stock exchange(s) and to execute and to deliver or arrange the delivery of the listing agreement(s) or equivalent documentation to the concerned stock exchange(s);

10. to finalise the basis of allocation in consultation with the Lead Managers and the designated stock exchange and to allot the shares to the successful Allotees;

11. to enter the names of the Allotees in the Register of Members of our Company;

12. to settle any question, difficulty or doubt that may arise in connection with the IPO including the issue and allotment of the Equity Shares attached thereto, as aforesaid and to do all such acts, deeds and things as the Board may in its absolute discretion consider necessary, proper, desirable or appropriate for settling such question, difficulty or doubt;

13. to do all acts and deeds, and execute all documents, agreements, forms, certificates, undertakings, letters and instruments as may be necessary for the purpose of or in connection with the Issue;

14. to authorise and approve the incurring of expenditure and payment of fees in connection with the initial public offer of our Company;

15. to approve and adopt the Preliminary Offering Memorandum, and Offering Memorandum, and any other offering document for the public issue as required under Section 60, Section 60B and other relevant provisions of the Companies Act, 1956 and to file the same with the Registrar of Companies ("RoC") and SEBI, as the case may be, and to make any corrections or alterations therein;

16. to affix the common seal of our Company on all documents as may be required by law, in relation to the Issue, and in terms of the articles of association of our Company;

17. to do all such acts, deeds and things as may be required to dematerialise the equity shares of our Company and to sign agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) limited and such other agencies, authorities or bodies as may be required in this connection; and

18. to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, or otherwise in relation to this Issue or any matter incidental or ancillary in relation to the Issue, including without limitation, allocation and allotment of the shares as permissible in law, issue of share certificates in accordance with the relevant rules.

Management Organisation Chart

The organisation layout of our Company is as set forth below:

Key Managerial Personnel

The details regarding our Key Managerial Personnel, other than our Whole-time Directors, as on the date of this Draft Red Herring Prospectus are as follows:

KMPs who are permanent employees of our Company

Sr. No	Name	Age (in years)	Designation	Gross Remuneration# payable in the current Fiscal
1.	Dr. Naresh Kumar	58	Chief Technical Officer and Advisor to Board	₹6,000,000*
2.	Dr. Ganesh Pai	58	Director Research and Development	₹5,510,004*
3.	Subhash Mali	57	Director – Technical	₹5,510,004*
4.	Saiprasad Jadhav	41	Director – Technical	₹1,890,000

Sr. No	Name	Age (in years)	Designation	Gross Remuneration# payable in the current Fiscal
5.	N Krishna Kumar	59	Director – Safety, Health and Environment	₹2,090,000
6.	Amar Varma	47	President – Commercial	₹3,789,996
7.	Sudhir Nagar	50	President – Marketing	₹4,200,000
8.	Anil Rajkotia	50	Vice President – Finance	₹3,790,008
9.	Dr. Satish Surve	45	Assistant Vice President – (Quality Assurance and Regulatory Affairs)	₹3,090,000
10.	Dr. Charanjit Sehgal	57	Head – IPR	₹3,615,000
11.	S. Sivasubramanian	46	Head – HR & Administration	₹2,240,004
12.	Vikas Kedia	34	Company Secretary and DGM Finance	₹2,090,004

***** *Also provided car and car maintenance expenses*
 # Gross remuneration paid and payable is calculated as cost to the company by the Company

KMPs who are permanent employees of our wholly owned Subsidiary, Arch Pharmalabs (USA) Inc.

Sr. No.	Name	Age (in years)	Designation	Gross Remuneration payable in the current Fiscal
1.	Gregory Rocklin	40	Chief Executive Officer	US$ 375,000
2.	Dr. Raj Iyer	48	President	US$ 300,000

Dr. Naresh Kumar, aged 58 years, holds a Bachelor's Degree in Science from and a Masters Degree in Organic Chemistry from Meerut University, Meerut. Dr. Kumar did his PhD Studies in Anticancer and CNS agents from Central Drug Research Institute, Lucknow. He has about 33 years of experience in research, manufacturing and business of API's. He joined our Company w.e.f. September 1, 2010. Prior to joining our Company, he has worked with Ranbaxy Laboratories Limited for over 31 years. As he joined our Company in the current fiscal, he has not been paid any remuneration in the last fiscal.

Dr. Ganesh Pai, aged 58 years, is the Director - Corporate Research & Development of our Company. He holds a Masters Degree in Science from Indian Institute of Technology Powai, Mumbai. He holds a PhD from National Chemical Laboratories, Pune and is also a Post Doctoral Fellow in Chemistry from Purdue University, USA. He joined our Company w.e.f. February 1, 2006. He has over 25 years of experience in the pharmaceutical industry. Prior to joining our Company, he has worked with Searle India Limited, Hindustan Ciba-Gaigy Limited and Modepro India Private Limited. He is currently in charge of the R&D functions of our Company. His gross remuneration for the last Fiscal was ₹3.40 Million.

Subhash Mali, aged 57 years, is the Director - Technical of our Company. He holds a Bachelor's Degree in Chemical Engineering from University Institute of Chemical Technology, University of Mumbai. He has approximately 24 years of experience with over 22 years experience in the pharmaceutical sector alone. He joined our Company w.e.f. July 21, 2003. Prior to joining our Company, he has worked with other companies like Asian Paints Limited, Ranbaxy Laboratories, Unichem Laboratories Limited and Kopran Limited. His gross remuneration for the last Fiscal was ₹3.40 Million.

Saiprasad Jadhav, aged 41 years, is the Director – Technical (Supply & Service) of our Company. He holds a Bachelor's Degree in Chemical Engineering from University Institute of Chemical Technology, University of Mumbai. He joined our Company w.e.f. April 16, 2007. He has over 20 years of experience in the chemical and pharmaceutical sector. Prior to joining our Company, he has worked with Network Dyechem Limited, Navin Fluorine International Limited, Care Formulators Private Limited and Avinash Drugs Limited. His gross remuneration for the last Fiscal was ₹1.20 Million.

N Krishna Kumar, aged 59 years, is the Director – Safety, Health and Environment of our Company. He holds a Bachelor's Degree in Science from Kerala University and a Master's Degree in Bio Chemistry from Maharaja Sayajirao University of Baroda. He also holds a Diploma in Chemical Technology from Institute of Productivity and Management, Ghaziabad. He joined our Company w.e.f. January 1, 2000. He has over 15 years of experience and prior to joining our Company, he has worked with Ambalal Sarabhai Enterprises Limited. His gross remuneration for the last Fiscal was ₹1.66 Million.

Amar Varma, aged 47 years, is the President – Commercial of our Company. He is a fellow member of the Institute of Chartered Accountants in India. He has approximately 12 years of work experience and prior to joining our Company he has worked with Reliance Industries Limited. His gross remuneration for the last Fiscal was ₹2.80 Million.

Sudhir Nagar, aged 50 years, is the President – Marketing of our Company. He holds a Bachelor's Degree in Science (Chemistry) from the University of Mumbai. He also holds a marketing degree from University of Mumbai. He joined our Company in June 2005 and had resigned on June 30, 2009. He has rejoined our Company w.e.f April 1, 2010. He has over 20 years of experience in the area of marketing. Prior to joining our Company he has worked with Voltas Limited, Lupin Laboratories Limited, Kopran Limited, Nectar Life Sciences Limited, Ariane Orgachem Private Limited and TEVA Pharmaceutical & Chemical Industries India Private Limited. His gross remuneration for the last Fiscal was ₹0.90 Million (in service for three months).

Anil Rajkotia, aged 50 years, is the Vice President - Finance of our Company. He is an associate member of the Institute of Company Secretaries of India and fellow member of the Institute of Chartered Accountants of India. He has 25 years of experience in managing financial matters in companies. He joined our Company w.e.f. February 5, 2009. Prior to joining our Company, he has worked with G. Premjee Limited, Pan Asia Group, Welspun Finance Limited, Milton Plastic Limited, Megavisa Marketing and Solutions Limited and AurionPro Solutions Limited. His gross remuneration for last Fiscal was ₹3.20 Million.

Dr. Satish Surve, aged 45 years, is the Assistant Vice President (Quality Assurance and Regulatory Affairs) of our Company. He holds a Bachelor's Degree in Science from Universityof Mumbai and a Masters degree in Science (Analytical Chemistry) from Universityof Mumbai. He holds a PhD in Analytical Chemistry from University of Mumbai. He is also a member of the IQA International Register of Certified Auditors. He joined our Company w.e.f. March 30, 2001. He has over 20 years of experience in the chemical and pharmaceutical sector. Prior to joining our Company, he has worked with Ruia Analytical Laboratories, Khandelwal Laboratories Limited and SGS India Limited. His gross remuneration for the last Fiscal was ₹2.20 Million.

Dr. Charanjit Sehgal, aged 57 years, is the Head – Intellectual Property Rights of our Company. He holds a Bachelor's Degree in Science and a Masters Degree in Organic Chemistry from the University of Jammu and Kashmir. Dr. Sehgal holds a PhD in Chemistry from University of Jammu and Kashmir. He also had Postdoctoral Research Fellowships at Exeter & Warwick Universities, UK. He joined our Company w.e.f. August 14, 2008. He has over 20 years of experience in the chemical sector. Prior to joining our Company, he has worked with NOCIL Limited, Honeywell Technology Solutions Laboratory Limited and Jubilant Organosys Limited. His gross remuneration for the last Fiscal was ₹2.5 Million.

S. Sivasubramanian, aged 46 years, is the head of Human Resources and Administration of our Company. He holds a Bachelor's Degree in Commerce and an LLB (General) degree from the University of Mumbai. He has also completed a Diploma in Personnel Management and Industrial Relations from Institute of Management Studies, N.G. Bedekar College of Commerce. He joined our Company w.e.f. April 2, 1997. He has over 20 years of experience in administration departments. Prior to joining our Company, he has worked with V. Dinesh & Co and Bombay Port Trust. His gross remuneration for the last Fiscal was ₹1.50 Million.

Vikas Kedia, aged 34 years, is the Company Secretary and DGM Finance of our Company. He holds a Bachelor's Degree in Commerce and a Bachelor's Degree in Law from University of Mumbai. He is a fellow member of the Institute of Company Secretaries of India and associate member of the Institute of Chartered Accountants of India. He has over eight years of experience in company secretarial and legal matters. He joined our Company w.e.f. May 2, 2003. Prior to joining our Company, he has worked with Castrol India Limited as a management trainee. He is currently in charge of all company secretarial and legal matters of our Company. His gross remuneration for last Fiscal was ₹1.50 Million.

Gregory Rocklin, aged 40 years, is the chief executive officer of Arch Pharmalabs (USA) Inc. He holds a Bachelor's Degree in Science (Pharmacology) and a Masters Degree in Arts (Business Economics) from the University of California, Santa Barbara, California. He joined Arch Pharmalabs (USA) Inc. w.e.f. September 1, 2008. He has over 17 years of work experience and prior to joining Arch Pharmalabs (USA) Inc. he has worked with Miravant Medical Technologies Inc., Block Bowman & Associates LLC, Watson Pharmaceuticals Inc., Lupin Pharmaceuticals Inc., Par Pharmaceutical Inc. and Codexis Inc. His gross remuneration for the last Fiscal was US$ 0.38 Million.

Dr. Raj Iyer, aged 48 years, is the President of Arch Pharmalabs (USA) Inc. He holds a Bachelor's Degree in Science in Chemistry and a Masters Degree in Applied Chemistry from University of Chemical Technology, Mumbai. He has

completed his PhD in Analytical Bio-Chemistry from George Washington University, Washington, USA. He joined Arch Pharmalabs (USA) Inc. w.e.f. April 15, 2006. He has over 13 years of work experience and prior to joining Arch Pharmalabs (USA) Inc. he has worked with Pfizer Inc., Dey LP and Rhodia Pharma Solutions Inc. His gross remuneration for the last Fiscal was US$ 0.30 Million.

None of our Key Managerial Personnel named above are related to each other or to any of our Directors. The Key Managerial Personnel as disclosed above are not Key Managerial Personnel as defined under Accounting Standard 18.

Further, none of the above mentioned Key Managerial Personnel are appointed pursuant to any arrangement or understanding with major shareholders, customers or suppliers.

The term of office of our employees, including our Key Managerial Personnel, is until the attainment of 60 years of age. However, the Head of Departments may recommend extension of services beyond the retirement age in case it is demonstrated that the same is in the interest of our Company and that the department shall find difficulty in meeting the objectives without such an employee or goals of the Company and the employee is willing to continue with our Company. In the case of a retainer or consultant, the term in office is till the expiry of the tenure of such contract.

Shareholding of our Key Managerial Personnel

Except for Subhash Mali who holds 34,600 Equity Shares i.e. 0.14% of the pre-Issue paid-up share capital of our Company, none of our other Key Managerial Personnel hold any Equity Shares of our Company as on date of this Draft Red Herring Prospectus.

Bonus and/or profit sharing plan for our Key Managerial Personnel

Our Company has a performance linked pay which includes individual variable pay (based on individual performance) payable annually and group performance linked incentive (based on performance of the organisation/unit/department and individual contribution) payable either monthly or quarterly or annually as may be decided from time to time. There is no profit sharing plan for our Key Managerial Personnel. Except as stated otherwise in this Draft Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or are intended to be given to any of our Key Managerial Personnel except the normal remuneration for services rendered as directors, officers or employees.

Interest of our Key Managerial Personnel

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, our Key Managerial Personnel do not have any other interest in the business of our Company. Further, if any Equity Shares are allotted to our Key Managerial Personnel in terms of this Issue, they will be deemed to be interested to the extent of their shareholding and/ or dividends paid or payable on the same. Furthermore, no amount or benefit has been paid or given during the preceding year to any of our Key Managerial Personnel.

None of our Key Managerial Personnel have been paid any consideration of any nature from our Company, other than their remuneration.

Contingent and Deferred Compensation

No contingent or deferred compensation has accrued in favour of our Key Managerial Personnel.

Loans given to our Key Managerial Personnel

Our Company has not advanced any loans to our Key Managerial Personnel.

Changes in our Key Managerial Personnel in the last three years

Other than as stated below, there had been no changes in Key Managerial Personnel of our Company that are not in the normal course of employment, during the last three (3) years:

Name	Designation	Date of Appointment/ Cecession as a KMP	Reason
Ashish Gupta	Vice President – Finance	June 30, 2008	Resignation
Anil Rajkotia	Vice President – Finance	February 5, 2010	Appointment
Dr. Naresh Kumar	Chief Technical Officer and advisor to the Board	September 1, 2010	Appointment

Employee Stock Option or Stock Purchase Scheme

Our Company presently does not have any stock option scheme or stock purchase scheme for its employees.

Employees

We believe that a motivated and empowered employee base is integral to our competitive advantage. As on March 4, 2011, our Company employed 2,323 permanent employees and 1,753 contract labourers.

Payment or Benefit to officers of our Company (non-salary related)

Except for the payment of salaries and perquisites/sitting fees, lease rent and reimbursement of expenses incurred in the ordinary course of business, and the transactions as enumerated or stated otherwise in this Draft Red Herring Prospectus, we have not paid /given any benefit to the officers of our Company, within the two preceding years nor do we intend to make such payment/give such benefit to any officer as on the date of this Draft Red Herring Prospectus.

Except as stated in the chapter titled "***Related Party Transactions"*** on page 187***,*** "***Annexure VII – Consolidated Statement of Related Party Transactions"*** and "***Annexure VII – Unconsolidated Statement of Related Party Transactions, as restated"*** beginning on pages 211 and 249 in the chapter "***Financial Statements"*** on page 192, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors of our Company.

Retirement Benefits

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company.

OUR PROMOTERS, PROMOTER GROUP AND GROUP COMPANIES

OUR PROMOTERS

The Promoters of our Company are:

Individual Promoters:	*Corporate Promoters:*	*Promoter Entities:*
1. Ajit Kamath	1. Arch Phytochemicals Private Limited	1. Ajit Annu Kamath (HUF)
2. Manoj Jain	2. Avant Capital Services Private Limited	2. Manoj Jain (HUF)
3. Rajendra Kaimal	3. Arch Impex Private Limited	
4. Vidya Kamath	4. AMR Investments Private Limited	
5. Bindu Jain	5. Arch Pharmachem Limited	

Our Promoters currently hold 8,492,387 Equity Shares, equivalent to 34.27% of the pre-Issue paid-up Equity Share capital of our Company.

Our Individual Promoters

1. Ajit Kamath

Ajit Kamath, aged 41 years, is the Chairman and Managing Director of our Company.

Driving License No. MH/01/95/44970
Passport No. F0012503
Voters Identity Card No. : Ajit Kamath currently doesnot hold a Voters Identity Card
Ajit Kamath currently holds 581,967 Equity Shares in our Company i.e. 2.35% of the pre-Issue Equity Share capital in our Company.

For further details refer to the chapter titled "***Our Management***" on page 148.

2. Manoj Jain

Manoj Jain, aged 40 years, is a Deputy Managing Director of our Company.

Driving License No. MH/01/94/36753
Passport No. F1214297
Voters Identity Card No. TDW2109197
Manoj Jain currently holds 194,016 Equity Shares in our Company i.e. 0.78% of the pre-Issue Equity Share capital in our Company.

For further details refer to the chapter titled "***Our Management***" on page 148.

3. Rajendra Kaimal

Rajendra Kaimal, aged 37 years, is a Whole-time Director of our Company.

Driving License No. MH/02/94/1290
Passport No. Z1894441
Voters Identity Card No. MT/08/039/600167
Rajendra Kaimal currently holds 230,000 Equity Shares in our Company i.e. 0.93 % of the pre-Issue Equity Share capital in our Company.

For further details refer to the chapter titled "***Our Management***" on page 148.

4. Vidya Kamath

Vidya Kamath, aged 41 years, has been associated with our Company since the Reverse Merger of ACPL with our Company pursuant to the Scheme of Rehabilitation. She is a resident of 404, ILA Apartment, Charkop, Kandivali (West) Mumbai – 400 067 Maharashtra, India. She holds a Bachelors Degree in Commerce from University of Mumbai. She currently does not hold directorship in any company.

Driving License No.: Vidya Kamath currently does not hold a driving license
Passport No. E2428054
Voters Identity Card No.: Vidya Kamath currently doesnot hold a Voters Identity Card

Vidya Kamath currently holds 886,100 Equity Shares in our Company i.e. 3.58% of the pre-Issue Equity Share capital in our Company.

5. Bindu Jain

Bindu Jain, aged 37 years, has been associated with our Company since the Reverse Merger of ACPL with our Company pursuant to the Scheme of Rehabilitation. She is a resident of 4A, Markand Society, Veer Savarkar Marg, Mahim (West), Mumbai – 400 016, Maharashtra, India. She holds a Bachelors Degree in Arts from University of Mumbai. She currently does not hold directorship in any company.

Voters Identity Card No. TDW2109205
Driving License No. MH/01/96/32427
Passport No. F9991752
Bindu Jain currently holds 295,351 Equity Shares in our Company i.e. 1.19% of the pre-Issue Equity Share capital in our Company.

Declaration

Our Company hereby confirms that the personal details of our Individual Promoters viz., Permanent Account Numbers, Passport Numbers, and Bank Account Numbers will be submitted to BSE and NSE, on which our securities are proposed to be listed, at the time of filing this Draft Red Herring Prospectus with them.

Our Corporate Promoters

1. Arch Phytochemicals Private Limited ("Arch Phytochemicals")

Arch Phytochemicals (CIN: U15499MH2000PTC129255) was incorporated on October 19, 2000 as a private limited company, under the Companies Act, 1956. The registered office of Arch Phytochemicals is situated at 'H' Wing, 4th Floor, Tex Centre, Off Saki Vihar Road, Chandivali, Andheri (East), Mumbai - 400072.

Arch Phytochemicals is engaged in the business of extraction, processing, production, preparation, buying, selling, export, import trading etc. in Phytochemicals, Phytonutrients, Phytofoods, Phytochuticals, Neutraceuticals, functional foods, health food supplement products, herbal and botanical extracts, aromatherapy formulations in any form either on its own or in partnership with others and to set up facilities in connection with the above business.etc.

Ajit Kamath and Manoj Jain are the promoters of Arch Phytochemicals. Arch Phytochemicals is an unlisted company. There has been no change in the control or management of Arch Phytochemicals in the preceding three years prior to the date of this Draft Red Herring Prospectus.

Shareholding Pattern

The shareholding pattern of Arch Phytochemicals as on date of this Draft Red Herring Prospectus is as follows:

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
1.	Ajit Kamath	7,445	74.45
2.	Manoj Jain (HUF)	1,630	16.30

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
3.	Manoj Jain	875	8.75
4.	Anil Kumar Patel (HUF) and Jyotiben Patel	10	0.1
5.	Bhargava Patel, Mahesh Patel and Brinda Patel	10	0.1
6.	Meena Patel	10	0.1
7.	Brindanand Investments Private Limited	10	0.1
8.	Meenanand Traders & Financiers Private Limited	10	0.1
Total		**10,000**	**100**

Board of Directors

The board of directors of Arch Phytochemicals comprises of Ajit Kamath and Manoj Jain as on the date of this Draft Red Herring Prospectus.

Financial Information

The summary of audited financial statements of Arch Phytochemicals is set forth below:

(₹ in Millions, except share data)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	0.10	0.10	0.10
Reserves and Surplus (excluding revaluation reserve if any)	0.08	0.00	0.00
Total Income	14.79	0.53	0.53
Profit/(Loss) after Tax	9.92	0.51	0.20
Earnings Per Share (EPS) (in ₹)	991.68	50.99	20.00
Profit and Loss Account (debit balance)	0.00	(9.84)	(10.35)
Networth*	0.18	(9.74)	(10.25)
Net Asset Value (NAV) per share (in ₹)	18.00	(974.00)	(1025.00)

**excluding Profit and Loss Account (debit balance)*

Arch Phytochemicals has not made any public issues or rights issue in the preceding three years prior to the date of this Draft Red Herring Prospectus. Arch Phytochemicals is neither a sick company within the meaning of SICA nor is it under winding up.

Arch Phytochemicals currently holds 1,139,908 Equity Shares i.e. 4.6 % of the Pre-Issue Equity Share holding in our Company.

2. Avant Capital Services Private Limited ("Avant Capital")

Avant Capital (CIN: U21000MH1996PTC103102) was incorporated on October 7,1996 as a private limited company in the name of Avant Papers Private Limited under the Companies Act, 1956. The name was subsequently changed to Avant Capital Services Private Limited on February 19, 2008. The registered office of Avant Capital is situated at 11/13, Botawala Building, 4A, 2nd Floor, Horniman Circle, Fort, Mumbai – 400023.

Avant Capital is engaged in the business of providing Financial Investment Advisory Services, management and facilitation services, conducting analysis and assessment providing investment recommendations to venture capital funds, other funds, trusts investment companies, joint ventures, corporate, institutional group and individual investors.

Ajit Kamath, Manoj Jain and Rajendra Kaimal are the promoters of Avant Capital. Avant Capital is an unlisted company. There has been no change in the control or management of Avant Capital in the preceding three years prior to the date of this Draft Red Herring Prospectus.

Shareholding Pattern

The shareholding pattern of Avant Capital as on date of this Draft Red Herring Prospectus is as follows:

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
1.	Ajit Kamath	9,750	75
2.	Manoj Jain	3,250	25
Total		**13,000**	**100**

Board of Directors

The board of directors of Avant Capital comprises of Ajit Kamath and Manoj Jain as on the date of this Draft Red Herring Prospectus.

Financial Information

The summary of audited financial results of Avant Capital is set forth below:

(₹ in Millions, except share data)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	0.13	0.13	0.13
Reserves and Surplus (excluding revaluation reserve if any)	0.00	0.00	0.00
Total Income	0.00	0.00	0.01
Profit/(Loss) after Tax	(0.01)	(0.02)	0.00
Earnings Per Share (EPS) (in ₹)	(0.77)	(1.54)	0.00
Profit and Loss Account (debit balance)	(0.27)	(0.27)	(0.25)
Networth*	(0.14)	(0.14)	(0.12)
Net Asset Value (NAV) per share (in ₹)	(10.77)	(10.77)	(9.23)

**excluding Profit and Loss Account (debit balance)*

Avant Capital has not made any public issues or rights issue in the preceding three years prior to the date of this Draft Red Herring Prospectus. Avant Capital is neither a sick company within the meaning of SICA nor is it under winding up.

Avant Capital currently holds 1,309,770 Equity Shares i.e. 5.28% of the Pre-Issue Equity Share holding in our Company.

3. Arch Impex Private Limited ("Arch Impex")

Arch Impex (CIN: U51900MH2000PTC127806) was incorporated on July 19, 2000 as a private limited company, under the Companies Act, 1956. The registered office of Arch Impex is situated at 'H' Wing, 4th Floor, Tex Centre, Off Saki Vihar Road, Chandivali, Andheri (East), Mumbai - 400072.

Arch Impex is engaged in the business of trading, wholesaling, retailing and dealing in various merchandise, general produce etc.

Ajit Kamath, Manoj Jain and Rajendra Kaimal are the promoters of Arch Impex. Arch Impex is an unlisted company. There has been no change in the control or management of Arch Impex in the preceding three years prior to the date of this Draft Red Herring Prospectus.

Shareholding Pattern

The shareholding pattern of Arch Impex as on date of this Draft Red Herring Prospectus is as follows:

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
1.	Ajit Kamath	1,227,785	49.91
2.	Manoj Jain	735,875	29.91
3.	Rajendra Kaimal	490,000	19.92

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
4.	Ajit Annu Kamath (HUF)	4,625	0.19
5.	Manoj Jain (HUF)	1,625	0.07
6.	Anand Patel, Brinda Patel and Karishma Patel	10	0.00
7.	Mahesh Patel (HUF), Mahesh Patel and Meena Patel	10	0.00
8.	Bhanumati Estate Trust	10	0.00
9.	Brindanand Holdings Private Limited and Brindanand Investments Private Limited	10	0.00
10.	Manisha Gandhi and Yatin Gandhi	10	0.00
11.	Meenanand Holdings Private Limited and Meenanand Tr. & Fin. Private Limited	10	0.00
12.	Peass Exports Private Limited	10	0.00
13.	Minoo Darabsha Mistry and Amy Dinshaw Mistry	10	0.00
14.	Poloroid Investment Private Limited	10	0.00
Total		**2,460,000**	**100**

Board of Directors

The board of directors of Arch Impex comprises Ajit Kamath, Manoj Jain and Rajendra Kaimal as on the date of this Draft Red Herring Prospectus.

Financial Information

The summary of audited financial statements of Arch Impex is set forth below:

(₹ in Millions, except share data)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	24.60	24.60	0.10
Reserves and Surplus (excluding revaluation reserve if any)	0.00	0.00	0.00
Total Income	37.17	11.80	1.07
Profit/(Loss) after Tax	(25.70)	(4.02)	(0.27)
Earnings Per Share (EPS) (in ₹)	(10.45)	(1.63)	(27.00)
Profit and Loss Account (debit balance)	(43.06)	(17.43)	(13.44)
Miscellaneous Expenditure (to the extent not written off)	37.99	37.34	0.00
Networth*	(56.45)	(30.17)	(13.34)
Net Asset Value (NAV) per share (in ₹)	(22.95)	(12.26)	(1334.34)

**excluding Miscellaneous Expenditure (to the extent not written off) and Profit and Loss Account (debit balance)*

Arch Impex has not made any public issues or rights issue in the preceding three years prior to the date of this Draft Red Herring Prospectus. Arch Impex is neither a sick company within the meaning of SICA nor is it under winding up.

Arch Impex currently holds 1,141,307 Equity Shares i.e. 4.61% of the Pre-Issue Equity Share holding in our Company.

4. AMR Investments Private Limited ("AMR Investments")

AMR Investments (CIN: U65190MH2007PTC171972) was incorporated on June 25, 2007 as a private limited company, under the Companies Act, 1956. The registered office of AMR Investments is situated at 11/13, Botawala Building, 4/A, 2nd Floor, Horniman Circle, Fort, Mumbai – 400023.

AMR Investments is engaged in the business of investing and holding securities and to deal in securities as a stock broker, underwriter, agents and brokers.

Ajit Kamath, Manoj Jain and Rajendra Kaimal are the promoters of AMR Investments. AMR Investments is an unlisted company. There has been no change in the control or management of AMR Investments in the preceding three years

prior to the date of this Draft Red Herring Prospectus.

Shareholding Pattern

The shareholding pattern of AMR Investments as on date of this Draft Red Herring Prospectus is as follows:

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
1.	Ajit Kamath	4,940	49.4
2.	Manoj Jain	3,000	30
3.	Rajendra Kaimal	2,000	20
4.	Anil Kumar Patel (HUF) and Jyotiben Patel	10	0.1
5.	Bhargava Patel, Mahesh Patel and Brinda Patel	10	0.1
6.	Chandiwala Enterprises	10	0.1
7.	Meena Patel	10	0.1
8.	Brindanand Investment Private Limited	10	0.1
9.	Meenanand Traders & Financiers Private Limited	10	0.1
Total		**10,000**	**100**

Board of Directors

The board of directors of AMR Investments comprises of Ajit Kamath, Manoj Jain and Rajendra Kaimal as on the date of this Draft Red Herring Prospectus.

Financial Information

The summary of audited financial statements of AMR Investments is set forth below:

(₹ in Millions, except share data)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	0.10	0.10	0.10
Reserves and Surplus (excluding revaluation reserve if any)	3.87	0.54	0.00
Total Income	20.92	1.28	0.00
Profit/(Loss) after Tax	3.33	0.58	(0.04)
Earnings Per Share (EPS) (in ₹)	332.66	57.98	(3.96)
Profit and Loss Account (debit balance)	0.00	0.00	(0.04)
Miscellaneous Expenditure (to the extent not written off)	0.14	0.18	0.23
Networth*	3.83	0.46	(0.17)
Net Asset Value (NAV) per share (in ₹)	383.03	45.81	(16.73)

**excluding Miscellaneous Expenditure (to the extent not written off) and Profit and Loss Account (debit balance)*

AMR Investments has not made any public issues or rights issue in the preceding three years prior to the date of this Draft Red Herring Prospectus. AMR Investments is neither a sick company within the meaning of SICA nor is it under winding up.

AMR Investments currently holds 1,773,531 Equity Shares i.e. 7.16% of the Pre-Issue Equity Share holding in our Company.

5. Arch Pharmachem Limited ("Arch Pharmachem")

Arch Pharmachem (CIN: U24231MH2000PLC129882) was incorporated on December 5, 2000 as a private limited company in the name of Starrazo Pharmachem Private Limited. The name was subsequently changed to Arch Pharmachem Private Limited on December 1, 2003 and was further changed to Arch Pharmachem consequent to its conversion into a public limited company with effect from September 21, 2004.

Arch Pharmachem was originally promoted by Anuradha Bengali, Vidula Walimbe, Vijaykumar Joshi, Saroj Ashok

Tulankar and Madhuri Aniruddha Bhave. Consequent to the share purchase agreement the control of Arch Pharmachem was transferred to our Promoter Directors with effect from July 29, 2003. The registered office of Arch Pharmachem was shifted from Building No. 101, Dhavalgiri Siddhanchal Complex, near Vasant Vihar, Thane (W) to 'H' Wing, 4th Floor, Tex Centre, Off Saki Vihar Road, Chandivali, Andheri (East), Mumbai – 400072 with effect from August 26, 2003.

Arch Pharmachem is engaged in the business of manufacture, processing, dealing, purchasing, selling, formulation etc. of all variety of bulk drugs, intermediates, dyes, chemicals, pharmaceuticals etc.

Ajit Kamath, Manoj Jain and Rajendra Kaimal are the promoters of Arch Pharmachem. Arch Pharmachem is an unlisted company. There has been no change in the control or management of Arch Pharmachem in the preceding three years prior to the date of this Draft Red Herring Prospectus.

Shareholding Pattern

The shareholding pattern of Arch Pharmachem as on date of this Draft Red Herring Prospectus is as follows:

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
1.	Ajit Kamath	580,050	49.98
2.	Manoj Jain	347,950	29.98
3.	Rajendra Kaimal	232,100	20.00
4.	Ajit Annu Kamath (HUF)	100	0.008
5.	Manoj Jain (HUF)	100	0.008
6.	Vidya Kamath	100	0.008
7.	Bindu Jain	100	0.008
Total		**1,160,500**	**100**

Board of Directors

The board of directors of Arch Pharmachem comprises Ajit Kamath, Manoj Jain and Rajendra Kaimal as on the date of this Draft Red Herring Prospectus.

Financial Information

The summary of audited financial statements of Arch Pharmachem is set forth below:

(₹ in Millions, except share data)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	11.61	11.61	1.61
Reserves and Surplus (excluding revaluation reserve if any)	0.00	0.00	0.63
Total Income	78.82	15.73	0.08
Profit/(Loss) after Tax	(29.07)	(1.65)	0.20
Earnings Per Share (EPS) (in ₹)	(25.05)	(1.42)	1.24
Profit and Loss Account (debit balance)	(30.09)	(1.02)	0.00
Miscellaneous Expenditure (to the extent not written off)	0.00	1.55	0.00
Networth*	18.48	9.04	2.24
Net Asset Value (NAV) per share (in ₹)	15.92	7.77	13.91

**excluding Miscellaneous Expenditure (to the extent not written off) and Profit and Loss Account (debit balance)*

Arch Pharmachem has not made any public issues or rights issue in the preceding three years prior to the date of Draft Red Herring Prospectus. Arch Pharmachem is neither a sick company within the meaning of SICA nor is it under winding up.

Arch Pharmachem currently holds 540,237 Equity Shares i.e. 2.18% of the Pre-Issue Equity Share holding in our Company.

Our Promoters Entities

1. Ajit Annu Kamath (HUF)

Ajit Annu Kamath (HUF) was registered as a Hindu undivided family on February 21, 1997 with its office at 404, Ila Apartment, Plot no. 118, R. D. P. 7, Charkop, Kandivli (W), Mumbai - 400067, India.

Ajit Kamath is the karta of the HUF. The members of Ajit Kamath (HUF) are:

1. Ajit Kamath;
2. Vidya Kamath; and
3. Vijita Kamath.

Financial Information

(₹ *in Millions*)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Income	0.39	0.31	0.22

Ajit Annu Kamath (HUF) currently holds 300,100 Equity Shares i.e. 1.21 % of the pre-Issue Equity Share holding in our Company.

2. Manoj Jain (HUF)

Manoj Jain (HUF) was registered as a Hindu undivided family on January 14, 1997 with its office at 4A, Shefali, Mahim Makarand Society, Veer Savarkar Road, Mahim, Mumbai - 400016, Maharashtra, India.

Manoj Jain is the karta of the HUF. The members of Manoj Jain (HUF) are:

1. Manoj Jain;
2. Bindu Jain;
3. Diveek Jain; and
4. Aayushi Jain.

Financial Information

(₹ *in Millions*)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Income	3.36	0.30	0.20

Manoj Jain (HUF) currently holds 100,100 Equity Shares i.e. 0.4% of the pre-Issue Equity Share holding in our Company.

Declaration

Our Company confirms that the PAN, bank account number, the company registration number of our Corporate Promoters and the address of the Registrar of Companies where our Corporate Promoters are registered will be submitted to the Stock Exchanges, at the time of the filing of this Draft Red Herring Prospectus with the Stock Exchanges.

Our Promoters have confirmed that they have not been declared as willful defaulter by RBI or any other government authority and there are no violations of securities laws committed by our Promoters in the past nor any such proceedings are pending against our Promoters. Our Promoters have further confirmed that they have not been prohibited or debarred from accessing or operating in the capital markets for any reasons, or restrained from buying, selling or dealing in securities, under any order or directions made by SEBI or any other authorities and that no action has been taken against them or any entity promoted or controlled by them by any regulatory authorities except as below:

Arch Investment Private Limited SEBI Regn. No: INB200969732	Arch Investment Private Limited, one of our Group Companies, was registered with SEBI as a Dealer with the OTCEI. SEBI *vide* its order dated August 12, 2009 had suspended the certificate of registration of Arch Investment Private Limited under Section 19 of SEBI Act for non payment of fees as

	prescribed under *Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992* for a period of 6 months or till the time the outstanding fee is paid. OTCEI *vide* its notice dated September 1, 2010 advised Arch Investment Private Limited to comply with SEBI/ OTCEI requirements with regard to the documents and outstanding dues. Arch Investment Private Limited replied to the said notice submitted the outstanding documents and fees. Arch Investment Private Limited has paid the said fees on November 16, 2010. For further information please refer the chapter titled '***Outstanding Litigations and Material Developments***' beginning on page 302.

Payment or Benefit to our Promoters, Promoter Group and Group Companies

Except as stated in the chapter titled "***Related Party Transactions"*** on page 187**,** "***Annexure VII – Consolidated Statement of Related Party Transactions"*** and "***Annexure VII – Unconsolidated Statement of Related Party Transactions"*** beginning on pages 211 and 249 in the chapter "***Financial Statements"*** on page 192, there has been no payment of benefits to our Promoters, Promoter Group or Group Companies during the last two years prior to the date of this Draft Red Herring Prospectus.

Further, as on the date of this Draft Red Herring Prospectus, there is no bonus or profit sharing plan for our Promoters.

PROMOTER GROUP

Our Promoter Group in terms of Regulation 2(1) (za) and 2(1) (zb) of the SEBI ICDR Regulations is as under:

Individual Promoters – Promoter Group

(A) (I) Immediate relatives of Individual Promoters			
Relationship	**Ajit Kamath**	**Manoj Jain**	**Rajendra Kaimal**
Spouse	Vidya Kamath	Bindu Jain	Sheela Kaimal
Mother	Anuradha Kamath	Khamabai Jain	Padmavathy Kondath Kaimal
Father	Annu Kamath	Tejraj Jain	Varaparampil Kaimal
Brother	Arvind Kamath	None	Krishna Kumar Kaimal
Sisters	None	Kusum Punamiya Purnima Kitawat Sangeeta Parekh Bharti Kothari Anita Shah Meena Jain	None
Daughter	Vijita Kamath	Aayushi Jain	Madhavi Kaimal
Son	None	Diveek Jain	Arjun Kaimal
Relationship	**Vidya Kamath**	**Bindu Jain**	**Spouse of Rajendra Kaimal (Sheela Kaimal)**
Spouse	Ajit Kamath	Manoj Jain	Rajendra Kaimal
Mother	Prafulla Manjunath Nayak	Sayerdevi Jain	Tulasi Nair
Father	Kadet Manjunath Nayak	Sohanraj Jain	Arvind Nair
Brother	None	Ramesh Jain Ashok Jain	Ajit Nair Anil Nair
Sister	Sudha Shenoy Vinaya Prabhavalkar Anita Nayak Roopa Kamath	Suraj Devi Meena Mehta	None
Daughter	Vijita Kamath	Aayushi Jain	Madhavi Kaimal
Son	None	Diveek Jain	Arjun Kaimal

(A)(II) Except as stated below, there are no body corporates in which ten per cent. or more of the equity share capital is held by our Individual Promoters or immediate relatives of the Individual Promoter or a firm or Hindu Undivided Family in which the Individual Promoters or any one or more of their immediate relatives are members or any company in which a body corporates mentioned below, hold 10% or more of the total holding		
AMR Investment Private Limited	Arch Phytochemicals Private Limited	AMRA Industries Limited
Arch Investment Private Limited	Arch Impex Private Limited	Ajit Annu Kamath (HUF)
Avant Capital Services Private Limited	Arch Pharmachem Limited	Manoj Jain (HUF)
Arch Herbals Private Limited	Marm Realty Private Limited	Arch Infraventures Limited
AMRA Remedies Limited		

Corporate Promoter – Promoter Group

(B) (I) A subsidiary or holding company of our Corporate Promoters		
Name of the company	**Name of the Corporate Promoter**	**Number of Shares held by our Corporate Promoter**
None	None	None

(B) (II) Any company in which the Corporate Promoter holds 10% or more of the equity capital or any company which holds 10% or more of the equity capital of the Promoter
AMRA Industries Limited

(B) (III) Any company in which a Group of individuals or companies or combinations thereof who holds 20% or more of the equity capital in that company, also hold 20% or more of the equity capital of the issuer company		
Name of the company	**Name of the Corporate Promoter**	**Number of Shares held by our Corporate Promoters put together**
None		

(C) (III) All persons whose shareholding is aggregated for the purpose of disclosing in the prospectus under the heading "shareholding of the promoter group":
None

OUR GROUP COMPANIES

Unless otherwise specifically stated, no equity shares of any of our Group Companies are listed on any stock exchange and they have not made any public or rights issue of securities in the preceding three years. Additionally, none of our Group Companies has become a sick company under the provisions of SICA or are not in the process of winding-up. None of our Group Companies had remained defunct and application was made to the Registrar of Companies to strike of the name of the company in the preceding five years from the date of this Draft Red Herring Prospectus.

The details of all of our Group Companies are as follows.

1. AMRA Industries Limited ("AMRA")

AMRA (CIN: U26100MH2000PLC125507) was incorporated as Tube Glass Containers Limited on March 31, 2000 as a public limited company, under the Companies Act, 1956. The name of the company was changed to AMRA Industries Limited pursuant to a fresh certificate of incorporation dated January 17, 2011, issued by the Registrar of Companies, Maharashtra, Mumbai. The registered office of AMRA is situated at Plot No. 17 & 18, MIDC Industrial Estate, Badlapur, Thane, Maharashtra - 421503. AMRA is an unlisted company. AMRA has applied to the RoC to change its name back to Tube Glass Containers Limited on February 24, 2011.

AMRA is engaged in the business of manufacturing of Glass Ampoules, vials, tubes and similar glass products used primarily in the pharmaceutical industries.

As on date of this Draft Red Herring Prospectus, our Promoters jointly hold 100% (directly and indirectly) of the issued and paid up capital of AMRA.

Shareholding Pattern

The shareholding pattern of AMRA as on date of this Draft Red Herring Prospectus is as follows:

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
1.	Arch Impex Private Limited	4,271,400	43.95
2.	Arch Phytochemicals Private Limited	2,132,400	21.94
3.	Arch Herbals Private Limited	1,056,600	10.87
4.	Ajit Annu Kamath (HUF)	987,960	10.17
5.	Manoj Jain (HUF)	731,760	7.53
6.	Rajendra Kaimal	537,621	5.53
7.	M. Anantharaman	59	0.00
Total		**9,717,800**	**100**

There has been no change in control or management of AMRA in the preceding three years prior to the date of this Draft Red Herring Prospectus.

Financial Information

The summary of audited financial statements of AMRA is set forth below.

(₹ in Millions, except share data)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	97.18	97.18	97.18
Reserves and Surplus (excluding revaluation reserve if any)	50.17	39.24	29.49
Total Income	400.01	352.21	271.74
Profit/(Loss) after Tax	14.46	13.30	13.44
Earnings Per Share (EPS) (in ₹)	1.49	1.37	1.38
Miscellaneous Expenditure (to the extent not written off)	0.31	0.49	0.68
Networth*	147.04	135.92	125.99
Net Asset Value (NAV) per share (in ₹)	15.13	13.99	12.96

**excluding Miscellaneous Expenditure (to the extent not written off)*

AMRA has not made any public issues or rights issue in three years prior to the date of this Draft Red Herring Prospectus. AMRA is neither a sick company within the meaning of SICA nor is it under winding up.

2. Arch Investment Private Limited ("Arch Investment")

Arch Investment (CIN: U65993MH1997PTC107197) was incorporated on April 10, 1997 as a private limited company, under the Companies Act, 1956. The registered office of Arch Investment is situated at 11/13, Botawala Building, 4A, 2nd Floor, Horniman Circle, Fort, Mumbai – 400023. Arch Investment is an unlisted company.

Arch Investment is currently engaged in the business of shares and securities broking, underwriting, and to acquire, sell, hold, invest or otherwise deal in debenture, debenture stocks, shares, securities, including Government Securities, promissory notes, Bills of Exchange and all other financial instruments and also to acquire the membership of Stock Exchanges. It is currently registered with SEBI as a Dealer (Regn. No. INB200969732) and is a member of OCTEI.

As on date of this Draft Red Herring Prospectus, our Promoters jointly hold 100% of the issued and paid up capital of Arch Investment.

Shareholding Pattern

The shareholding pattern of Arch Investment as on date of this Draft Red Herring Prospectus is as follows:

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
1.	Ajit Kamath	50,000	50
2.	Manoj Jain	50,000	50
Total		**100,000**	**100**

There has been no change in control or management of Arch Investment in the preceding three years prior to the date of this Draft Red Herring Prospectus.

Financial Information

The summary of audited financial statements of Arch Investment is set forth below.

(₹ in Millions, except share data)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	1.00	1.00	1.00
Reserves and Surplus (excluding revaluation reserve if any)	1.00	1.00	1.00
Total Income	0.04	0.05	0.04
Profit/(Loss) after Tax	0.00	0.02	0.02
Earnings Per Share (EPS) (in ₹)	0.00	0.21	0.20
Profit and Loss Account (debit balance)	(0.13)	(0.14)	(0.16)
Miscellaneous Expenditure (to the extent not written off)	0.00	0.00	0.00
Networth*	1.87	1.86	1.84
Net Asset Value (NAV) per share (in ₹)	18.70	18.60	18.40

**excluding Miscellaneous Expenditure (to the extent not written off) and Profit and Loss Account (debit balance)*

Arch Investment has not made any public issues or rights issue in three years prior to the date of this Draft Red Herring Prospectus. Arch Investment is neither a sick company within the meaning of SICA nor is it under winding up.

3. Arch Herbals Private Limited ("Arch Herbals")

Arch Herbals (CIN: U24233MH2000PTC126987) was incorporated on June 5, 2000 as a private limited company, under the Companies Act, 1956. The registered office of Arch Herbals is situated at "H" Wing, 4th Floor, Tex Centre, Off Saki Vihar Road, Chandivali, Andheri (East), Mumbai – 400072. Arch Herbals is an unlisted company.

Arch Herbals is engaged in the business of manufacture, production, preparation, buying, selling, exports, imports, distribution, packaging and trading in all kinds of Herbal products and also engaging in services of farming activities in Herbal products, both solids and liquids and to set up manufacturing facilities in connection with the above business.

As on date of this Draft Red Herring Prospectus, our Promoters jointly hold 100% of the issued and paid up capital of Arch Herbals.

Shareholding Pattern

The shareholding pattern of Arch Herbals as on date of this Draft Red Herring Prospectus is as follows:

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
1.	Ajit Kamath	2,370	23.70
2.	Manoj Jain	750	7.50
3.	Ajit Annu Kamath (HUF)	5,130	51.30
4.	Manoj Jain (HUF)	1,750	17.50
Total		**10,000**	**100**

There has been no change in control or management of Arch Herbals in the preceding three years prior to the date of this Draft Red Herring Prospectus.

Financial Information

The summary of audited financial statements of Arch Herbals is set forth below.

(₹ in Millions, except share data)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	0.10	0.10	0.10
Reserves and Surplus (excluding revaluation reserve if any)	0.00	0.00	0.00
Total Income	0.00	0.26	0.26
Profit/(Loss) after Tax	(0.02)	0.24	0.18
Earnings Per Share (EPS) (in ₹)	(2.00)	24.09	17.58
Profit and Loss Account (debit balance)	(1.09)	(1.07)	(1.31)
Miscellaneous Expenditure (to the extent not written off)	0.00	0.00	0.00
Networth*	(0.99)	(0.97)	(1.21)
Net Asset Value (NAV) per share (in ₹)	(99.27)	(97.27)	(121.36)

**excluding Miscellaneous Expenditure (to the extent not written off) and Profit and Loss Account (debit balance)*

Arch Herbals has not made any public issues or rights issue in three years prior to the date of this Draft Red Herring Prospectus. Arch Herbals is neither a sick company within meaning of SICA nor is it under winding up.

4. Marm Realty Private Limited ("Marm Realty")

Marm Realty (CIN: U45200AP2006PTC051039) was incorporated on September 1, 2006 as a private limited company, under the Companies Act, 1956. The registered office of Marm Realty is situated at "Sainath 389, Road No. 14, Banjara Hills, Hyderabad, Andhra Pradesh – 500034". Marm Realty is an unlisted company.

Marm Realty is interalia authorised to construct, erect, build, repair, remodel, demolish, develop, improve, grades, curve, pave, macadamize, cement, and maintain buildings, structures, houses, apartments, hospitals, etc. and to do other construction activities, leveling or paying work, and for these purposes to purchase, take on lease or otherwise acquire and hold any lands, and prepare lay-out thereon or buildings of any tenure or description wherever situate, or rights or interests therein or connected there with, or any other structural or architectural work of any kind whatsoever and for such purpose to prepare estimates, designs, plans, specification or models. To carry on the business of infrastructure development, property development, real estate, property management, and maintenance services, construction related services and to act in by any capacity what so ever in relation to afore stated business.

As on date of this Draft Red Herring Prospectus, our Promoters jointly hold 75% of the issued and paid up capital of Marm Realty.

Shareholding Pattern

The shareholding pattern of Marm Realty as on date of this Draft Red Herring Prospectus is as follows:

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
1.	Ajit Kamath	25,000	25
2.	Manoj Jain	25,000	25
3.	Rajendra Kaimal	25,000	25
4.	T. Mallikarjuna Reddy	2,500	2.5
5.	Sainath Investments Private Limited	22,500	22.5
Total		**100,000**	**100**

There has been no change in control or management of Marm Realty in the preceding three years prior to the date of this Draft Red Herring Prospectus.

Financial Performance

The summary of audited financial statements of Marm Realty is set forth below.

(₹ in Millions, except share data)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	1.00	1.00	0.10
Reserves and Surplus (excluding revaluation reserve if any)	0.00	0.00	0.00
Total Income	0.00	0.00	0.00
Profit/(Loss) after Tax	(0.02)	0.02	(0.01)
Earnings Per Share (EPS) (in ₹)	(0.64)	(0.20)	(0.10)
Profit and Loss Account (debit balance)	(0.06)	(0.04)	(0.03)
Miscellaneous Expenditure (to the extent not written off)	0.01	0.02	0.02
Networth*	1.06	0.94	0.05
Net Asset Value (NAV) per share (in ₹)	10.56	9.40	4.85

**excluding Miscellaneous Expenditure (to the extent not written off) and Profit and Loss Account (debit balance)*

Marm Realty has not made any public issues or rights issue in the preceding three years prior to the date of this Draft Red Herring Prospectus. Marm Realty is neither a sick company within the meaning of SICA nor is under winding up.

5. Arch Infra Ventures Limited ("Arch Infra Ventures")

Arch Infra Ventures (CIN: U45200MH2007PLC175780) was incorporated on November 7, 2007 as a public limited company, under the Companies Act, 1956. The registered office of Arch Infra Ventures is situated at "H" Wing, 4th Floor, Tex Centre, Off Saki Vihar Road, Chandivali, Andheri (East), Mumbai – 400072. Arch Infra Ventures is an unlisted company.

Arch Infra Ventures is authorised by its Memorandum of Association to carry out all types of construction, execution, development, maintenance and implementation of all types of civil, mechanical, works in India, development of Special Economic Zones [SEZs] related to pharmaceutical and other industries and elsewhere such as residential, and commercial complexes, row houses, independent houses, group houses, farm houses, residential or other layouts, real estate business, clubs, sports centers, swimming pools, gymnasiums, stadiums, tracks, hospitals, dispensaries, operation theatres, hotels, motels, pubs, discotheques, warehouses, markets, shops, showrooms, shopping, public workshop mails, plazas, function halls, multiplexes, cinema halls, theatres, broadcasting centers, studious, auditoriums, planetariums, places of mass gathering, public workshop and amusement parks, courts, libraries, parliament buildings, bank buildings, railway stations and tracks, bus stops and stations, roads, bridges, highways and flyovers, airports, ports reservoirs, wharves, off shore and on shore drilling stations, parking areas, hangars, runways, storage tanks, mines and quarries, bunkers, pipelines, thermal stations, electrical installations, sewerage systems, drainage systems, water ways and pipelines, gas lines, factories, furnaces, power projects end structures of any description whatsoever, whether for public or private use including monuments.

As on date of this Draft Red Herring Prospectus, our Promoters jointly hold 0.14 % of the issued and paid up capital of Arch Infra Ventures.

Shareholding Pattern

The shareholding pattern of Arch Infra Ventures as on date of this Draft Red Herring Prospectus is as follows:

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
1.	Ajit Kamath	30	0.06

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
2.	Manoj Jain	10	0.02
3.	Rajendra Kaimal	10	0.02
4.	Ajit Annu Kamath (HUF)	10	0.02
5.	Manoj Jain (HUF)	10	0.02
6.	Annu Kamath	24,965	49.93
7.	Tejraj Jain	24,965	49.93
Total		**50,000**	**100**

There has been no change in control or management of Arch Infra Ventures in the preceding three years prior to the date of this Draft Red Herring Prospectus.

Financial Information

The summary of audited financial statements of Arch Infra Ventures is set forth below.

(₹ in Millions, except share data)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity Share Capital (par value ₹10 per equity share)	0.50	0.50	0.50
Reserves and Surplus (excluding revaluation reserve if any)	0.00	0.00	0.00
Total Income	0.00	0.00	0.00
Profit/(Loss) after Tax	(0.03)	(0.01)	(0.01)
Earnings Per Share (EPS) (in ₹)	0.54	0.24	0.15
Profit and Loss Account (debit balance)	(0.05)	(0.02)	(0.01)
Miscellaneous Expenditure (to the extent not written off)	(0.01)	(0.02)	(0.02)
Networth*	0.44	0.46	0.47
Net Asset Value (NAV) per share (in ₹)	8.80	9.25	9.40

**excluding Miscellaneous Expenditure (to the extent not written off) and Profit and Loss Account (debit balance)*

Arch Infra Ventures has not made any public issues or rights issue in the preceding three years prior to the date of this Draft Red Herring Prospectus. Arch Infra Ventures is neither a sick company within the meaning of SICA nor is under winding up.

6. AMRA Remedies Limited ("AMRA Remedies")

AMRA Remedies (CIN: U24239MH2011PLC213956) was incorporated on February 23, 2011 as a public limited company, under the Companies Act, 1956. The registered office of AMRA Remedies is situated at "H" Wing, 4th Floor, Tex Centre, Off Saki Vihar Road, Chandivali, Andheri (East), Mumbai – 400 072. AMRA Remedies is an unlisted company.

AMRA Remedies is engaged in the business of manufacture of chemical and chemical products.

As on date of this Draft Red Herring Prospectus, our Promoters jointly hold 100% of the issued and paid up capital of AMRA Remedies.

Shareholding Pattern

The shareholding pattern of AMRA Remedies as on date of this Draft Red Herring Prospectus is as follows:

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
1.	Ajit Kamath	24,800	49.6
2.	Manoj Jain	14,800	29.6
3.	Rajendra Kaimal	10,000	20
4.	Ajit Annu Kamath (HUF)	100	0.2
5.	Manoj Jain (HUF)	100	0.2

Sr. No.	Name of Shareholder	Number of Shares	Percentage (%)
6.	Vidya Kamath	100	0.2
7.	Bindu Jain	100	0.2
Total		**50,000**	**100**

As AMRA Remedies has been incorporated in the year 2011, there has been no change in control or management of AMRA Remedies in the preceding three years prior to the date of this Draft Red Herring Prospectus.

Financial Information

As AMRA Remedies has been incorporated in the year 2011, has not yet commenced business and has not completed one year of operations no audited accounts of the company has been prepared as on date.

AMRA Remedies has not made any public issues or rights issue. AMRA is neither a sick company within the meaning of SICA nor is it under winding up.

Defunct / Struck-off Companies

None of our Promoters or Group Companies has become defunct in the five years preceding the date of this Draft Red Herring Prospectus. However Accenture Hospitality Private Limited was struckoff under a scheme made available by the Ministry of Corporate Affairs.

Sr. No.	Name of the Promoter or Group Entity	Relationship	Status	Year
1.	Accenture Hospitality Private Limited	Group Company	Struck off	February 28, 2011

Disassociation by our Promoters in the preceding three years

None of our Promoters have disassociated themselves from any of the companies, firms, or other entities during the last three years immediately preceding the date of this Draft Red Herring Prospectus except as given below:

Sr. No.	Name of company from which our Promoters disassociated	Name of our Promoters	Reasons for Disassociation	Year
1.	Benzochem Lifesciences Private Limited	Ajit Kamath, Manoj Jain and Rajendra Kaimal	Divestment	March, 2010
2.	Exela Holdings Inc.	Ajit Kamath, Manoj Jain and Rajendra Kaimal	Divestment	January, 2011
3	Accenture Hospitality Private Limited	Ajit Kamath and Manoj Jain	Struck off	February, 2011

Interests of our Promoters and Group Companies

Our Promoters may be deemed to be interested in the promotion of our Company to the extent of shares held by them and in case of our Individual Promoters, also to the extent of shares held by their relatives. As on the date of this Draft Red Herring Prospectus, our Promoters together hold 8,492,387 Equity Shares of our Company i.e. 34.27% of the pre-Issue paid-up Equity Share capital of our Company.

Our Individual Promoters may also benefit from holding directorship in our Company. Further, our Individual Promoters are also directors on the boards of or are members of certain Group Companies and they may be deemed to be interested to the extent of the payments made by our Company, if any, to these Group Companies.

Except as stated otherwise in this Draft Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Draft Red Herring Prospectus in which our Promoters are directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by our Company other than in the normal course of business. For further information please refer to "***Related Party Transactions"*** on page 187, "***Annexure VII – Consolidated Statement of Related Party Transactions"*** and

"***Annexure VII – Unconsolidated Statement of Related Party Transactions, as restated***" beginning on pages 211 and 249 in the chapter "***Financial Statements***" on page 192.

Further, except to the entitlement to dividend on its shares and as stated above and as stated otherwise under the paragraphs titled "***Shareholding of our Directors***" and "***Interest of Directors***" in the chapter titled "***Our Management***" beginning on page 148 and paragraph titled "***Our Properties***" in the chapter titled "***Our Business***" beginning on page 86, our Individual Promoters do not have any other interests in our Company as on the date of this Draft Red Herring Prospectus.

Sales between Group Companies, Subsidiaries and Associates

There have been no sales and purchases between Group Companies, Subsidiaries and our associate companies, when such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of our Company except as disclosed in the chapter titled "***Related Party Transactions***" on page 187, "***Annexure VII – Consolidated Statement of Related Party Transactions***" and "***Annexure VII – Unconsolidated Statement of Related Party Transactions, as restated***" beginning on pages 211 and 249 in the chapter "***Financial Statements***" on page 192.

Interest in the property of Company

Our Promoters and Group Companies confirm that they have no interest in any property acquired by our Company within two years preceding the date of date of this Draft Red Herring Prospectus, or proposed to be acquired by our Company, save and except as stated in paragraph titled "***Our Properties***" under chapter "***Our Business***" beginning on page 86 and "***Our Management***" beginning on page 148.

Other Confirmations

None of our Company, our Subsidiaries, our Promoters, Promoter Group, Directors, Group Companies and natural persons in control of our Corporate Promoters and any other entities with which our Promoters, Directors or persons in control of our Company are associated as promoters or directors or persons in control are and have been prohibited or debarred from accessing or operating in the capital markets for any reasons, or restrained from buying, selling or dealing in securities, under any order or directions made by SEBI or any other authorities, and there are no violations of securities laws committed by any of them in the past or pending against them except as follows:

Arch Investment Private Limited SEBI Regn. No: INB200969732	Arch Investment Private Limited, one of our Group Companies, was registered with SEBI as a Dealer with the OTCEI. SEBI *vide* its order dated August 12, 2009 had suspended the certificate of registration of Arch Investment Private Limited under Section 19 of SEBI Act for non payment of fees as prescribed under *Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992* for a period of 6 months or till the time the outstanding fee is paid. OTCEI *vide* its notice dated September 1, 2010 advised Arch Investment Private Limited to comply with SEBI/ OTCEI requirements with regard to the documents and outstanding dues. Arch Investment Private Limited replied to the said notice submitted the outstanding documents and fees. Arch Investment Private Limited has paid the said fees on November 16, 2010. For further information please refer the chapter titled '***Outstanding Litigations and Material Developments***' beginning on page 302.

None of our Company, our Subsidiaries, our Promoters, relatives of our Individual Promoters (as defined under the Companies Act), Directors, Group Companies are and has been declared as willful defaulters by the RBI or any other authority. There are no violations of securities laws committed by them in the past or pending against them.

None of our Corporate Promoters or our Group Companies has become a sick company under the meaning of the Sick Industrial Companies Act, 1985, and no winding up proceedings have been initiated against them, and no application has been made in respect of any of them, to the Registrar of Companies for striking off their names.

For details of legal and regulatory proceedings involving our Promoters and Group Companies, please refer to chapter titled "***Outstanding Litigations and Material Developments***" on page 302.

Common Pursuits

Two of our Corporate Promoters, namely Arch Impex Private Limited and Arch Pharmachem Limited and two of our Group Companies, namely AMRA Industries Limited and AMRA Remedies Limited have their objects that are similar to ours. We have not entered into any non-compete agreements with these entities and this could lead to conflicts of interest.

RELATED PARTY TRANSACTIONS

Transactions with Related Parties on Consolidated basis	Nature of Transaction	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
							(₹ *in Millions*)
i) Associates							
Arch Financial Services (Bombay) Private Limited	Rent for Office Premises	-	-	-	-	-	1.20
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	5.00
ii) Key Management Personnel							
Mr. Ajit A. Kamath	Salary	2.14	4.53	4.51	2.27	1.57	1.55
Mr. Manoj T. Jain	Salary	1.98	3.78	3.76	2.26	1.25	1.24
Mr. Rajendra P. Kaimal	Salary	1.65	3.31	3.28	2.25	1.13	1.12
Mr. T. Mallikarjuna Reddy	Salary	1.98	3.95	3.26	1.06	1.01	1.01
Mr. Subhash P. Mali	Salary	-	-	-	-	-	1.12
iii) Enterprises over which Key Management Personnel and their relatives exercise significant influence:							
AMR Investments Private Limited	Share Application Money Received	100.00	250.00	-	-	-	-
	Share Application Money Adjusted	(350.00)	-	-	-	-	-
	Equity Share Capital Issued	8.75	-	-	-	-	-
	Security Premium Received	341.25	-	-	-	-	-
Arch Pharmachem Limited	Share Application Money received	-	50.00	-	-	-	-
	Share Application Money Adjusted	(50.00)	-	-	-	-	-
	Equity Share Capital Issued	1.25	-	-	-	-	-
	Security Premium Received	48.75	-	-	-	-	-
	Interest on Debentures Paid	3.57	78.36	-	-	-	-
	Inter Corporate Deposit	-	-	-	-	-	2.26
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
	Debenture Issued	-	50.00	500.00	-	-	-
	Debenture Redeemed	50.00	500.00	-	-	-	-
	Outstanding Balance Debit /(Credit)	-	(50.00)	(500.00)	-	-	-

Transactions with Related Parties on Consolidated basis	Nature of Transaction	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
Arch Impex Private Limited	Inter Corporate Deposit Given	-	-	0.20	-	-	17.21
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
	Share Application Money received	100.00	-	-	-	-	-
	Share Application Money Adjusted/Refunded	(100.00)	-	-	-	-	-
	Equity Share Capital Issued	2.50	-	-	-	-	-
	Security Premium Received	98.75	-	-	-	-	-
	Loan Taken	-	-	3.65	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	(8.11)	-	-	-
	Debenture Issued	-	-	250.00	-	-	-
	Debenture Redeemed	50.00	200.00	-	-	-	-
	Outstanding Balance Debit /(Credit)	-	(50.00)	(250.00)	-	-	-
	Interest on Debentures paid	3.57	35.63	10.74	-	-	-
Vijeta Trading Private Limited	Rent for Office Premises	-	0.90	1.05	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
Sainath Investments Private Limited	Rent for Office Premises	0.38	0.68	0.62	0.41	0.97	0.91
	Rent for Office Guest House	0.85	1.46	1.23	0.83	-	-
	Outstanding Balance Debit /(Credit)	(0.19)	(0.18)	(0.14)	(0.13)	(0.06)	(0.06)
	Outstanding Balance of Security Deposit Debit	1.33	1.33	1.33	1.33	1.33	1.33

For further details on our related party transactions on consolidated and unconsolidated basis please refer to "***Annexure VII – Consolidated Statement of Related Party Transactions***" and "***Annexure VII – Unconsolidated Statement of Related Party Transactions, as restated***" beginning on pages 211 and 249 in the chapter "***Financial Statements***" on page 192.

Transactions with Related Parties on Un-consolidated basis	Nature of Transaction	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
							(₹in Millions)
i) Subsidiaries/Fellow Subsidiary							
Arch Pharmalabs (USA) Inc.	Advances Given	31.75	46.33	54.28	11.91	12.72	9.65
	Outstanding Balance Debit /(Credit)	166.63	134.88	88.56	34.28	22.37	9.65
Arch Life Sciences Limited	Investment	-	-	-	117.37	-	-
	Outstanding Balance Debit /(Credit)	147.37	147.37	147.37	147.37	-	-
	Purchases	-	-	3.16	75.31	-	-
	Outstanding Balance Debit /(Credit)	-	-	(52.98)	(0.01)	-	-
	Sales	-	-	28.01	79.54	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	41.55	-	-
	Advances Given	-	-	-	313.80	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	102.50	-	-
	Business Acquisition	-	-	52.95	-	-	-
	Outstanding Balance Debit /(Credit)	(44.56)	(44.90)	(52.98)	-	-	-
Arch Finechemicals Ltd.	Investment	-	-	-	47.82	-	-
	Outstanding Balance Debit /(Credit)	47.82	47.82	47.82	47.82	-	-
	Purchases	-	-	21.26	242.00	-	-
	Outstanding Balance Debit /(Credit)	-	-	(88.22)	(83.77)	-	-
	Sales	-	-	38.73	48.28	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	3.15	-	-
	Advances Given	-	-	-	84.44	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
	Business Acquisition	-	-	100.16	-	-	-
	Outstanding Balance Debit /(Credit)	(78.58)	(78.66)	(88.22)	-	-	-
Avon Organics Limited	Investment	-	-	98.33	196.18	-	-
	Outstanding Balance Debit /(Credit)	294.51	294.51	294.51	196.18	-	-
	Purchases	26.41	70.80	77.64	311.62	-	-
	Outstanding Balance Debit /(Credit)	240.90	260.73	167.64	(43.52)	-	-
	Sales	23.54	34.40	70.69	96.06	-	-
	Outstanding Balance Debit /(Credit)	13.53	19.94	78.23	46.37	-	-
	Advances/Deposit Given	-	-	150.00	36.10	-	-
	Outstanding Balance Debit /(Credit)	186.10	186.10	186.10	36.10	-	-
	Purchases of Fixed Assets	-	1.60	-	-	-	-
	Interest on Deposit	1.38	-	-	-	-	-
	Conversion Charges paid	8.49	14.55	-	-	-	-
	Guarantee Given	1,045.00	1,045.00	575.00	-	-	-
Benzochem Life Sciences Private Limited	Investment	-	-	225.00	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	225.00	-	-	-
	Purchases	-	-	22.04	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	(278.26)	-	-	-
	Sales	-	-	1.73	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-

	Business acquisition	-	-	319.97	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	(278.26)	-	-	-
Arch Europe Limited UK	Investment	-	-	-	-	-	3.94
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	3.94
ii) Associates							
Arch Financial Services (Bombay) Private Limited	Rent for Office Premises	-	-	-	-	-	1.20
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	5.00
iii) Key Management Personnel							
Mr. Ajit A. Kamath	Salary	2.14	4.53	4.51	2.27	1.57	1.55
Mr. Manoj T. Jain	Salary	1.98	3.78	3.76	2.26	1.25	1.24
Mr. Rajendra P. Kaimal	Salary	1.65	3.31	3.28	2.25	1.13	1.12
Mr. T. Mallikarjuna Reddy	Salary	1.98	3.95	3.26	1.06	1.01	1.01
Mr. Subhash P. Mali	Salary	-	-	-	-	-	1.12
iv) Enterprises over which Key Management Personnel and their relatives exercise significant influence:							
AMR Investments Private Limited	Share Application Money Received	100.00	250.00	-	-	-	-
	Share Application Money Adjusted	(350.00)	-	-	-	-	-
	Equity Share Capital Issued	8.75	-	-	-	-	-
	Security Premium Received	341.25	-	-	-	-	-
Arch Pharmachem Limited	Share Application Money received	-	50.00	-	-	-	-
	Share Application Money Adjusted	(50.00)	-	-	-	-	-
	Equity Share Capital Issued	1.25	-	-	-	-	-
	Security Premium Received	48.75	-	-	-	-	-
	Interest on Debentures Paid	3.57	78.36	-	-	-	-
	Inter Corporate Deposit	-	-	-	-	-	2.26
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
	Debenture Issued	-	50.00	500.00	-	-	-
	Debenture Reedemed	50.00	500.00	-	-	-	-
	Outstanding Balance Debit /(Credit)	-	(50.00)	(500.00)	-	-	-
Arch Impex Private Limited	Inter Corporate Deposit Given	-	-	0.20	-	-	17.21
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
	Share Application Money received	100.00	-	-	-	-	-
	Share Application Money Adjusted/Refunded	(100.00)	-	-	-	-	-
	Equity Share Capital Issued	2.50	-	-	-	-	-
	Security Premium Received	98.75	-	-	-	-	-
	Loan Taken	-	-	3.65	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	(8.11)	-	-	-
	Debenture Issued	-	-	250.00	-	-	-
	Debentutre Reedemed	50.00	200.00	-	-	-	-
	Outstanding Balance Debit /(Credit)	-	(50.00)	(250.00)	-	-	-
	Interest on Debentures paid	3.57	35.63	10.74	-	-	-
Vijeta Trading Private Limited	Rent for Office Premises	-	0.90	1.05	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
Sainath Investments Private Limited	Rent for Office Premises	0.38	0.68	0.62	0.41	0.97	0.91
	Rent for Office Guest House	0.85	1.46	1.23	0.83	-	-
	Outstanding Balance Debit /(Credit)	(0.19)	(0.18)	(0.14)	(0.13)	(0.06)	(0.06)
	Outstanding Balance of Security Deposit Debit	1.33	1.33	1.33	1.33	1.33	1.33

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, general financial conditions, capital requirements, results of operations, contractual obligations and overall financial position, applicable Indian legal restrictions, our Articles of Association and other factors considered relevant by the Board of Directors. Our Company has not paid any dividends on equity shares in the past and it has no stated dividend policy.

In addition, our ability to pay dividends may be impacted by a number of factors, including restrictive covenants under the loan or financing arrangements we may have entered into to finance our various projects and also the fund requirements for our projects.

Our Company's corporate actions pertaining to payment of dividends are not to be taken as being indicative of the payment of dividends by our Company in the future.

Our Company has however paid dividends to the preference shareholders in the following years:

(₹in Millions)

	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Amount Paid	4.69	7.5	2.73	9	0.29	1.4

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

AUDITORS' REPORT

To

The Board of Directors
Arch Pharmalabs Limited
4th Floor, 'H' Wing, Tex centre,
Off. Saki Vihar Road, Chandivali,
Andheri (East), Mumbai – 400 072

1. We, M/s Chaturvedi & Shah, Chartered Accountants ("C&S") and M/s Nayak & Rane, Chartered Accountants ("N&R") (collectively "the Joint Statutory Auditors"), have examined the Restated Consolidated Financial Information of Arch Pharmalabs Limited ("the Company") and its subsidiaries and associate for the respective years / period under consolidation as given in the para no. 3 (collectively referred to as 'Group') as attached to this report and initialed by us for identification. The said Restated Consolidated Financial Information which has been prepared from the audited consolidated financial statements for the six months period ended September 30, 2010 and for the financial years ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 and is approved by the Board of Directors and prepared by the Company in accordance with the requirements of:

   a. Paragraph B(1) of Part II of Schedule II of the Companies Act, 1956, as amended (the "Act"); and

   b. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended to date (the "SEBI Regulations") issued by the Securities and Exchange Board of India ("SEBI"), in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

2. We have examined such Restated Consolidated Financial Information taking into consideration:

   a. The terms of our engagement agreed upon with you in accordance with our engagement letter dated October 11, 2010 in connection with the proposed issue of equity shares of the Company and;

   b. The Guidance note on 'Reports in Company's Prospectus (Revised)' issued by the Institute of Chartered Accountants of India ('ICAI').

Restated Consolidated Financial Information as per Audited Consolidated Financial Statements:

3. The Restated Consolidated Financial Information of the Company has been extracted by the management from the Audited Consolidated Financial Statements of the Company for the six months period ended September 30, 2010 and for the five financial years ended March 31, 2010 and as approved by the Board of Directors.

   Audit of Consolidated Financial Statements of the Company for six months period ended September 30, 2010 and financial year ended March 31, 2010 was conducted jointly by us. Audit of Consolidated Financial Statements of the Company for the financial years ended March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 was conducted by N&R, whose reports have been furnished to C&S and accordingly relied upon.

   In audit of Consolidated Financial Statements of the Company of respective years, we did not audit the financial statements of Avon Organics Limited, Arch Life Sciences Limited, Arch Finechemicals Limited, Benzochem Lifesciences Private Limited, Arch Europe Limited and Regal Pharma Pte Limited, whose financial statements reflect total assets of Rs. 2707.29 Millions as at September 30, 2010 , Rs. 2880.65 Millions as at March 31, 2010 , Rs. 2354.88 Millions as at March 31, 2009 , Rs. 1205.35 Millions as at March 31, 2008, total revenue of Rs. 745.68 Millions for the half year ended September 30, 2010 , Rs. 1507.49 Millions for the year ended March 31, 2010, Rs. 2023.23 Millions for the year ended March 31, 2009, Rs. 696.92 Millions for the year ended March 31, 2008 and net cash flows amounting to Rs. (72.11) Millions for the half year ended September 30, 2010 , Rs. 98.46 Millions for the year ended March 31, 2010, Rs. (30.48) Millions for the year ended March 31, 2009, Rs. 17.75 Millions for the year ended March 31, 2008 and the

financial statement of certain associate for the year ended March 31, 2008 in which the share of loss of the Group is Rs. 10.81 Millions. These standalone financial statements of these subsidiaries have been audited by other auditors as given in table below, whose report has been furnished to us and our opinion is based solely on the report of other auditors.

Name of the Subsidiary	Name of the Auditor	Financial Year (FY) / Period for Restated Consolidated Financial Information	Effective date of control as a Subsidiary
Avon Organics Limited	Shyam Surana & Co. Mukesh Mehta & Associates	FY 2009 FY 2010 & Period ended September 30, 2010	From January 31, 2009
Arch Life Sciences Limited	Punnaiah & Co.	FY 2008, FY 2009, FY 2010 & Period ended September 30, 2010	From June 21, 2007
Arch Finechemicals Limited	B.Narsing Rao & Co	FY 2008, FY 2009, FY 2010 & Period ended September 30, 2010	From October 15, 2007
Benzochem Lifesciences Private Limited	Raman Jain & Associates	FY 2009 & Period from April 1, 2009 to March 12, 2010	From July 1, 2008 to March 12, 2010[@]
Arch Pharmalabs (USA) Inc.	The Chugh Firm[#]	Period ended September 30, 2010	From September 15, 2005
Regal Pharma PTE Ltd*	MGI N Rajan Associates	Period ended September 30, 2010	From July 27, 2010
Arch Europe Limited	Unaudited[+]	FY 2006 & Period from April 1, 2006 to April 28, 2006	From September 20, 2004 to April 28, 2006

[@]*Company has divested its shareholding on March 12, 2010.*

 # the financial statements for the FY 2006, FY 2007, FY 2008, FY 2009 and FY 2010 are jointly audited by M/s Chaturvedi & Shah and M/s Nayak & Rane.

**Subsidiary of Avon Organics Limited*

[+] *Winding up of Company has been approved by Registrar on April 3, 2007.*

Name of an Associate	Name of the Auditor	Financial Year (FY) / Period for Restated Consolidated Financial Information	Effective date of control as an Associate
Avon Organics Limited	Shyam Sharma & Co.	FY 2008 & FY 2009	From December 3, 2007 to January 30, 2009

The financial statements of Arch Pharmalabs (USA) Inc. for the period from the date of its being the subsidiary of the Company till financial year ending March 31, 2010 were not audited and for the purpose of the Draft Red Herring Prospectus, we have now conducted the audit of its financial statements for this period and have considered the same in the Restated Consolidated Financial Information.

Further, as stated in Note no. 3(c) of Annexure IV of the Restated Consolidated Financial Information, the financial statement of Arch Europe Limited for the financial year ending March 31, 2006 and period ending April 28, 2006 have not been audited by us. These unaudited financial statements as approved by the board of directors of Arch Europe Limited have been furnished to us by the management and our report is based on solely on such approved unaudited financial statements. These unaudited financial statements reflect total assets of Rs. 2.36 millions and Rs. 0.49 millions as at March 31, 2006 and March 31, 2007 respectively; total revenue of Rs. Nil for both the years ended March, 31, 2006 and March 31, 2007 and total expenditure of Rs. 1.58 millions and Rs. 1.88 millions for years ended March, 31, 2006 and March 31, 2007 respectively and net cash flow of Rs. 2.36 millions and Rs. 1.88 millions for years ended March, 31, 2006 and March 31, 2007 respectively.

4. In accordance with the requirements of Paragraph B(1) of Part II of Schedule II of the Act, the SEBI Regulations, the Guidance note on 'Reports in Company's Prospectus (Revised)' issued by the Institute of Chartered Accountants of India ('ICAI') to the extent applicable and the terms of our engagement agreed with you, we further report that:

   a. The Consolidated Statement of Assets and Liabilities, as restated, Consolidated Statement of Profit and Loss, as restated and Consolidated Cash Flow Statement, as restated of the Company, as set out in Annexure I, II and III to this report respectively, read with the significant accounting policies and related notes are after making adjustments and regrouping as in our opinion were appropriate and more fully described in the Significant Accounting Policies and Notes to the Restated Consolidated Financial Statements (refer Annexure IV).

   b. Based on the above we are of the opinion that the Restated Consolidated Financial Statements have been made after incorporating:

      i. The impact arising/adjustment on account of changes in accounting policies adopted by the Company as at and for the six months period ended September 30, 2010, applied with retrospective effect in the Restated Consolidated Financial Statements in respective financial years/ period to reflect the same accounting treatment as per the changed accounting policy for all the reporting periods;

      ii. Adjustments for the material amounts in the respective financial years to which they relate.

      iii. Extra-ordinary items have been disclosed separately.

      iv. And there are no qualification in the auditors' report which remains to be adjusted in the Restated Consolidated Financial Statements, except as mentioned in Note no. 2(b) of Annexure V, read with Significant Accounting Policies and Related Notes to the Restated Consolidated Financial Statements (Annexure IV).

5. We have not audited any Consolidated Financial Statements of the Company as of any date or for any period subsequent to September 30, 2010. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company as of any date or for any period subsequent to September 30, 2010.

Other Consolidated Financial Information:

6. We have also examined the following other consolidated financial information as set out in Annexures prepared by the Management and approved by the Board of Directors relating to the Company and its subsidiaries for the period ended September 30, 2010 and for the financial years ended March 31, 2010, 2009, 2008, 2007 and 2006:

   a. Statement of Accounting Ratios, as restated, as given in Annexure VI;

   b. Consolidated Statement of Related Party Transactions, as given in Annexure VII ;

   c. Consolidated Statement of Segmental Information, as given in Annexure VIII ;

   d. Consolidated Statement of Other Income, as restated, as given in Annexure IX ;

   e. Consolidated Statement of Investments, as restated, as given in Annexure X;

   f. Consolidated Statement of Sundry Debtors, as restated, as given in Annexure XI;

   g. Consolidated Statement of Loans and Advances, as restated, as given in Annexure XII;

   h. Consolidated Capitalization Statement, as given in Annexure XIII;

   i. Consolidated Statement of Secured Loans, as restated, as given in Annexure XIV;

   j. Consolidated Statement of Unsecured Loans, as restated, as given in Annexure XV;

   k. Consolidated Statement of Contingent Liabilities, as restated, as given in Annexure XVI; and

   l. Consolidated Statement of Dividend, as given in Annexure XVII.

7. In our opinion, the Other Consolidated Financial Information contained in Annexure to this report as referred to above, read along with the Significant Accounting Policies and Related Notes to the Restated Consolidated Financial Statements (refer Annexure IV) has been prepared after making adjustments and regrouping as considered appropriate, have been prepared in accordance with Paragraph B(1) of Part II of Schedule II of the Act and the SEBI Regulations and the Guidance note on 'Reports in Company's Prospectus (Revised)' issued

by the ICAI to the extent applicable, as amended from time to time, and in terms of our engagement as agreed with you.

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 either any of us singly or issued jointly.

9. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used or distributed for any other purpose without our prior written consent.

For **M/s Chaturvedi & Shah**
Chartered Accountants

Firm Registration No.:101720W

Amit Chaturvedi
Partner
Membership. No. : 103141
Place: Mumbai
Date : March 15, 2011

For M/s Nayak & Rane
Chartered Accountants

Firm Registration No.:117249W

Kishore Rane
Partner
Membership. No. : 100788
Place: Mumbai
Date : March 15, 2011

Annexure I

CONSOLIDATED STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

Particulars	As at					
	September 30, 2010	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
						(Rs. in Millions)
A. Fixed Assets						
Gross Block	8,116.29	7,982.49	6,118.97	3,435.67	2,081.80	1,621.33
Less: Depreciation	1,953.00	1,637.43	1,129.60	521.84	260.39	137.15
Net Block	6,163.29	6,345.07	4,989.36	2,913.83	1,821.41	1,484.18
Add: Capital Work in Progress/Capital Advances	2,373.93	972.22	1,347.70	317.65	85.40	-
Total	**8,537.22**	**7,317.28**	**6,337.06**	**3,231.48**	**1,906.81**	**1,484.18**
B. Goodwill on Consolidation	**96.33**	**96.33**	**174.14**	**74.20**	**-**	**-**
C. Investment	**2.75**	**2.75**	**3.69**	**187.53**	**31.23**	**1.23**
D. Foreign Currency Monetary Item Translation Difference Account	**0.78**	**0.54**	**4.74**	**(0.39)**	**-**	**-**
E. Current Assets, Loans and Advances						
Inventories	4,478.43	4,359.44	3,608.82	1,747.46	1,193.07	719.49
Sundry Debtors	5,662.41	5,361.18	3,552.90	1,640.00	1,179.51	820.81
Cash and Bank Balances	428.69	633.81	433.99	987.99	495.68	80.85
Loans and Advances	3,480.64	2,571.54	1,638.43	788.73	564.73	152.00
Total	**14,050.18**	**12,925.97**	**9,234.14**	**5,164.18**	**3,432.99**	**1,773.16**
F. Liabilities and Provisions						
Secured Loans	9,795.19	10,064.26	7,563.28	3,130.52	2,463.16	1,763.93
Unsecured Loans	2,714.06	2,419.77	1,973.67	1,065.53	405.98	5.35
Current Liabilities	3,052.76	2,510.29	1,908.32	771.35	571.41	453.66
Provisions	156.96	61.18	23.24	49.87	52.19	54.06
Total	**15,718.97**	**15,055.49**	**11,468.51**	**5,017.27**	**3,492.74**	**2,277.00**
G. Deferred Tax Liability (Net)	**422.30**	**423.60**	**301.79**	**210.18**	**137.18**	**69.19**
H. Minority Interest	**259.83**	**250.80**	**293.24**	**28.77**	**-**	**-**
Net Worth (A+B+C+D+E-F-G-H)	**6,286.16**	**4,612.99**	**3,690.23**	**3,400.78**	**1,741.10**	**912.38**
Represented by						
1. Equity Share Capital	**247.84**	**212.34**	**212.34**	**212.34**	**160.86**	**136.86**
2. Preference Share Capital	**-**	**-**	**-**	**-**	**100.00**	**100.00**
3. Share Application Money	**-**	**300.00**	**-**	**-**	**-**	**-**
4. Reserves and Surplus:	**6,038.32**	**4,100.65**	**3,477.89**	**3,188.44**	**1,480.24**	**675.51**
4.1. Capital Reserve	0.95	0.95	0.95	0.95	0.95	2.45
4.2. Securities Premium Account	3,803.58	2,252.08	2,252.08	2,252.08	846.15	279.75
4.3. General Reserve	41.03	41.03	41.03	41.03	41.03	39.53
4.4. Debenture Redemption Reserve	150.28	180.60	216.70	132.20	3.87	-
4.5. Profit & Loss Account Balance	2,042.47	1,625.99	967.13	762.18	588.24	353.78
Net Worth (1+2+3+4)	**6,286.16**	**4,612.99**	**3,690.23**	**3,400.78**	**1,741.10**	**912.38**

Note: The above statement should be read with the Significant Accounting Policies and Notes appearing in Annexure IV and Annexure V, respectively.

Annexure II

CONSOLIDATED STATEMENT OF PROFIT & LOSS, AS RESTATED

Particulars	Half Year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
	(Rs. in Millions)					
Income						
Income From Operations/Sales						
- Manufactured Products	5,386.60	10,403.52	8,124.30	4,069.79	2,931.82	2,021.82
- Traded Products	838.16	1,214.99	1,683.09	1,324.36	693.70	446.45
Other Income	30.52	82.10	24.48	29.93	15.56	7.74
Total (A)	**6,255.28**	**11,700.62**	**9,831.87**	**5,424.08**	**3,641.08**	**2,476.01**
Expenditure						
Cost of Materials	3,638.75	7,162.72	6,554.18	3,538.85	2,367.79	1,583.72
Manufacturing Expenses and Other Expenses	514.34	869.08	880.77	429.15	304.92	222.62
Selling, Distribution and Administration Expenses	579.32	1,015.59	940.04	450.18	283.04	213.78
Interest and Finance Charges	713.95	1,325.73	920.60	378.40	249.60	151.56
Depreciation	322.33	516.46	326.23	187.20	125.81	82.59
Less: Transfer to Project Development Expenses	49.47	133.04	251.77	42.61	11.14	-
Total (B)	**5,719.24**	**10,756.54**	**9,370.04**	**4,941.16**	**3,320.03**	**2,254.27**
Profits before Tax and Extra-Ordinary Items (A-B)	**536.04**	**944.09**	**461.82**	**482.92**	**321.05**	**221.74**
Less:						
Taxation						
Current Tax	122.29	148.55	66.95	73.31	46.42	47.03
Deferred Tax	10.43	121.82	56.40	67.53	67.99	30.02
Fringe Benefit Tax	-	-	4.87	3.27	2.00	1.10
Profits after Tax and before Extra-Ordinary Items	**403.31**	**673.72**	**333.60**	**338.80**	**204.65**	**143.58**
Less: Investment in Associate	-	-	-	10.81	-	-
Share of Profit transferred to Minority	17.15	30.96	29.31	7.79	-	-
Pre-Acquisition Profit	-	-	14.85	12.43	-	-
Loss on Disposal of Subsidiary	-	16.18	-	-	-	-
Net Profits before Extra-Ordinary Items	**386.17**	**626.58**	**289.45**	**307.77**	**204.65**	**143.58**
Add: Extra-Ordinary Items (net of tax)	-	-	-	-	42.46	-
Net Profits after Extra-Ordinary Items	**386.17**	**626.58**	**289.45**	**307.77**	**247.10**	**143.58**
Add:						
Balance in Profit and Loss Account, as Restated brought forward	1,625.99	967.13	762.18	588.24	353.78	213.31
Less:						
Dividend on Preference Shares	-	-	-	4.69	7.50	2.73
Distribution Tax	-	3.82	-	0.80	1.27	0.38
Transfer to/ (from) Debenture Redemption Res.	(30.32)	(36.10)	84.50	128.33	3.87	-
Balance carried to Consolidated Statement of Assets & Liabilities, as Restated	**2,042.47**	**1,625.99**	**967.13**	**762.18**	**588.24**	**353.78**

Note: The above statement should be read with the Significant Accounting Policies and Notes appearing in Annexure IV and V, respectively.

Annexure III

CONSOLIDATED CASH FLOW STATEMENT, AS RESTATED

Particulars	Half Year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
						(Rs. in Millions)
A) Cash flow from Operating Activities:						
Profits before Tax and Extra-Ordinary Items	**536.04**	**944.09**	**461.82**	**482.92**	**321.05**	**221.74**
Add: Extra-Ordinary Items (gross of tax)	-	-	-	-	64.00	-
Profits before Tax and After Extra-Ordinary Items	**536.04**	**944.09**	**461.82**	**482.92**	**385.05**	**221.74**
Add/ (Less) Adjustments for:						
- Depreciation	322.33	516.46	326.23	187.20	125.81	82.59
- Interest Income	(19.57)	(64.60)	(15.54)	(5.90)	(4.40)	(4.80)
- Dividend Income	(0.08)	(0.23)	(0.23)	(0.15)	(0.04)	(0.05)
- Interest and Finance Charges	713.95	1,325.73	920.60	378.40	249.60	151.56
- Miscellaneous Expenditure written off	-	-	1.36	5.42	-	2.37
- Goodwill arising on Consolidation	-	-	(144.10)	-	-	-
- Minority Interest	-	-	264.47	-	-	-
- (Profit)/Loss on sale of investments (net)	1.28	-	-	-	0.36	-
- (Profit)/Loss on sale of fixed assets (net)	-	0.89	24.08	1.81	-	-
- Effect of De-subsidiarisation	-	(11.78)	-	-	-	-
Operating Profit before working capital change	**1,553.96**	**2,710.56**	**1,838.71**	**1,049.69**	**756.39**	**453.40**
Working Capital Changes :						
(Increase) / Decrease in Trade Receivables	(301.22)	(1,808.29)	(1,912.90)	(587.00)	(358.70)	(348.27)
(Increase) / Decrease in other Current Assets	(909.21)	(928.79)	(854.70)	(376.34)	(312.73)	(26.28)
(Increase) / Decrease in Inventories	(118.99)	(750.62)	(1,861.36)	(425.57)	(473.58)	(200.53)
Increase / (Decrease) in Current liabilities	542.47	601.97	1,131.48	288.85	117.75	50.66
Cash generated from / (used in) Operating Activities	**767.00**	**(175.16)**	**(1,658.76)**	**(50.37)**	**(270.86)**	**(71.02)**
Income tax and Fringe Benefit tax paid	(38.25)	(114.43)	(92.96)	(76.00)	(77.49)	-
Net Cash generated from / (used in) Operating Activities (A)	**728.75**	**(289.60)**	**(1,751.72)**	**(126.37)**	**(348.36)**	**(71.02)**
B) Cash flow from Investing Activities:						
Purchase of Fixed Assets and Capital Work in Prog.	(1,504.12)	(1,371.10)	(3,456.30)	(1,179.06)	(548.80)	(544.16)
Proceeds from Sale of Fixed Assets	3.87	2.53	0.28	-	-	-
Purchase of Investments	-	(0.17)	(2.45)	(659.52)	(130.00)	(0.65)
Sale of Investments	-	1.10	186.30	-	-	-
Dividend Income	0.08	0.23	0.23	0.15	0.04	0.05
Interest Income	19.57	64.60	15.54	5.90	4.40	4.80
Net Cash generated from / (used in) Investing Activities (B)	**(1,480.60)**	**(1,302.81)**	**(3,256.41)**	**(1,832.53)**	**(674.37)**	**(539.96)**
C) Cash flow from Financing						

Activities:						
Proceeds from Long Term Borrowing	390.14	1,675.07	5,339.76	397.00	917.75	767.19
Repayment of Long Term Borrowings	(209.21)	(539.71)	-	(27.98)	(17.89)	(89.77)
Short Term Loans (net)	(155.70)	1,811.71	1.14	808.50	200.00	-
Proceeds from issue of Share Capital/Share Application Money	1,287.00	300.00	-	1,655.64	590.40	106.30
Dividend Paid	(8.12)	-	-	(8.77)	(3.11)	-
Effect of Deferred Tax on account of subsidy	-	-	35.22	-	-	-
Interest & Finance Charges Paid	(757.38)	(1,454.86)	(920.60)	(378.40)	(249.60)	(151.56)
Preliminary & Issue Expenses incurred	-	-	(1.37)	(3.96)	-	(2.37)
Net Cash generated from / (used in) Financing Activities (C)	**546.73**	**1,792.22**	**4,454.14**	**2,442.03**	**1,437.55**	**629.79**
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	**(205.12)**	**199.82**	**(553.99)**	**483.13**	**414.82**	**18.82**
Cash and cash equivalents at the beginning of the period/ year	633.81	433.99	987.99	495.68	80.85	62.03
Cash and cash equivalents of the subsidiary acquired during the year.	-	-	-	9.18	-	-
Cash and cash equivalents at the end of the period/ year	**428.69**	**633.81**	**433.99**	**987.99**	**495.68**	**80.85**

Annexure IV

SIGNIFICANT ACCOUNTING POLICIES AND RELATED NOTES TO THE RESTATED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Consolidation

a. The Consolidated Statement of Profit & Loss, as restated, Consolidated Statement of Assets & Liabilities, as restated and Consolidated Cash Flow Statement, as restated (together referred to as Restated Consolidated Financial Statements) comprises financial statements of Arch Pharmalabs Limited and its subsidiaries, drawn for the years from year ended March 31, 2006 to six months period ended September 30, 2010. These Consolidated Financial Statements have been extracted from the audited financial statements of the company and its subsidiaries after making adjustments in accordance with the requirements of Accounting Standard (AS-21) - Consolidated Financial Statements and Accounting Standard (AS-23) – Accounting for Investments in Associates in Consolidated Financial Statements notified by Companies (Accounting Standards) Rules, 2006.

b. Financial Statements of Subsidiary Companies considered in these Restated Consolidated Financial Statements are:

Name of the Subsidiary Company	Country of incorporation	Effective date of control / acquisition	Ownership Interest %					
			Half year ended 30.09.10	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Avon Organics Limited	India	31st January, 2009	63.60%	63.60%	63.60%	-	-	-
Arch Life Sciences Limited	India	June 21, 2007	58.46%	58.46%	58.46%	58.46%	-	-
Arch Finechemicals Limited	India	October 15, 2007	88.95%	88.95%	88.95%	88.95%	-	-
Benzochem Lifesciences Private Limited	India	From July 1, 2008 to March 12, 2010	-	-	70.00%	-	-	-
Arch Pharmalabs (USA) Inc.	USA	September 15, 2005	100%	100%	100%	100%	100%	100%
Regal Pharma Pte Ltd	Singapore	July 27, 2010	57.24%	-	-	-	-	-
Arch Europe Limited	UK	From September 20, 2004 to April 28, 2006	-	-	-	-	100%	100%

c. Financial Statements of Associate Company considered in these Restated Consolidated Financial Statements is as under:

Name of the Associate Company	Country of incorporation	Effective date of control / acquisition	Ownership Interest %					
			Half Year ended 30.09.10	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006

Avon Organics Limited	India	From December 3, 2007 to January 31, 2009	-	-	-	43.60%	-	-

d. **Principles of Consolidation**

- The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements" notified by Companies (Accounting Standards) Rules, 2006
- The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the consolidated financial statements as Goodwill or Capital Reserve as the case may be.
- The difference between the proceeds from disposal of investment in subsidiaries and the carrying amount of its assets less liabilities as on the date of disposal is recognised in the consolidated statement of Profit and Loss account being the profit or loss on disposal of investment in subsidiary.
- Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.
- Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.
- Investment in Associate Companies has been accounted under the equity method as per AS 23 - "Accounting for Investments in Associates in Consolidated Financial Statements" issued by Companies (Accounting Standard) Rules, 2006.
- As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
- Investments other than in subsidiaries and associates have been accounted as per Accounting Standard (AS) 13 "Accounting for Investments" as notified by Companies (Accounting Standards) Rules, 2006.

2. Other Significant Accounting Policies

a. Basis of Preparation:

The Restated Consolidated Statement of Assets & Liabilities of the parent company and all of its subsidiaries (collectively referred to as "Group") as at September 30, 2010, March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 and the related restated Consolidated Statement of Profit & Loss and Cash Flows for years/period ended on that date relate to the Group and have been prepared specifically for inclusion in the offer document to be filed by the Company with the Securities and Exchange Board of India ("SEBI") in connection with its proposed Initial Public Offering.

These Restated Consolidated Financial Statements have been prepared to comply in all material respects with the requirements of:

(i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ("the Act") and

(ii) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "SEBI Regulations") issued by Securities and Exchange Board of India ('SEBI'), as amended from time to time.

The Restated Consolidated Financial Statements have been prepared based on the Consolidated Financial Statements of the Group prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by Companies (Accounting Standards) Rules, 2006, the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956, to the extent applicable.

There is no material adjustments required to be made in the financial statements of overseas subsidiaries to bring them in line with the Indian GAAP.

b. Use of estimates:

The preparation of restated consolidated financial statements in conformity with Indian GAAP requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the restated consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

c. Turnover:

In line with generally accepted accounting practices, sales are recognised when goods are supplied and are recorded net of Rebates, Sales Tax. Service income is recognized as per the terms of the contracts with customers when the related services are performed, or the agreed milestones are achieved.

d. Revenue Recognition:

In accordance with the Company's accounting policy followed consistently, all revenues are accounted when there is reasonable certainty of its ultimate collection.

e. Expenditure:

All general business expenditure is accounted in the year in which it is incurred and provision is made for all known losses and expenses.

f. Fixed Assets:

Fixed Assets are stated at cost, less accumulated depreciation. Costs include all costs relating to acquisition and installation of fixed assets. Intangible assets represent "product development expenses", "technology transfer", "Software" and "DMF Cost" which are stated at cost less accumulated amortization and impairment losses, if any.

g. Depreciation:

Depreciation on fixed assets is provided on the straight line value method at the rates prescribed under Schedule XIV to the Companies Act, 1956. Intangible assets are amortised over a period of five years, being the expected period of use. The leasehold land and leasehold improvements are depreciated over the lease period.

h. Impairment of Assets:

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

i. Investments:

Long-term investments are valued at cost. Provision for diminution in value of investments is made, if the diminution is of a nature other than temporary. Current investments are valued at the lower of cost and market value.

j. Inventory:

Inventories are measured at lower of cost and net realisable value after providing for obsolescence, if any. Cost includes cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Cost of raw materials, stores and spares, packing materials, trading and other products are determined on FIFO basis.

k. Excise Duty and Sales Tax/Value Added Tax:

Excise duty is accounted on the basis of both, payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses. Sales tax/Value added tax is charged to Profit and Loss account.

l. Research and Development Expenses:

Revenue expenditure on research and development is expensed out under the respective heads of account in the year in which it is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised, if the cost can be reliably measured, the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the Profit and Loss account as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment. Fixed assets used for research and development are depreciated in accordance with the Company's policy.

Materials identified for use in research and development process are carried as inventories and charged to Profit and Loss Account on issuance of such materials for research and development activities.

m. Employee Benefits:

a. Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

b. Post employment and other long term employee benefits are recognised as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognised at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

n. Borrowing Cost:

Borrowing costs attributable to acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to Profit and Loss account.

o. Foreign Currency Transactions:

a. Transactions denominated in foreign currencies are recorded at spot rates / average rates.

b. Monetary items denominated in foreign currencies at the year-end are restated at year end rates.

c. Non monetary foreign currency items are carried at cost.

d. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account except in case of long term liabilities which if related to acquisition of fixed assets are adjusted to the carrying cost of such assets and the other long term assets/liabilities are carried to Foreign Currency Translation Reserve and amortised in profit and loss account over the period of three years or upto March 31, 2011 whichever is less.

p. Accounting for taxes on Income:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961.

Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets is recognized and carried forward only to the extent that there is a virtual certainty that the asset will be realized in future.

q. Provision, 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. Contingent Assets are neither recognized nor disclosed in the consolidated financial statements.

r. Earnings per Share (EPS):

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year/ period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year/ period. For the purpose of calculating diluted earnings per share, net profit after tax for the year/ period and the weighted average number of shares outstanding during the year/ period are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the

beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

3. Notes to Consolidated Financial Statements, as restated

a. Share Capital : -

- Equity Share Capital includes 4,828,695 equity shares of Rs.10/- for each of the year / period, issued other than by cash on reverse merger of Arch Commerz Private Limited with Merven Drug Products Limited. As per the scheme of this reverse merger, the shares were issued in the swap ratio of 3:5.
- Preference Share Capital outstanding as on March 31, 2006 and 2007 consists of 10,000,000 – 7.5% redeemable preference shares of Rs. 10/- each fully paid up, redeemable within the period of 36 months from the date of allotment. These preference shares have been redeemed on November 15, 2007.
- During the half year ended September 30, 2010 : -

- Company has allotted 8,75,000 Equity Shares of Rs. 10/- each at a premium of Rs. 390/- per equity share to AMR Investments Private Limited. Share Application Money of Rs. 250 Million received in financial year 2009-10 has been adjusted against this.
- Company has allotted 1,25,000 Equity Shares of Rs. 10/- each at a premium of Rs. 390/- per equity share to Arch Pharmachem Limited. Share Application Money of Rs. 50 Million received in financial year 2009-10 has been adjusted against this.
- Company has allotted 2,50,000 Equity Shares of Rs. 10/- each at a premium of Rs. 390/- per equity share to Arch Impex Private Limited.
- Company has allotted 10,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 440/- per equity share *vide* memorandum of understanding dated August 17, 2010 and share subscription agreement dated January 17, 2011 to Dataline Investments Limited.
- Company has allotted 13,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 480/- per equity share *vide* share subscription agreement dated September 22, 2010 to Mitsui & Co. Ltd

b. Extra Ordinary Income of Rs. 64.00 Million gross (Rs.42.46 Million net of taxes) in FY 2006-07 is on account of one time compensation received from customer.

c. A wholly owned subsidiary in the name of Arch Europe Limited was incorporated on September 20, 2004 in United Kingdom with a seed capital of UK Pound 50,000 divided into 50,000 fully paid equity shares of UK pound 1 each. The objective of the subsidiary was to facilitate marketing activities for the Company in U.K. and warehousing support functions. The Company had also employed one person to oversee the operations. However no benefit was derived out of the subsidiary and hence to reduce the operational cost, the Company *vide* resolution passed at its Board Meeting on April 28, 2006, decided for voluntary winding up of the same. Winding up of Company has been approved by Registrar on April 3, 2007. On closure of the subsidiary, the Company has debited as an expense a sum of Rs. 3.46 millions in the Profit & Loss Account of the year.

d. In the opinion of Board, carrying value of all current assets, loans and advances and other receivables are not less than their realizable value in the ordinary course of business.

e. During the Financial Year 2008-09, the Company has exercised the option granted *vide* notification F.No.17/33/2008/CL-V dated 31st March, 2009 issued by the Ministry of Corporate Affairs. As per the notification, the exchange differences arising on revaluation of the long term foreign currency loans for the year ended 31st March 2009 have been included in the cost of depreciable assets to the extent these have been utilized for acquiring the assets while the balance amount has been recognized as an asset under 'Foreign Currency Monetary Item Translation Difference'. Consequently, the Company has capitalized foreign exchange fluctuations of Rs.100.62 millions (net of taxes) under 'Fixed Assets' and recognized Rs. 7.49 million (net of taxes) under 'Foreign Currency Monetary Item Translation Difference'. The foreign exchange differences included under fixed assets have been amortized over the balance useful life of the assets while those recognized 'Foreign Currency Monetary Item Translation Difference' have been amortised proportionately upto 31 March 2011 or the balance term of the loan whichever is earlier. Accordingly, the Company has amortised Rs. 8.56 millions for the year ended 31 March 2009.

f. Break up of Deferred Tax Liability is as under.

(Rs. In Millions)

Particulars	Half Year ended 30.09.10	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Deferred Tax Asset:						
Disallowance under Income Tax Act, 1961	5.94	1.07	0.91	-	-	-
Deferred Tax Liability:						
Related to Fixed Assets	428.24	424.67	302.70	210.18	137.18	69.19
Net Deferred Tax Liability/ (Assets)	**422.30**	**423.60**	**301.79**	**210.18**	**137.18**	**69.19**

g. Project Development Charges:

The Company classifies the expenses incurred or apportioned to the new projects or improvement/upgradation of the existing projects as 'Project Development Charges'. Such expenses are apportioned and capitalized to assets on completion of the respective projects. Pending capitalisation, the un-apportioned project development charges are shown under the head Capital Work in Progress.

(Rs. in Millions)

Particulars	Half Year ended 30.09.10	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Opening Balance	67.84	83.83	3.90	41.64	-	-
Add :						
Transferred from Profit and Loss Account	49.47	133.04	251.77	42.61	11.14	-
Interest capitalised	43.61	129.13	67.05	103.82	60.59	-
	160.92	346.00	322.72	188.07	71.73	-
Less : Capitalised during the year	8.43	278.16	238.90	184.17	30.09	-
Closing Balance	**152.49**	**67.84**	**83.83**	**3.90**	**41.64**	**-**

h. Business Acquisitions

During the Financial Year 2008-09, the Company has acquired the following four units from various Companies on "as is where is basis" *vide* Business Transfer Agreements (BTA):-

Sr. No.	Date of Acquisition	Name of transferor Company
1	August 1, 2008	Arch Finechemicals Limited
2	January 1, 2009	Benzochem Lifesciences Private Limited
3	January 1, 2009	Dombivili site – a unit of Watson Pharma Limited
4	March 11, 2009	Arch Lifesciences Limited

In accordance with the BTA, the Company had taken over the certain assets and liabilities of the transferor Company at their Book value/Written down Value. Fixed assets (including capital work in progress) have been taken over at book values of the transferor company. However, the detailed break up of the gross block of fixed assets was not made available to the Company. In absence of the data, the management has allocated the value of the fixed assets on the basis of best estimates.

Also, as regards the title of the property and other assets which were to get transferred in the name of the Company as per the BTA, the process for the same has been initiated.

4. Material Regroupings

Appropriate adjustments have been made in the Restated Consolidated Financial Statements of Assets & Liabilities, Profit & Loss and Cash Flows, wherever required, by reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the groupings as per the audited

financials of the Company for the period six month ended September 30, 2010 and the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended.

a) Expenses as per audited accounts which were shown net of Project Development Expenses in Financial Years 2006-07, 2007-08 and 2008-09 has been grossed up to be consistent with the disclosures made for the Financial Year 2009-10 and for the period ended September 30, 2010.

b) Regroupings made in audited financial statements i.e. Balance Sheet, Profit & Loss account and Cash Flow Statement of subsequent years/period has been restated in the relevant years so as to make them comparable with the latest financials.

Annexure V

STATEMENT OF ADJUSTMENTS IN THE CONSOLIDATED FINANCIAL STATEMENTS, AS RESTATED

1. Restatements

a) **Summary of results of restatements made in the audited consolidated financial statements of the Company for the respective period / years and their impact on the profits / losses of the Company is as under:**

Particulars	Half Year ended 30.09.10	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
	(Rs. in Millions)					
Net Profit /(loss) before extra-ordinary items as per Audited Financial Statements	**380.96**	**511.41**	**387.90**	**326.44**	**226.58**	**147.98**
Adjustments for audit qualification for Financial Year 2007-08 [as per para (b) below]	-	178.91	(178.91)	-	-	-
Change in Accounting Policy – AS -11 [as per para (c) below]	0.67	0.70	0.53	(6.38)		
Preliminary and Deferred Revenue Expenses [as per para (d) below]	-	-	12.46	(0.90)	3.72	1.35
Prior Period Items [as per per para (e) below]	-	-	12.93	(7.04)	(5.90)	(0.21)
Taxation [as per para (f) below]	4.54	(64.44)	54.54	(4.35)	(19.75)	(5.54)
Net Profit /(loss) before extra-ordinary items as per Restated Financial Statements	**386.17**	**626.58**	**289.45**	**307.77**	**204.65**	**143.58**

b) **In the Auditors' Report on the accounts for the financial year 2008-09, the auditor have made certain comments whose impact on the profit could not be ascertain by them. During the financial year 2009-10, the company has reviewed these comments and have adjusted/modified the opening balances of relevant items to comply with the said observations, the impact of which is as under:**

(Rs. in Millions)

Nature of Comment	Amount Accounted in FY 2008-09	Effect Given in FY 2009-10
Capitalisation of borrowing cost not in accordance with AS-16 "Borrowing Cost".	171.06	Interest charge of Rs 171.06 Millions capitalized in FY 2008-09 has been reworked and excess amount of Rs 104.00 Millions has been charged off under the head interest and finance charges in FY 2009-10
Project development expenses capitalized on the gross value of fixed assets.	250.24	Project development expenses of Rs 250.24 Millions capitalized in FY 2008-09 has been reworked and amount of Rs 11.99 Millions has been charged off under the respective head of expenses in FY 2009-10.
Overheads allocation done on global basis not in accordance with AS -2 "Valuation of Inventories"	335.34	Overhead allocation has been reworked due to which closing inventory valuation has been lower by Rs. 62.92 Millions in FY 2008-09

The accounting effects given in FY 2009-10 above have been restated in FY 2008-09.

c) **Changes in Accounting Policy AS-11**

During the Financial Year 2008-09, the Company has exercised the option granted *vide* notification F.No.17/33/2008/CL-V dated March 31, 2009 issued by the Ministry of Corporate Affairs. As per the notification, the exchange differences of the long term foreign currency loans for the year ended March 31 2009 have been included in the cost of depreciable assets to the extent these have been utilized for acquiring the assets while the balance amount has been recognized as an asset under 'Foreign Currency Monetary Item Translation Difference'. Earlier, the Company had the policy to recognize the exchange difference relating to long term foreign currency borrowing in Profit & Loss Account. Exchange differences pertaining to long term foreign currency borrowings recognized in the Profit & Loss Account prior to Financial Year 2008-09 is now adjusted in fixed assets with corresponding effect on depreciation for subsequent years.

d) **Preliminary Expenses**

Upto Financial Year 2007-08, all expenses relating to issue of shares and debentures were amortised over a period of five years. From Financial Year 2008-09, such expenses are charged to consolidated profit & loss account in the year of incurrence. For the purpose of this statement, such expenses have been charged off in the year of incurrence.

e) **Prior Period Items**

In the Consolidated Financial Statements for the years 2005-06, 2006-07 and 2008-09 certain items of income/expense have been identified as prior period items, For the purpose of this statement, such prior period items have been appropriately adjusted in respective years.

f) **Taxation**

i. Excess / shortfall in provision for income tax accounted in the financial statements for the years 2006-07 have been adjusted in the relevant financial years to which they relate to in the Restated Consolidated Financial Statements.

ii. Consequent to above adjustments given in para (b) to (e) above, the tax liabilities for the years from 2005-06 to 2009-10 were recomputed and the current tax provision for the respective years have been restated in the Restated Consolidated Financial Statements.

iii. Deferred tax for the Financial Year 2009-10, has been recomputed and restated based on the returns filed by the Company.

g) Cash flow Statement has been adjusted and restated to give effect to the restatement adjustments given in (b) to (f) above.

2. Statement of Auditors Qualifications

a) **Adjustments relating to Auditors Qualifications**

i. Auditors have commented on the accounts of Financial Year 2008-09, that the capitalisation of borrowing cost/ interest is effected as at year end as against the date when the asset is ready for its intended use is not in accordance with provisions of accounting (AS) 16 " Borrowing Costs" prescribe by Companies (Accounting Standard) Rules, 2006 which requires that borrowing costs capitalisation should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale is complete. It is not possible to determine the impact on the profits of the Company if the borrowing cost is capitalised as per the provisions of the accounting standard.

Adjustments have been made in the Restated Consolidated Financial Statements as given in 1(b) above.

ii. Auditors have commented on the accounts of Financial Year 2008-09, that the Company has capitalised Project Development Expenses in the nature of revenue as at March 31, 2009. In view of the limitations faced by the management and explanations given, the then auditors could not comment on the correctness of the amount capitalised and cannot ascertain its impact, if any, on the depreciation charge for the year as also the results for the year.

Adjustments have been made in the Restated Consolidated Financial Statements as given in 1(b) above.

iii. Auditors have commented on the accounts of Financial Year 2008-09, that inventory valuation is not in accordance with Accounting Standard (AS) 2 "Valuation of Inventories" prescribed by the Companies (Accounting Standard) Rules, 2006. In view of the explanation, the then auditors were unable to comment on the impact, if any, on the results for the year.

Adjustments have been made in the Restated Consolidated Financial Statements as given in 1(b) above.

b) **Auditor's Qualifications for which adjustments are not required in the Consolidated Financial Statements**

i. Observations are made in the Auditor's report for the Financial Year 2008-09 for following:

- The Company has acquired various assets through business transfer agreements. However, the apportionments of assets are not in accordance with AS 10 "Accounting of Fixed Assets" and have used best estimates for apportioning the cost.

  During Financial Year 2009-10, the Company has appointed the valuers to carry out the valuation of the acquired assets. The values derived by the valuer are substantially same or near to the values accounted.

- Balances with banks have not been confirmed independently and as such the auditors are unable to effectively comment upon the adequacy of disclosures of hypothecation, collaterals, mortgages as also of the guarantees and liens given against such balances in the financial statements. However, the Company has provided all the confirmation given by the bank
- All balances under sundry creditors, loans and advances and sundry debtors are subject to confirmation.
- The Company has not updated its fixed asset register showing full particulars including quantitative details and situation of fixed assets except for three units and is in process of preparing/updating the fixed asset register for the units acquired during the year.

  The same has since been updated.
- The scope and coverage of internal audit system requires to be further enhanced to be commensurate with its size and the nature of its business.

  The Company has appointed internal auditors for the acquired units in Financial Year 2009-10
- Due to dearth of information, auditors cannot comments as to whether the company has used the funds raised on short term basis for long term investment.

3. Balance of Profit and Loss account, as restated as at 1-4-2005

Rs. in millions

Balance in Profit and Loss account as per audited financial statement		**213.43**
Less:		
Balance in Preliminary expenses as on 31-3-2005 written off		(16.62)
Add:		
Excess tax provided in respect of earlier years		16.49
Restated Balance in Profit and Loss account as at 1-4-2005		**213.31**

Annexure VI

CONSOLIDATED STATEMENT OF ACCOUNTING RATIOS, AS RESTATED

Particulars	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
	(Rs. in Millions)					
Restated Net Profits before	386.17	626.58	289.45	307.77	204.65	143.58
Extra-Ordinary Items						
Extra Ordinary Items (net of tax)	-	-	-	-	42.46	-
Restated Net Profits after Extra-Ordinary Items	386.17	626.58	289.45	307.77	247.10	143.58
Net Worth	6,286.16	4,612.99	3,690.23	3,400.78	1,741.10	912.38
No. of Equity Shares outstanding at the end of the year (Units)	24784022	21234022	21234022	21234022	16086474	13686474
Weighted No. of Equity Shares outstanding at the end of the year (Units)	21272820	21234022	21234022	17439269	14771405	13509948
Earning per share - Basic	18.15	29.51	13.63	17.65	13.85	10.63
Before Extra-Ordinary Items (Rs.)						
Earning per share - Basic	18.15	29.51	13.63	17.65	16.73	10.63
After Extra-Ordinary Items (Rs.)						
Earning per share – Diluted	18.15	29.51	13.63	17.65	13.85	10.63
Before Extra-Ordinary Items (Rs.)						
Earning per share – Diluted	18.15	29.51	13.63	17.65	16.73	10.63
After Extra-Ordinary Items (Rs.)						
Return on Net Worth (%)	6.14%	14.53%	7.84%	9.05%	14.19%	15.74%
Net Asset Value per Equity Share (Rs.)	253.64	217.24	173.79	160.16	108.23	66.66

Notes : -

1. Ratios have been computed as below:

Earnings per share – Basic (Rs.) = Net Profits as restated attributable to equity shareholders / Weighted average number of equity shares outstanding during the year.

Earnings per share – Diluted (Rs.) = Net Profits as restated attributable to equity shareholders /Weighted average number of diluted potential equity shares outstanding during the year.

Return on Networth (%) =Net Profits after Extra-Ordinary Items / Networth at the end of the year excluding revaluation reserve and excluding Share Application Money, if any.

Net asset value per equity share (Rs.) = Net Worth at the end of the year / Number of equity shares outstanding at the end of the year

Annexure VII

CONSOLIDATED STATEMENT OF RELATED PARTY TRANSACTIONS

A) Name of Related Parties and nature of relationship where control exists

i) Associate Company/ Companies

Sr. No.	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
1	-	-	-	-	-	Arch Financial Services (Bombay) Private Limited

ii) Key Management Personnel

Sr. No.	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
1	Mr. Ajit A. Kamath (Chairman & Managing Director)	Mr. Ajit A. Kamath (Chairman & Managing Director)	Mr. Ajit A. Kamath (Chairman & Managing Director)	Mr. Ajit A. Kamath (Chairman & Managing Director)	Mr. Ajit A. Kamath (Chairman & Managing Director)	Mr. Ajit A. Kamath (Chairman & Managing Director)
2	Mr. T. Mallikarjuna Reddy (Director)	Mr. T. Mallikarjuna Reddy (Director)	Mr. T. Mallikarjuna Reddy (Director)	Mr. T. Mallikarjuna Reddy (Director)	Mr. T. Mallikarjuna Reddy (Director)	Mr. T. Mallikarjuna Reddy (Director)
3	Mr. Manoj T. Jain (Dy. Managing Director)	Mr. Manoj T. Jain (Dy. Managing Director)	Mr. Manoj T. Jain (Dy. Managing Director)	Mr. Manoj T. Jain (Dy. Managing Director)	Mr. Manoj T. Jain (Dy. Managing Director)	Mr. Manoj T. Jain (Dy. Managing Director)
4	Mr. Rajendra P. Kaimal (Executive Director)	Mr. Rajendra P. Kaimal (Executive Director)	Mr. Rajendra P. Kaimal (Executive Director)	Mr. Rajendra P. Kaimal (Executive Director)	Mr. Rajendra P. Kaimal (Executive Director)	Mr. Rajendra P. Kaimal (Executive Director)
5	-	-	-	-	-	Mr. Subhash P. Mali (Director)

iii) Enterprises over which Key Management Personnel and their relatives exercise significant influence

Sr. No.	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
1	Arch Phamachem Limited	Arch Phamachem Limited	Arch Phamachem Limited	-	-	Arch Phamachem Limited
2	Arch Impex Private Limited	Arch Impex Private Limited	Arch Impex Private Limited	-	-	Arch Impex Private Limited
3	AMR Investments Private Limited	AMR Investments Private Limited	-	-	-	-
4	Sainath Investments Private Limited	Sainath Investments Private Limited	Sainath Investments Private Limited	Sainath Investments Private Limited	Sainath Investments Private Limited	Sainath Investments Private Limited
5	-	Vijeta Trading Private Limited	Vijeta Trading Private Limited	-	-	-

B) Nature of Significant Transactions & Outstanding Balances

Name of the Party	Nature of Transaction	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
							(Rs. in Millions)
i) Associates							
Arch Financial Services (Bombay) Private Limited	Rent for Office Premises	-	-	-	-	-	1.20
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	5.00
ii) Key Management Personnel							
Mr. Ajit A. Kamath	Salary	2.14	4.53	4.51	2.27	1.57	1.55
Mr. Manoj T. Jain	Salary	1.98	3.78	3.76	2.26	1.25	1.24
Mr. Rajendra P. Kaimal	Salary	1.65	3.31	3.28	2.25	1.13	1.12
Mr. T. Mallikarjuna Reddy	Salary	1.98	3.95	3.26	1.06	1.01	1.01
Mr. Subhash P. Mali	Salary	-	-	-	-	-	1.12
iii) Enterprises over which Key Management Personnel and their relatives exercise significant influence:							
AMR Investments Private Limited	Share Application Money Received	100.00	250.00	-	-	-	-
	Share Application Money Adjusted	(350.00)	-	-	-	-	-
	Equity Share Capital Issued	8.75	-	-	-	-	-
	Security Premium Received	341.25	-	-	-	-	-
Arch Pharmachem Limited	Share Application Money received	-	50.00	-	-	-	-
	Share Application Money Adjusted	(50.00)	-	-	-	-	-
	Equity Share Capital Issued	1.25	-	-	-	-	-
	Security Premium Received	48.75	-	-	-	-	-
	Interest on Debentures Paid	3.57	78.36	-	-	-	-
	Inter Corporate Deposit	-	-	-	-	-	2.26
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
	Debenture Issued	-	50.00	500.00	-	-	-
	Debenture Reedemed	50.00	500.00	-	-	-	-
	Outstanding Balance Debit /(Credit)	-	(50.00)	(500.00)	-	-	-
Arch Impex Private Limited	Inter Corporate Deposit Given	-	-	0.20	-	-	17.21
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
	Share Application Money received	100.00	-	-	-	-	-
	Share Application	(100.00)	-	-	-	-	-

	Money Adjusted/Refunded						
	Equity Share Capital Issued	2.50	-	-	-	-	-
	Security Premium Received	98.75	-	-	-	-	-
	Loan Taken	-	-	3.65	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	(8.11)	-	-	-
	Debenture Issued	-	-	250.00	-	-	-
	Debenture Redeemed	50.00	200.00	-	-	-	-
	Outstanding Balance Debit /(Credit)	-	(50.00)	(250.00)	-	-	-
	Interest on Debentures paid	3.57	35.63	10.74	-	-	-
Vijeta Trading Private Limited	Rent for Office Premises	-	0.90	1.05	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
Sainath Investments Private Limited	Rent for Office Premises	0.38	0.68	0.62	0.41	0.97	0.91
	Rent for Office Guest House	0.85	1.46	1.23	0.83	-	-
	Outstanding Balance Debit /(Credit)	(0.19)	(0.18)	(0.14)	(0.13)	(0.06)	(0.06)
	Outstanding Balance of Security Deposit Debit	1.33	1.33	1.33	1.33	1.33	1.33

Annexure VIII

CONSOLIDATED STATEMENT OF SEGMENTAL INFORMATION

a. Primary Segment Information

The Company is engaged solely in the business of 'Pharmaceuticals - API's and Intermediates'. The entire operations are governed by the same set of risk and returns and hence the same has been considered as representing a single primary segment.

b. Secondary Segment Information

The Company's operating divisions are managed from India. The principal geographic segments in which the Company operates based on location of customers are India and Rest of World.

Particulars	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
						(Rs. in Millions)
Sales :						
India	3,672.27	7,104.08	7,666.20	4,568.13	2,973.23	1,843.85
Rest of World	2,552.49	4,514.43	2,141.19	826.02	652.29	624.42
Total	**6,224.76**	**11,618.51**	**9,807.39**	**5,394.15**	**3,625.52**	**2,468.27**

Annexure IX

CONSOLIDATED STATEMENT OF OTHER INCOME, AS RESTATED

Particulars	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
						(Rs. in Millions)
Recurring in Nature:						
Interest on Fixed Deposit with Banks	9.12	19.34	14.25	3.76	3.95	4.78
Interest on others	10.46	45.26	1.29	2.14	0.45	0.02
Dividend on Long Term Investments	0.08	0.23	0.23	0.15	0.04	0.05
Miscellaneous Income	0.27	1.44	0.08	0.09	0.02	0.45
Non Recurring in Nature:						
Sundry Credit Balances Written Back	-	0.45	0.01	-	-	-
Exchange Fluctuation Gain (Net)	10.42	14.70	-	(6.22)	8.64	1.78
Insurance Claim Received	0.18	0.42	0.12	-	1.91	-
Profit on sale of Fixed Assets	-	-	-	-	0.56	-
DEPB Claim	-	-	-	-	-	0.66
Miscellaneous Income	-	0.26	8.50	30.00	-	-
Total	**30.52**	**82.10**	**24.48**	**29.93**	**15.56**	**7.74**

Note : The classification of other income into recurring and non-recurring has been performed by the management of the company based on the current operations and business activities of the company. This classification is accordingly, solely based on the representation given by management

The above income is arising out of the normal business activity, except for dividend on long term investment.

Annexure X

CONSOLIDATED STATEMENT OF INVESTMENTS, AS RESTATED

Particulars	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
(Rs. In Millions)						
Long Term Investments (At Cost)						
Trade, Quoted						
In Equity Shares of Subsidiary Company - Fully paid Up						
- 9,809,100 Equity Shares of Rs. 10 each in Avon Organics Limited (it has become subsidiary from 31.01.2009)	-	-	-	185.37	-	-
In Equity Shares Fully paid up						
- 1,600 Equity Shares of Rs. 10 each in UCO Bank	0.02	0.02	0.02	-	-	-
Trade, Unquoted						
In Equity Shares Fully paid up						
- 1,500,000 Equity Shares of Rs. 10 each in Arch Life Sciences Limited	-	-	-	-	30.00	-
- 20,000 Equity Shares of Rs. 25/- each of The Greater Bombay Co-operative Bank Limited	0.50	0.50	0.50	0.50	0.50	0.50
- 20,000 Equity Shares of Rs. 25/- each of The Kalyan Janata Sahakari Bank Limited	0.50	0.50	0.50	0.50	0.50	0.50
- 25,000 Equity Shares of Rs 20/- each of SVC Bank Limited	-	-	0.50	-	-	-
- In Patancheru Envirotech Ltd. as Equity Contribution	1.03	1.03	1.03	0.10	0.10	0.10
- 10,000 units of BOB Growth 95 Scheme of Rs. 10/- each	-	-	0.10	0.10	0.10	0.10
- 49,000 Equity Shares of Rs. 10/- each of PET Ltd.	-	-	-	0.93	-	-
Current Investments						
Others						
- UTI - Mutual Funds	0.50	0.50	0.50	-	-	-
- 100 IDBI Bonds of Rs. 5000/- each fully paid up	-	-	0.50	-	-	-
- In Government Securities as 6 year National Savings Certificate	0.20	0.20	0.03	0.03	0.03	0.03
Total	**2.75**	**2.75**	**3.69**	**187.53**	**31.23**	**1.23**

Annexure XI

CONSOLIDATED STATEMENT OF SUNDRY DEBTORS, AS RESTATED

Particulars	As at September 30, 2010	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
	(Rs. In Millions)					
a) Debts outstanding for a period exceeding six months						
-Unsecured, Considered Good	1,067.90	912.54	208.45	91.34	33.90	11.06
-Unsecured, Considered Doubtful	-	-	-	-	-	-
Total (A)	**1,067.90**	**912.54**	**208.45**	**91.34**	**33.90**	**11.06**
b) Debts outstanding for a period less than six months						
-Unsecured, Considered Good	4,594.51	4,448.64	3,344.45	1,548.66	1,145.61	809.75
-Unsecured, Considered Doubtful	-	-	-	-	-	-
Total (B)	**4,594.51**	**4,448.64**	**3,344.45**	**1,548.66**	**1,145.61**	**809.75**
Grand Total (A+B)	**5,662.41**	**5,361.18**	**3,552.90**	**1,640.00**	**1,179.51**	**820.81**

Note: None of the Debtors are related to the directors or promoters or the company in any way.

Annexure XII

CONSOLIDATED STATEMENT OF LOANS AND ADVANCES, AS RESTATED

Particulars	As at September 30, 2010	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
						(Rs. in Millions)
Unsecured and Considered Doubtful:						
Advances Recoverable in Cash or in kind, for value to be received	-	-	-	-	-	-
Unsecured and Considered Good:						
Due from related parties	-	-	-	-	-	-
Advances Recoverable in Cash or in kind, for value to be received	3,258.40	2,384.19	1,243.80	441.81	339.97	127.04
Share application money	-	-	-	-	100.00	-
Deposits	191.21	166.34	332.06	207.48	118.88	23.00
Advance Income Tax including Fringe Benefit Tax and Tax Deducted at Source	31.03	21.02	62.57	139.45	5.89	1.97
Total	**3,480.64**	**2,571.54**	**1,638.43**	**788.73**	**564.73**	**152.00**

Note: None of the loans & advances are related to the directors or promoters or the company in any way.

Annexure XIII

CONSOLIDATED CAPITALISATION STATEMENT

Particulars	Pre-Issue as at September 30, 2010	Post-Issue (Refer Note 2)
		(Rs. in Millions)
Borrowings :		
Short Term Debt	7,430.12	
Long Term Debt	5,079.13	
Total Borrowings	**12,509.25**	
Shareholders Funds :		
Share Capital	247.84	
Reserves and Surplus	6,038.32	
Total Shareholders Funds	**6,286.16**	
Short Term Debt / Shareholders Funds	1.18 : 1	
Long Term Debt / Shareholders Funds	0.81 : 1	

Notes:
1) Debts repayable within one year from 30-9-2010 are considered as short term debts

2) Shareholders Funds post issue can be calculated only on the conclusion of Book Building Process and hence have not been furnished. The post issue capitalisation shall be updated before filling the Prospectus.

Annexure XIV

CONSOLIDATED STATEMENT OF SECURED LOANS, AS RESTATED

Particulars		As at September 30, 2010	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006	Effective Interest rate	Pledge of Promoter's Shares	Repayment Schedule	Purpose of Loan
		(Rs. In Millions)									
a.	Working Capital Loans	4,165.21	4,739.80	3,205.32	1,587.78	1,178.56	799.17	Refer Table A Below	Nil	No Repayment clause and Renewable on yearly basis.	Refer Table A Below
b.	Loans from Banks	4,596.45	4,267.46	3,305.74	902.46	412.04	852.73	Refer Table B Below	Nil	Refer Table B Below	
c.	Loans from Institution/Others	793.08	805.70	645.76	218.22	461.20	100.00	Refer Table c Below	Nil	Refer Table C Below	
d.	Loans under Hire Purchase Arrangements	8.99	13.88	23.64	22.06	11.36	12.03		Nil		
e.	Non-Convertible Debentures	200.00	200.00	300.00	400.00	400.00	-	11.63%	Nil	Reedemable at par in one or more installments on various dates with the earliest redemption being on 28.02.2011 and the last being in 28.02.12	
f.	Interest accrued and Due	31.46	37.42	82.82	-	-	-		-		
Total		**9,795.19**	**10,064.26**	**7,563.28**	**3,130.52**	**2,463.16**	**1,763.93**				

Securities offered:

a) Working Capital Loans

a) As at 31-3-2006:

Is secured by hypothecation stock & book debts of the Company & as collateral, hypothecation & mortgage of fixed assets of Tarapur Unit of the Company, mortgage of the immovable properties of the promoters & their relatives, commercial premises of the group company, personal guarantee of the Promoter Directors of the Company & their relatives.

b) As at 31-3-2007 to 30-9-2008:

Is secured on first pari-passu charge basis on complete current assets of the Company , on second pari-passu charge basis on the complete fixed assets of the Company and personal guarantee of the Promoter Directors of the Company.

c) As at 31-3-2009:

To the extent of Rs. 2311.57 millions, is secured on first pari-passu charge basis on complete current assets of the Company , on second pari-passu charge basis on the complete fixed assets of the Company & personal guarantee of the Promoter Directors of the Company. To the extent of Rs. 499.05 millions, is secured by Subservient Charge on current assets of the Company and personal guarantee of the Promoter Directors of the Company.

Taken by Avon Organics Limited: - is secured on first pari-passu charge basis on complete Current assets of the Company, on second pari-passu charge basis on the complete Fixed assets of the Company & personal guarantee of the Promoter Directors of the Company and Rs. 119.97 Mn also by way of corporate guarantee of the Company.

d) As at 31-3-2010 and 30-09-2010

Is secured on first pari-passu charge basis on complete current assets of the Company, on second pari-passu charge basis on the complete fixed assets of the Company and personal guarantee of the Promoter Directors of the Company.

Taken by Avon Organics Limited as at 31.03.2010: - is secured on first pari-passu charge basis on complete Current assets of the Company, on second pari-passu charge basis on the complete Fixed assets of the Company & personal guarantee of the Promoter Director of the Company and Rs. 163.24 Mn also by way of corporate guarantee of the Company.

Taken by Avon Organics Limited as at 30.09.2010: - is secured on first pari-passu charge basis on complete Current assets of the Company, on second pari-passu charge basis on the complete Fixed assets of the Company & personal guarantee of the Promoter Director of the Company and Rs. 113.13 Mn also by way of corporate guarantee of the Company.

b) From Banks:

a) As at 31-3-2006

Secured by hypothecation & mortgage of the fixed assets of the Company, immovable properties and personal guarantee of the Promoter Directors of the Company and their relatives and corporate guarantee of a group company.

b) As at 31-3-2007

To the extent of Rs. 4060.44 millions, is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company. To the extent of Rs. 60 millions, is secured by Subservient Charge on current assets of the Company.

c) As at 31-3-2008

is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company.

Taken by Arch Finechemicals Limited : - is secured by hypothecation of stock & book debts of the Company age maximum 120 days, Equitable mortagage on factory land (41 acres) and building located mittapally village, Siddipet Mandal, Medak Dist. (AP) and Hypothecation of Plant & Machinery and other movable fixed assets of the company. Corporate gurantee of the Company and personal guarantee of the Promoter Directors of the Company
Taken by Arch Life Sciences Limited : - is secured on first pari-passu charge basis on complete fixed assets of the Company and Corporate gurantee of the Company and personal guarantee of the Directors of the Company

d) As at 31-3-2009 to 30-09-2010

Is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company.

Taken by Avon Organics : - is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company and corporate guarantee of the Company.

c) from others:

a) As at 31-3-2006

Secured by hypothecation and mortgage of the fixed assets of the Company, immovable properties and personal guarantee of the Promoter Directors of the Company and their relatives and corporate guarantee of a group company.

b) As at 31-3-2007 and 31-03-2008

is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company.

c) As at 31-3-2009

To the extent of Rs. 210.20 millions, is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company. To the extent of Rs. 435.56 millions, is secured by Residual Charge on the entire fixed assets and current assets of the Company.

d) As at 31-3-2010

To the extent of Rs. 129.63 millions, is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company. To the extent of Rs. 676.07 millions, is secured by Residual Charge on the entire fixed assets and current assets of the Company.

e) As at 30-9-2010

To the extent of Rs. 117.01 millions, is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company. To the extent of Rs. 676.07 millions, is secured by Residual Charge on the entire fixed assets and current assets of the Company.

d) Loans under Hire Purchase Arrangements:

As at 31-3-2006 to 30-9-2010:
Secured by the hypothecation of each vehicle financed by the respective bank.

e) Non- Convertible Debentures:

As at 31-3-2007 to 30-09-2010
Secured by Subservient Charge on the movable assets of the Company and personal guarantee of Promoter Directors of the Company.

Annexure XIV (Cont'd)

Table A : Working Capital Loans

Details of Loans outstanding as at 30th September, 2010

Name of Banks	Sanctioned Limits	Outstanding Amount as at Sep 30, 2010	Effective Interest Rate
			(Rs. in Millions)
Allahabad Bank	200.00	161.90	11.50%
Axis Bank Ltd.	1,140.00	395.91	9.00%
Barclays Bank PLC	300.00	291.66	9.50%
Canara Bank	300.00	263.54	12.50%
Development Credit Bank Ltd.	50.00	49.38	12.00%
IDBI Bank	450.00	441.08	12.75%
Indusind Bank Ltd	150.00	150.54	11.25%
Karur Vysya Bank Ltd	300.00	293.03	12.00%
Kotak Mahindra Bank	300.00	130.47	11.00%
Laxmi Vilas Bank Ltd.	200.00	58.05	13.50%
Standard Charterd Bank	100.00	68.25	12.50%
State Bank of Bikaner & Jaipur	200.00	(41.33)	10.75%
State Bank of India	670.00	367.63	12.50%
State Bank of Indore	200.00	200.00	12.75%
State Bank of Indore	200.00	199.18	12.75%
State Bank of Mysore	400.00	183.73	9.75%
State Bank of Mysore	200.00	200.00	12.75%
State Bank of Travancore	350.00	350.02	13.00%
Union Bank of India	250.00	250.18	13.75%
Yes Bank	130.00	89.24	11.00%
Punjab National Bank	60.00	62.76	11.50%
Total	**6,150.00**	**4,165.21**	

Annexure XIV
(Cont'd)

Table B : -Loans from Banks

					Repayment Schedule						
Name of Bank	**Type of Loan**	**Sanction amount**	**Outstanding Amount as at Sep 30, 2010**	**Effective Interest Rate**	**Financial Year 2010-11**	**Financial Year 2011-12**	**Financial Year 2012-13**	**Financial Year 2013-14**	**Financial Year 2014-15**	**Financial Year 2015-16**	**Purpose of Loan**
											(Rs. In Millions)
Arch Pharmalabs Ltd.											
Axis Bank	Term Loan 1	42.50	21.67	12.00%	5.00	10.00	6.67	-	-	-	Normal Capex Expenditure at

											Oncology unit.
Axis Bank	Term Loan 2	18.00	10.00	11.50%	-	6.00	4.00	-	-	-	Normal Capex Expenditure at Oncology unit.
Axis Bank	Term Loan 3	75.00	46.88	11.50%	18.75	28.13	-	-	-	-	Long term Working Capital requirement
Bank of Baroda	Term Loan	250.00	249.41	12.75%	15.60	62.50	62.50	62.50	46.31	-	Meeting Long Term Working Capital requirements and expansion of existing R & D facilities
ICICI Bank Ltd (Formerly Bank of Rajasthan Ltd.)	Term Loan	100.00	98.28	14.00%	20.00	78.28	-	-	-	-	Financing of regular capex requirement of the Company
Canara Bank	Term Loan 1	500.00	500.00	12.75%	-	55.60	111.20	111.20	111.20	110.80	Meet Long Term Working Capital requirement.
Canara Bank	Term Loan 2	250.00	249.96	14.00%	12.50	50.00	50.00	50.00	50.00	37.46	Expansion and modernisation at various locations
HDFC Bank Ltd. (Formerly Centurion Bank of Punjab)	Term Loan	150.00	103.13	12.00%	37.50	37.50	28.13	-	-	-	Funding Company's expansion plans at Gurgaon and R & D facilities
Bank of India	Term Loan	100.00	34.17	12.00%	20.50	13.67	-	-	-	-	Capex at Hyderab

											ad Siddhipet Unit
DBS Bank	Term Loan	200.00	87.50	12.00%	25.00	50.00	12.50	-	-	-	Meeting Long Term Working Capital requirements
DEG Deutsche Investitions	Term Loan-FCL	Euro 7.5 Mn. *	393.73	7.30%	36.25	72.50	72.50	72.50	72.50	67.48	Modernisation of Gurgaon plant and R & D Unit at Taloja
Indian Overseas Bank	Term Loan	100.00	99.60	13.00%	10.00	20.00	20.00	20.00	20.00	9.60	Modernisation at Oncology Unit in Tarapur
Karur Vysya Bank	Term Loan 1	200.00	200.00	12.00%	50.00	50.00	50.00	50.00	-	-	Expansion by way of asset buyout of Dombivli Unit.
Karur Vysya Bank	Term Loan 2	100.00	62.50	13.50%	12.50	25.00	25.00	-	-	-	Meeting Capex and Expansion requirements
Kotak Mahindra Bank Ltd	Term Loan	40.00	24.14	12.00%	5.64	11.10	7.40	-	-	-	Takoever of loan of SVC Bank Ltd.
Lakshmi Vilas Bank	Term Loan	300.00	138.04	13.00%	60.00	78.04	-	-	-	-	General Corporate purpose, and Normal Capex Purpose
Punjab & Sind Bank	Term Loan	250.00	166.60	13.00%	27.80	55.60	55.60	27.60	-	-	Capex at Gurgaon, Hyderabad and Badlapur
State Bank of Hyderabad	Term Loan	500.00	500.00	12.75%	31.30	125.00	125.00	125.00	93.70	-	Ongoing Capital expenditure, replacement of

											machinery part etc & R & D Expenditure
State Bank of India	Term Loan	500.00	505.70	13.00%	30.70	100.00	100.00	100.00	100.00	75.00	Expansion at Sibra Unit in Hyderabad
State Bank of Indore	Term Loan	300.00	248.32	11.75%	30.00	60.00	60.00	60.00	38.32	-	Part fund capacity expansion at Gurgaon and Badlapur Unit
State Bank of Patiala	Term Loan 1	100.00	19.99	10.00%	14.99	5.00	-	-	-	-	Takeover of Badlapur unit and expansion
State Bank of Patiala	Term Loan 2	34.00	3.40	10.00%	3.40	-	-	-	-	-	Takeover and Purchase of R & D equipments for unit.
State Bank Patiala	Term Loan 3	100.00	50.58	12.00%	17.24	33.34	-	-	-	-	Reimbursement of capital expenditure incured in Sibra unit
State Bank Patiala	Term Loan 4	100.00	90.90	12.50%	10.90	20.00	20.00	20.00	20.00	-	Expansion at Sibra Unit.
Indusind Bank	Term Loan	75.00	63.75	13.00%	7.50	15.00	15.00	15.00	11.25	-	Part finance project at Hyderabad Unit
Avon Organics Limited											
Axis Bank Ltd	Term Loan 1	400.00	314.26	12.50%	47.58	88.89	88.89	88.89	-	-	Long term Working Capital requirement & normal expenditure

Karur Vysya Bank	Term Loan 2	400.00	313.98	12.50%	-	40.00	80.00	80.00	80.00	33.98	Modernisation and expansion of Units.
TOTAL			**4,596.45**		**550.65**	**1,191.14**	**994.38**	**882.69**	**643.27**	**334.31**	

** Equivalent of Rs. 4500 Millions*

Table C : Loans from Institutions/Others

					Repayment Schedule						
Name of Institutions/Others	**Type of Loan**	**Sanction amount**	**Outstanding Amount as at September 30, 2010**	**Rate of interest**	**Financial Year 2010-11**	**Financial Year 2011-12**	**Financial Year 2012-13**	**Financial Year 2013-14**	**Financial Year 2014-15**	**Financial Year 2015-16**	**Purpose of Loan**
		(Rs. In Millions)									
LIC	Term Loan	150.00	100.00	9.40%	50.00	50.00	-	-	-	-	Meeting Long Term Working Capital requirements and capex requirements of the Company
Exim Bank	Term Loan-FCL	USD 5.70 Mn*	17.01	Libor + 350 bsp	11.34	5.67	-	-	-	-	Part finance the acquisition of Vitalife, Gurgaon
IL & FS Financial Services	Term Loan-SMCF Facility	750.00	676.07	12.00%	33.80	135.21	135.21	135.21	135.21	101.41	Part fund capacity requirements of the Company
TOTAL			**793.08**		**95.14**	**190.88**	**135.21**	**135.21**	**135.21**	**101.41**	

** Equivalent of Rs. 250 Millions*

Annexure XV

CONSOLIDATED STATEMENT OF UNSECURED LOANS, AS RESTATED

Particulars	As at							Repayment Schedule
	September 30, 2010	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006	Effective Rate of Interest	
								(Rs. In Millions)
Short Term Loans from Bank/ Institution	2,500.00	2,101.51	1,009.64	1,008.50	400.00	-	**Table A**	
Debentures	-	100.00 **	750.00*		-	-		
Deferred Sales Tax Liability	213.01	217.21	211.94	54.52	0.75	2.35	NA	Over the 14 years from the month of sale
Others (Other than Promoters)	1.05	1.05	2.09	2.51	5.23	3.00	Nil	Payable within one year
Total	**2,714.06**	**2,419.77**	**1,973.67**	**1,065.53**	**405.98**	**5.35**		

*Amount of Rs. 550 Million & Rs. 200 Million from Arch Pharmachem Limited and Arch Impex Limited (Corporate Promoter of the Company) respectively.

**Amount of Rs. 50 Million & Rs. 50 Million from Arch Pharmachem Limited and Arch Impex Limited (Corporate Promoter of the Company) respectively.

Table A : Short Term Loans from Banks/Institutions

Name of Bank/ Institution	Amount as at September 30, 2010 (Rs. In Million)	Rate of Interest	Repayment Schedule
State Bank of Bikaner & Jaipur	100.00	12%	Repayable within one year
LIC	1,950.00	7%	
Commercial Papers (IDBI Bank)	450.00	8%	Repayable within six months
Total	**2,500.00**		

Annexure XVI

CONSOLIDATED STATEMENT OF CONTINGENT LIABILITIES, AS RESTATED

Sr. No.	Particulars	As at September 30, 2010	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
							(Rs. In Millions)
a.	Guarantees by banks on behalf of the Company	17.84	14.98	10.45	6.78	3.92	2.55
b.	Letter of Credit	498.57	288.02	178.20	27.21	66.32	35.36
c.	Disputed Income Tax demands	-	-	-	-	44.54	-
d.	Claim against the Company/disputed liabilities not acknowledged as debts	5.05	5.05	3.91	1.22	0.98	0.98
e.	Bills discounted	166.47	291.51	370.74	140.29	-	-
Total		**687.92**	**599.55**	**563.31**	**175.50**	**115.75**	**38.89**

Annexure XVII

CONSOLIDATED STATEMENT OF DIVIDEND

Particulars	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
No. of Preference Shares of Rs.10 each				-*	10,000,000	10,000,000
Rate of Dividend					7.50%	7.50%
Amount of Preference Dividend (Rs. in Million)	-	-	-	4.69	7.50	2.73
						(refer note 1)
Dividend paid by Subsidiary Company	-	8.19	-	-	-	-
(other than to holding company)						
Dividend Tax (Rs. in Million)	-	3.82	-	0.80	1.27	0.38
Total	**-**	**12.01**	**-**	**5.49**	**8.77**	**3.11**
Note :						

1) Including dividend of Rs.671,233 and dividend tax of Rs.93,973 paid on 10% Cumulative Preference Shares redeemed during the year 2005-06

2) The Company has not paid any dividend to its Equity Shareholders in the last five years.

* Fully redeemed during the year.

AUDITOR'S REPORT

To

The Board of Directors
Arch Pharmalabs Limited
4th Floor, 'H' Wing, Tex centre,
Off. Saki Vihar Road, Chandivali,
Andheri (East), Mumbai - 400072

1. We, M/s Chaturvedi & Shah, Chartered Accountants ("C&S") and M/s Nayak & Rane, Chartered Accountants ("N&R") (collectively "the Joint Statutory Auditors") have examined the Restated Unconsolidated Financial Information of Arch Pharmalabs Limited ("the Company") as attached to this report and initialed by us for identification. The said Restated Unconsolidated Financial Information which has been prepared from the audited unconsolidated financial statements for the six months period ended September 30, 2010 and for the financial years ended March 31, 2010, March 31, 2009 , March 31, 2008 , March 31, 2007& March 31, 2006 and is approved by the Board of Directors and prepared by the Company in accordance with the requirements of:

   a. Paragraph B(1) of Part II of Schedule II of the Companies Act, 1956, as amended (the "Act"); and
   b. Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended to date (the "SEBI Regulations") issued by the Securities and Exchange Board of India ("SEBI") in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

2. We have examined such Restated Unconsolidated Financial Information taking into consideration:

   a. the terms of our engagement agreed upon with you in accordance with our engagement letter dated October 11, 2010 in connection with the proposed issue of equity shares of the Company and;

   b. The Guidance Note on Reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India.

Restated Financial Information as per Audited Unconsolidated Financial Statements

3. The Restated Unconsolidated Financial Information included in the Restated Summary Financial Statements of the Company has been extracted by the management from the Financial Statements of the Company for the six months period ended September 30, 2010 and for the financial year ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 approved by the Board of Directors at their meeting held on December 9, 2010, July 29, 2010, October 30, 2009, August 28, 2008, August 11, 2007,and June 29, 2006 Financial statements for the financial year ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 are approved by the shareholders in the Annual General Meeting held on September 29, 2010, November 30, 2009, November 28, 2008, September 29 2007 and December 16 2006 respectively.

   Audit of Unconsolidated Financial Statements of the Company for six months period ended September 30, 2010 and year ended March 31, 2010 was conducted jointly by us. Audit of Unconsolidated Financial Statements of the Company for the year ended March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 was conducted by N&R, whose reports have been furnished to C&S and accordingly relied upon.

4. In accordance with the requirements of Paragraph B(1) of Part II of Schedule II of the Act, the SEBI Regulations, the Guidance note on 'Reports in Company's Prospectus (Revised)' issued by the Institute of Chartered Accountants of India ('ICAI') to the extent applicable and the terms of our engagement agreed with you, we further report that:

a. The Unconsolidated Statement of Assets and Liabilities, as restated, Unconsolidated Statement of Profit and Loss, as restated and Unconsolidated Cash Flow Statement, as restated of the Company, as set out in Annexure I, II and III to this report respectively read with the significant accounting policies and related notes are after making adjustments and regrouping as in our opinion were appropriate and more fully described in the Significant Accounting Policies and Notes to the Restated Unconsolidated Financial Statements (refer Annexure IV and V).

b. Based on the above we are of the opinion that the Restated Unconsolidated Financial Statements have been made after incorporating:

   i. The impact arising/adjustment on account of changes in accounting policies adopted by the Company as at and for the six months period ended September 30, 2010, applied with retrospective effect in the Restated Unconsolidated Financial Statements in respective financial years/ period to reflect the same accounting treatment as per the changed accounting policy for all the reporting periods;

   ii. Adjustments for the material amounts in the respective financial years to which they relate.

   iii. Extra-ordinary items have been disclosed separately.

   iv. And there are no qualification in the auditors' report which remains to be adjusted in the Restated Financial Statements, except as mentioned in note no **2 (b) of** Annexure V, read with Significant Accounting Policies and related Notes to the Restated Unconsolidated Financial Statements (Annexure IV).

5. We have not audited any financial statements of the Company as of any date or for any period subsequent to September 30, 2010. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company as of any date or for any period subsequent to September 30, 2010.

Other Unconsolidated Financial Information:

6. We have also examined the following other unconsolidated financial information as set out in Annexures prepared by the Management and approved by the Board of Directors relating to the Company for the period ended September 30, 2010 and for the financial years ended March 31, 2010, 2009, 2008, 2007 and 2006.

   a. Unconsolidated Statement of Accounting Ratios, as restated, as given in Annexure VI;
   b. Unconsolidated Statement of Related Party Transactions, as given in Annexure VII;
   c. Unconsolidated Statement of Segmental information, as given in Annexure VIII;
   d. Unconsolidated Statement of Other Income, as restated, given in Annexure IX;
   e. Unconsolidated Statement of details of Investments, as restated, as given in Annexure X;
   f. Unconsolidated Statement of Sundry Debtors, as restated, as given in Annexure XI;
   g. Unconsolidated Statement of Loans and Advances, as restated, as given in Annexure XII;
   h. Unconsolidated Capitalization statement, as given in Annexure XIIII;
   i. Unconsolidated Statement of Secured Loans and Unsecured Loans, as restated, as given in Annexure XIV and XV;
   j. Unconsolidated Statement of Contingent liabilities, as restated, as given in Annexure XVI;
   k. Unconsolidated Details of Dividend paid by the Company given in Annexure XVII; and
   l. Statement of tax shelter as given in Annexure XVIII.

7. In our opinion, the other Unconsolidated Financial Information contained in Annexures to this report as referred to above, read along with the Significant Accounting Policies and scheduled Notes to Restated Unconsolidated Financial Statements (refer Annexure IV) are prepared after making adjustments and regrouping as considered appropriate, and have been prepared in accordance with Paragraph B(1) of Part II of Schedule II of the Act and the SEBI Regulations and the Guidance note on 'Reports in Company's Prospectus (Revised) issued by the ICAI to the extent applicable, as amended from time to time, and in terms of our engagement as agreed with you.

8. This report should not be in any way construed as a re-issuance or redrafting of any of the previous audit reports issued by either any of us singly or issued jointly.

9. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used or distributed for any other purpose without our prior written consent.

For **M/s Chaturvedi & Shah**
Chartered Accountants
Firm Registration No.:101720W

Amit Chaturvedi
Partner
Membership No. : 103141
Place: Mumbai
Date : March 15, 2011

M/s Nayak & Rane
Chartered Accountants
Firm Registration No.:117249W

Kishore Rane
Partner
Membership No. : 100788
Place: Mumbai
Date : March 15, 2011

Annexure I

UNCONSOLIDATED STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

Particulars	As at					
	September 30, 2010	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
						(Rs. in Millions)
A. Fixed Assets						
Gross Block	7,010.91	6,877.54	5,148.27	2,999.55	2,081.80	1,436.45
Less: Depreciation	1,397.25	1,111.82	660.96	422.73	260.39	137.15
Net Block	5,613.66	5,765.72	4,487.31	2,576.83	1,821.41	1,299.30
Add: Capital Work in Progress/Capital Advances	1,935.64	674.16	1,172.20	114.50	85.40	184.89
Total	**7,549.30**	**6,439.88**	**5,659.51**	**2,691.33**	**1,906.81**	**1,484.19**
B. Investment	**492.43**	**492.43**	**717.87**	**392.61**	**31.23**	**5.18**
C. Foreign Currency Monetary Item Translation Difference Account	**0.78**	**0.54**	**4.74**	**(0.39)**	**-**	**-**
D. Current Assets, Loans and Advances						
Inventories	4,003.78	3,743.40	3,046.45	1,491.21	1,193.07	719.49
Sundry Debtors	4,879.97	4,771.51	3,112.70	1,569.87	1,179.51	820.81
Cash and Bank Balance	358.91	501.35	408.30	960.32	495.52	78.40
Loans and Advances	3,800.25	2,889.18	1,682.25	1,126.69	587.10	161.66
Total	**13,042.91**	**11,905.44**	**8,249.70**	**5,148.09**	**3,455.20**	**1,780.36**
E. Liabilities and Provisions						
Secured Loans	8,674.56	9,001.35	6,730.27	2,837.62	2,463.16	1,763.93
Unsecured Loans	2,556.30	2,259.51	1,818.69	1,011.18	405.98	5.35
Current Liabilities	3,001.58	2,468.65	2,083.39	703.32	571.41	453.66
Provisions	138.60	75.01	11.48	46.43	52.19	54.06
Total	**14,371.04**	**13,804.53**	**10,643.83**	**4,598.56**	**3,492.74**	**2,277.00**
F. Deferred Tax Liability (Net)	408.23	409.54	287.73	201.37	137.18	69.19
Net Worth (A+B+C+D-E-F)	**6,306.16**	**4,624.23**	**3,700.25**	**3,431.72**	**1,763.32**	**923.54**
Represented by						
1. Equity Share Capital	**247.84**	**212.34**	**212.34**	**212.34**	**160.86**	**136.86**
2. Preference Share Capital	**-**	**-**	**-**	**-**	**100.00**	**100.00**
3. Share Application Money	**-**	**300.00**	**-**	**-**	**-**	**-**
4. Reserves and Surplus	**6,058.32**	**4,111.90**	**3,487.92**	**3,219.37**	**1,502.45**	**686.66**
4.1. Capital Reserve	0.95	0.95	0.95	0.95	0.95	2.45
4.2. Securities Premium Account	3,803.58	2,252.08	2,252.08	2,252.08	846.15	279.76
4.3. General Reserve	41.03	41.03	41.03	41.03	41.03	39.53
4.4. Debenture Redemption Reserve	150.28	180.60	216.70	132.20	3.87	-
4.5. Profit & Loss Account Balance	2,062.50	1,637.23	977.15	793.12	610.45	364.94
Net Worth (1+2+3+4)	**6,306.16**	**4,624.23**	**3,700.25**	**3,431.72**	**1,763.32**	**923.54**
Note: The above statement should be read with the Significant Accounting Policies and Notes appearing in Annexure IV and Annexure V, respectively.						

Annexure II

UNCONSOLIDATED STATEMENT OF PROFIT & LOSS, AS RESTATED

Particulars	Half Year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
						(Rs. in Millions)
Income						
Income from Operations/Sales						
- Manufactured Products	4,700.62	9,018.73	5,450.18	3,817.63	2,931.82	2,021.82
- Traded Products	838.16	1,214.99	1,683.09	1,324.36	693.70	446.45
Other Income	44.22	69.27	20.70	27.81	15.56	7.74
Total (A)	**5,583.00**	**10,302.99**	**7,153.97**	**5,169.80**	**3,641.08**	**2,476.01**
Expenditure						
Cost of Materials	3,219.08	6,340.14	4,745.55	3,442.81	2,367.79	1,583.72
Manufacturing Expenses and Other Expenses	445.68	721.76	686.73	395.46	304.92	222.62
Selling, Distribution and Administration expenses	489.05	813.41	654.43	418.65	272.00	202.64
Interest and Finance charges	658.74	1,208.43	700.41	336.31	249.58	151.55
Depreciation	292.25	457.95	239.54	166.62	125.81	82.59
Less: Transfer to Project Development Expenses	(49.47)	(133.04)	(251.77)	(42.61)	(11.14)	-
Total (B)	**5,055.33**	**9,408.65**	**6,774.89**	**4,717.24**	**3,308.96**	**2,243.12**
Profits before Tax and Extra-Ordinary Items (A-B)	**527.67**	**894.34**	**379.08**	**452.56**	**332.12**	**232.89**
Less :						
Taxation						
Current Tax	122.29	148.55	20.27	68.90	46.42	47.03
Deferred Tax	10.43	121.82	86.35	64.19	67.99	30.02
Fringe Benefit Tax	-	-	3.90	3.00	2.00	1.10
Net Profits before Extra-Ordinary Items	**394.95**	**623.97**	**268.56**	**316.47**	**215.71**	**154.74**
Add:-						
Extra-Ordinary Items (net of tax)	-	-	-	-	42.46	-
Net Profits after Extra-Ordinary Items	**394.95**	**623.97**	**268.56**	**316.47**	**258.17**	**154.74**
Add:						
Balance in Profit and Loss Account, as Restated brought forward	**1,637.24**	**977.16**	**793.11**	**610.45**	**364.92**	**213.31**
Less:						
Dividend on Preference Shares	-	-	-	4.69	7.50	2.73
Distribution Tax	-	-	-	0.80	1.27	0.38
Transfer to/(from) Debenture Redemption Reserve	(30.32)	(36.10)	84.50	128.33	3.87	-
Balance carried to Unconsolidated Statement of Assets & Liabilities, as Restated	**2,062.51**	**1,637.23**	**977.17**	**793.10**	**610.45**	**364.94**
Note: The above statement should be read with the Significant Accounting Policies and Notes appearing in Annexure IV and Annexure V, respectively.						

Annexure III

UNCONSOLIDATED CASH FLOW STATEMENT, AS RESTATED

Particulars	Half Year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
						(Rs. in Millions)
A) Cash flow from Operating Activities:						
Profit before Tax and Extra-Ordinary Items	527.66	894.33	379.08	452.55	332.12	232.88
Add: Extra-Ordinary Items (gross of tax)	-	-	-	-	64.00	-
Profit before Tax and After Extra-Ordinary Items	**527.65**	**894.34**	**379.07**	**452.57**	**396.12**	**232.88**
Add/(Less) Adjustments for:						
- Depreciation	292.25	457.95	239.54	166.62	125.81	82.59
- Interest Income	(19.69)	(61.85)	(11.86)	(4.50)	(4.40)	(4.80)
- Dividend Income	(14.38)	(0.23)	(0.15)	(0.15)	(0.04)	(0.05)
- Interest and Finance charges	658.74	1,208.43	700.41	336.31	249.58	151.55
- Miscellaneous Expenditure written off	-	-	1.56	3.96	-	2.37
- (Profit)/Loss on sale of investments (net)	1.28	-	-	-	3.38	-
- (Profit)/Loss on sale of fixed assets (net)	-	0.50	0.57	1.58	0.44	-
Operating Profit before working capital change	**1,445.85**	**2,499.13**	**1,309.15**	**956.38**	**770.89**	**464.53**
Working Capital Changes :						
(Increase) / Decrease in Trade Receivables	(108.46)	(1,658.81)	(1,542.83)	(390.37)	(358.70)	(348.27)
(Increase) / Decrease in Loans and advances	(911.18)	(1,202.61)	(975.88)	(241.35)	(325.45)	(35.94)
(Increase) / Decrease in Inventories	(260.38)	(696.95)	(1,555.24)	(298.14)	(473.58)	(200.53)
Increase / (Decrease) in Current liabilities	532.93	368.17	1,442.10	131.91	117.75	50.66
Cash generated from / (used in) from Operations	**698.77**	**(691.07)**	**(1,322.70)**	**158.42**	**(269.09)**	**(69.54)**
Income tax **and** Fringe Benefit tax paid	(70.44)	(67.93)	(53.63)	(74.37)	(77.49)	-
Net Cash generated from / (used in) Operating Activities (A)	**628.33**	**(759.00)**	**(1,376.33)**	**84.05**	**(346.56)**	**(69.54)**
B) Cash flow from Investing Activities:						
Purchase of Fixed Assets and Capital Work in Progress	(1,363.52)	(1,109.98)	(3,208.71)	(953.45)	(548.50)	(544.16)
Proceeds from Sale of Fixed Assets	3.87	0.16	0.28	1.11	0.19	-
Purchase of Investments	-	(0.17)	-	(659.62)	(130.00)	(4.59)
Sale of Investments	-	225.60	72.98	-	-	-
Dividend Received	14.38	0.23	0.15	0.15	0.04	0.05
Interest Received	19.69	61.85	11.86	4.50	4.40	4.80
Net Cash generated from / (used in) Investing Activities (B)	**(1,325.58)**	**(822.31)**	**(3,123.44)**	**(1,607.31)**	**(673.88)**	**(543.90)**
C) Cash flow from Financing Activities:						
Proceeds from Long Term Borrowings	332.42	1,439.89	4,648.59	199.13	917.75	767.19
Repayment of Long Term Borrowings	(209.21)	(539.71)	-	(27.98)	(17.89)	(89.77)
Short Term Loan (net)	(153.22)	1,811.71	1.14	808.50	200.00	-
Proceeds from issue of Share Capital/Share Application Money	1,287.00	300.00	-	1,357.40	590.40	106.30
Dividend Paid	-	-	-	(8.77)	(3.11)	-
Interest & Finance Charges Paid	(702.17)	(1,337.56)	(700.41)	(336.31)	(249.58)	(151.55)
Preliminary & Issue Expenses incurred	-	-	(1.56)	(3.96)	-	(2.37)
Net Cash generated from / (used in) Financing Activities - (C)	**554.82**	**1,674.34**	**3,947.75**	**1,988.01**	**1,437.57**	**629.80**
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	**(142.44)**	**93.04**	**(552.01)**	**464.79**	**417.12**	**16.37**
Cash and cash equivalents at the beginning of the period / year	501.35	408.30	960.32	495.52	78.40	62.03
Cash and cash equivalents at the end of the period/year	**358.91**	**501.35**	**408.30**	**960.32**	**495.52**	**78.40**

Note: The above statement should be read with the Significant Accounting Policies and Notes appearing in Annexure IV and V, respectively.

ANNEXURE IV

SIGNIFICANT ACCOUNTING POLICIES AND RELATED NOTES TO THE RESTATED UNCONSOLIDATED FINANCIAL STATEMENTS

a. Basis of Preparation :

The Restated Unconsolidated Financial Statement of Assets & Liabilities as at September 30, 2010, March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 and the related Restated Unconsolidated Statement of Profit & Loss and Cash Flows for years/period ended on that date , have been prepared specifically for inclusion in the offer document to be filed by the Company with the Securities and Exchange Board of India ("SEBI") in connection with its proposed Initial Public Offering.

These Restated Unconsolidated Financial Statements have been prepared to comply in all material respects with the requirements of :
(i) Paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 ("the Act") and
(ii) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the " SEBI Regulations" issued by Securities and Exchange Board of India ('SEBI'), as amended from time to time.

The Restated Unconsolidated Financial Statements have been prepared based on Unconsolidated Financial Statements of the Company and presented in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by Companies (Accounting Standards) Rules, 2006, the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956, to the extent applicable.

b. Use of Estimates:

The preparation of Restated Unconsolidated Financial Statements in conformity with Indian GAAP requires estimates and assumptions to be made that affect the reported amount of assets & liabilities on the date of the Restated Unconsolidated Financial Statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

c. Turnover:

In line with generally accepted accounting practices, sales are recognised when goods are supplied and are recorded net of Rebates, Sales Tax. Service income is recognized as per the terms of the contracts with customers when the related services are performed, or the agreed milestones are achieved.

d. Revenue Recognition:

In accordance with the Company's accounting policy followed consistently, all revenues are accounted when there is reasonable certainty of its ultimate collection.

e. Expenditure:

All general business expenditure is accounted in the year in which it is incurred and provision is made for all known losses and expenses.

f. Fixed Assets:

Fixed Assets are stated at cost, less accumulated depreciation. Costs include all costs relating to acquisition and installation of fixed assets. Intangible assets represent "product development expenses", "technology transfer","Software" and "DMF Cost" which are stated at cost less accumulated amortization and impairment losses, if any.

g. Depreciation:

Depreciation on fixed assets is provided on the straight line value method at the rates prescribed under Schedule XIV to the Companies Act, 1956. Intangible assets are amortised over a period of five years, being the expected period of use. The leasehold land and leasehold improvements are depreciated over the lease period.

h. Impairment of Assets:

As asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been change in the estimate of recoverable amount.

i. Investments:

Long-term investments are valued at cost. Provision for diminution in value of investments is made, if the diminution is of a nature other than temporary. Current investments are valued at the lower of cost and market value.

j. Inventory:

Inventories are measured at lower of cost and net realisable value after providing for obsolescence, if any. Cost includes cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Cost of raw materials, stores and spares, packing materials, trading and other products are determined on FIFO basis.

k. Excise Duty and Sales Tax/Value Added Tax:
Excise duty is accounted on the basis of both, payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses. Sales tax/Value added tax is charged to Profit and Loss account.

l. Research and Development Expenses:

Revenue expenditure on research and development is expensed out under the respective heads of account in the year in which it is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised, if the cost can be reliably measured, the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the Profit and Loss account as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment. Fixed assets used for research and development are depreciated in accordance with the Company's policy.

Materials identified for use in research and development process are carried as inventories and charged to Profit and Loss Account on issuance of such materials for research and development activities.

m. Employee Benefits:

a. Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
b. Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

n. Borrowing Cost:

Borrowing costs attributable to acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to Profit and Loss account.

o. Foreign Currency Transactions:

a. Transactions denominated in foreign currencies are recorded at spot rates / average rates.
b. Monetary items denominated in foreign currencies at the year end are restated at year end rates.
c. Non monetary foreign currency items are carried at cost.
d. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account except in case of long term liabilities which if related to acquisition of fixed assets are adjusted to the carrying cost of such assets and the other long term assets/liabilities are carried to Foreign Currency Translation Reserve and amortized in profit and loss account over the period of three years or upto March 31, 2011 whichever is less.

p. Accounting for taxes on Income:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961.

Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets is recognized and carried forward only to the extent that there is a virtual certainty that the asset will be realized in future.

q. Provision, 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. Contingent Assets are neither recognized nor disclosed in the financial statements.

r. Earnings per Share (EPS):

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year/ period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year/ period. For the purpose of calculating diluted earnings per share, net profit after tax for the year/ period and the weighted average number of shares outstanding during the year/ period are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

2. Notes to Unconsolidated Financial Statements , as restated

a) Share Capital : -

- Equity Share Capital includes 4,828,695 equity shares of Rs.10/- for each of the year / period, issued other than by cash on reverse merger of the Arch Commerz Private Limited with Merven Drug Products Limited. As per the scheme of this reverse merger, the shares were issued in the swap ratio of 3:5.
- Preference Share Capital outstanding as on March 31, 2006 and 2007 consists of 10,000,000 – 7.5% redeemable preference shares of Rs. 10/- each fully paid up redeemable within the period of 36

months from the date of allotment. These preference shares have been redeemed on November 15, 2007.

- During the half year ended September 30, 2010 : -
  - Company has allotted 8,75,000 Equity Shares of Rs. 10/- each at a premium of Rs. 390/- per equity share to AMR Investments Private Limited . Share Application Money of Rs. 250 Million received in financial year 2009-10 has been adjusted against this.
  - Company has allotted 1,25,000 Equity Shares of Rs. 10/- each at a premium of Rs. 390/- per equity share to Arch Pharmachem Limited . Share Application Money of Rs. 50 Million received in financial year 2009-10 has been adjusted against this.
  - Company has allotted 2,50,000 Equity Shares of Rs. 10/- each at a premium of Rs. 390/- per equity share to Arch Impex Private Limited.
  - Company has allotted 10,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 440/- per equity share *vide* memorandum of understanding dated August 17, 2010 and share subscription agreement dated January 17, .2011 to Dataline Investments Limited.
  - Company has allotted 13,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 480/- per equity share *vide* share subscription agreement dated September 22, 2010 to Mitsui & Co. Ltd

b) Extra Ordinary Income of Rs. 64.00 Million gross (Rs.42.46 million net of taxes) in F.Y. 2006-07 is on account of one time compensation received from customer.

c) The disclosure as per Accounting Standard (AS) 15 (Revised) "Employee Benefits" as notified by company (Accounting Standard) Rules, 2006 are as under:

Defined Contribution Plan:

Contribution to Defined Contribution Plan, recognized as expense for the year are as under

Defined Contribution Plan	**Half Year ended September 30, 2010**	**FY 2010**	**FY 2009**	**FY 2008**	**FY 2007**	**FY 2006**
	(Rs. In Millions)					
Employers Contribution to Provident Fund	9.02	13.60	10.08	5.97	4.15	2.51
Employers Contribution to Pension Scheme	5.75	9.30	6.16	3.98	3.32	1.98
Employers Contribution to ESIC	2.07	1.68	1.06	0.97	0.71	0.41

Gratuity paid by the company is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected unit credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

I. Reconciliation of opening and closing balances of Defined Benefit obligation

(Rs. In Millions.)

Particulars	**Gratuity (Funded)**		
	Half Year ended September 30, 2010	**FY 2010**	**FY 2009**
Defined Benefit Obligation at the beginning of the period	24.05	12.01	8.12
Current service cost	4.52	2.78	2.74
Interest cost	0.96	0.96	0.65
Contribution by the plan participants	-	-	-
Actuarial (gain)/ loss	14.87	8.60	0.66

Benefits paid	(0.41)	(0.26)	(0.15)
Defined Benefit Obligation at the end of the period	**43.97**	**24.05**	**12.01**

II. Reconciliation of opening and closing balances of fair value of Plan Assets

(Rs. In Millions.)

Particulars	Gratuity (Funded)		
	Half Year ended September 30, 2010	FY 2010	FY 2009
Fair Value of Plan assets at the beginning of year	26.89	23.86	9.61
Expected return on plan assets	1.32	2.22	1.16
Actuarial gain/(loss)	(1.32)	-	-
Employer Contribution	3.62	1.08	13.24
Benefits paid	(0.41)	(0.26)	(0.15)
Fair value of Plan assets at year end	30.10	26.89	23.86

III. Reconciliation of fair value of assets and obligations

(Rs. In Millions.)

Particulars	Gratuity (Funded)		
	Half Year ended 30.09. 2010	FY 2010	FY 2009
Fair Value of Plan assets	30.10	26.89	23.86
Present value of obligations	43.97	24.04	12.01
Amount recognized in Balance Sheet	13.87	2.85	11.85

IV. Expenses recognized during the year

(Rs. In Millions)

Particulars	Gratuity (Funded)		
	Half Year ended 30.09. 2010	FY 2010	FY 2009
Current Service Cost	4.52	2.74	2.74
Interest cost	0.96	0.96	0.65
Expected return on Plan assets	(1.32)	(2.22)	(1.16)
Actuarial (gain)/loss	16.19	8.60	0.66
Net Cost	20.34	10.08	2.88

V. Actuarial assumptions

Particulars	Gratuity (Funded)		
	Half Year ended 30.09. 2010	FY 2010	FY 2009
Discount Rate (per annum)	8.00%	8.00%	8.00%
Expected rate of return on assets (per annum)	9.25%	9.25%	9.25%
Rate of escalation in salary(per annum)	5.00%	5.00%	5.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation,

seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary. The expected rate of return on plan assets is determined considering several applicable factors mainly the composition of plan assets held, assessed risks historical results of return on plan assets and the Company's policy for plan asset management.

d) **Payment to Auditors** :

Particulars	Half Year ended 30.09. 2010	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
	(Rs. In Millions)					
Audit Fees	1.15	2.30	0.40	0.28	0.20	0.17
Tax Audit Fees	0.10	0.20	0.10	0.10	0.08	0.06

e) The disclosure as per Accounting Standard (AS) 22 "Taxes on Income" as notified by Companies (Accounting Standard) Rules, 2006 are as under:

(Rs. In Millions)

Particulars	Half Year ended 30.09. 2010	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Deferred Tax Asset						
Disallowances u/s 43B/40(a)	5.94	1.07	0.91	-	-	-
Total	**5.94**	**1.07**	**0.91**	**-**	**-**	**-**
Deferred Tax Liabilities						
Depreciation	414.17	410.61	288.64	201.37	137.18	69.19
Net Deferred Tax Liability	**408.23**	**409.54**	**287.73**	**201.37**	**137.18**	**69.19**

f) Research & Product Development Costs:

Research costs which is of revenue nature, is charged to revenue, while capital expenditure is included in the respective heads under fixed assets.

(Rs. In Millions)

Particulars	Half Year ended 30.09. 2010	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
a) Capital expenditure						
(i) At Taloja R&D *	21.30	61.69	22.81	45.44	98.13	-
(ii) At Other Locations	6.18	49.27	116.16	12.78	-	-
Total (a)	**6.18**	**110.96**	**138.97**	**58.22**	**98.13**	**-**
b) Recurring expenditure						
(i) At Taloja R&D*						
Purchase – Lab chemical & Consumables	20.04	34.53	24.66	10.09	-	-
Personal Cost	45.67	71.01	47.54	28.04	10.20	-
Professional & Legal charges	4.93	10.99	2.21	-	-	-
Rent , Rates & Taxes	6.61	12.25	12.47	-	-	-
Electricity Charges	4.32	10.52	4.07	-	-	-
Laboratory Expenses	2.14	2.36	2.40	6.68	2.15	-
Testing Charges	0.32	1.57	0.64	0.82	0.16	-
Miscellaneous	12.19	19.06	14.79		-	-
	96.21	162.30	108.79	45.63	12.51	

(ii) Lab Chemicals	16.10	11.91	18.54	24.76	20.93	18.26
Total (b)	**112.21**	**174.22**	**127.33**	**70.39**	**33.44**	**18.26**
Grand Total (a+b)	**139.78**	**285.19**	**266.30**	**128.61**	**131.57**	**18.26**
R& D expenditure(as % of Turnover)	2.52%	2.79%	3.73%	2.5%	3.63%	0.74%

* In house R&D Centre, approved by Department of Scientific & Technology, Government of India

g) Project Development Charges:

The Company classifies the expenses incurred or apportioned to construction of new projects or improvement/upgradation of existing projects as the 'Project Development Charges'. Such expenses are apportioned and capitalized to the assets on the completion of the respective projects. Pending capitalisation, the un-apportioned project development charges are shown under the head Capital Work in Progress.

(Rs.in Millions)

Particulars.	Half Year ended 30.09. 2010	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Opening balance	67.84	83.83	3.90	41.64	-	-
Add :						
Transferred from Profit and Loss Account	49.47	133.04	251.77	42.61	11.14	-
Interest capitalised	43.61	129.13	67.05	103.82	60.59	-
	160.92	346.00	322.72	188.07	71.73	-
Less : Capitalised during the year	8.43	278.16	238.90	184.17	30.09	-
Closing balance	**152.49**	**67.84**	**83.83**	**3.90**	**41.64**	**-**

h) In the opinion of Board, carrying value of all current assets, loans and advances and other receivables are not less than their realizable value in the ordinary course of business.

i) During the Financial Year 2008-09, the Company has exercised the option granted *vide* notification F.No.17/33/2008/CL-V dated 31st March, 2009 issued by the Ministry of Corporate Affairs. As per the notification, the exchange differences arising on revaluation of the long term foreign currency loans for the year ended 31st March 2009 have been included in the cost of depreciable assets to the extent these have been utilized for acquiring the assets while the balance amount has been recognized as an asset under 'Foreign Currency Monetary Item Translation Difference'. Consequently, the Company has capitalized foreign exchange fluctuations of Rs.100.62 millions (net of taxes) under 'Fixed Assets' and recognized Rs. 7.49 million (net of taxes) under 'Foreign Currency Monetary Item Translation Difference'.

The foreign exchange differences included under fixed assets have been amortized over the balance useful life of the assets while those recognized 'Foreign Currency Monetary Item Translation Difference' have been amortised proportionately upto 31 March 2011 or the balance term of the loan whichever is earlier. Accordingly, the Company has amortised Rs. 8.56 millions for the year ended 31 March 2009.

j) During the Financial Year 2006-07, a wholly owned subsidiary in the name of Arch Europe Limited was incorporated on September 20, 2004 in United Kingdom with a seed capital of UK Pound 50,000 divided into 50,000 fully paid equity shares of UK pound 1 each. The objective of the subsidiary was to facilitate marketing activities for Arch Pharmalabs Limited in U.K. and warehousing support functions. The Company had also employed one person to oversee the operations. However no benefit was derived out of the subsidiary and hence to reduce the operational cost, the Management of Arch Pharmalabs Limited *vide* resolution passed at the Board Meeting on April 28, 2006, decided for voluntary winding up of the same. *Winding up of Company has been approved by Registrar on April 3, 2007.* On closure of the subsidiary, the company has

debited as an expense a sum of Rs. 3.46 millions in the Profit & Loss Account of the year.

k) During the Financial Year 2006-07, a wholly owned subsidiary in the name of Arch Pharmalabs (USA) Inc. was incorporated on September 15, 2005 as Delaware Corporation in the United States of America with a seed capital of US $1 divided in 1000 fully paid equity shares of US $0.001 each and a paid-in surplus amount of US $99. The objective of the subsidiary is to facilitate marketing activities for Arch Pharmalabs Limited in U.S. and European markets. The Company has employed one senior person as President to oversee the operations and to source business opportunities for its parent company Arch Pharmalabs Limited.

l) Business Acquisitions

During the Financial Year 2008-09, the Company has acquired the following four units from various Companies on "as is where is basis" *vide* Business Transfer Agreements (BTA):-

Sr. No.	Date of Acquisition	Name of transferor Company
1	August 1, 2008	Arch Finechemicals Limited
2	January 1, 2009	Benzochem Lifesciences Private Limited
3	January 1, 2009	Dombivili site – a unit of Watson Pharma Limited
4	March 11, 2009	Arch Life Sciences Limited

In accordance with the BTA, the Company had taken over the certain assets and liabilities of the transferor Company at their Book value/Written down Value. Fixed assets (including capital work in progress) have been taken over at book values of the transferor company. However, the detailed breakup of the gross block of fixed assets was not made available to the Company. In absence of the data, the management has allocated the value of the fixed assets on the basis of best estimates.

Also, as regards the title of the property and other assets which were to get transferred in the name of the Company as per the BTA, the process for the same has been initiated.

3. Material Regrouping

Appropriate adjustments have been made in the Restated Unconsolidated Financial Statements of Assets & Liabilities, Profits & Losses and Cash Flows, wherever required, by reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the groupings as per the audited financials of the Company for the six month period ended September 30, 2010 and the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended.

a) The share application money of Rs.10 millions as at the year ended March, 31, 2007 and Rs.398.24 millions as at the year ended March 31, 2008, which had been grouped under Investment in audited accounts has now been grouped under Current Assets, Loans and Advances.

b) Expenses as per audited accounts which were shown net of Project Development Expenses in Financial Years 2006-07, 2007-08 and 2008-09 has been grossed up to be consistent with the disclosures made for the financial year 2009-10 for the period ended September 30, 2010.

c) Regroupings made in audited accounts i.e. Balance Sheet, Profit & Loss account and Cash Flow Statement of subsequent years/periods has been restated in the relevant years so as to make them comparable with the latest financials.

ANNEXURE V

STATEMENT OF ADJUSTMENTS IN THE UNCONSOLIDATED FINANCIAL STATEMENTS, AS RESTATED

4. Restatements

a) Summary of results of restatements made in the audited financial statements of the Company for the respective period / years and their impact on the profits / losses of the Company is as under:

Particulars	Half Year ended 30.09. 2010	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
						(Rs. in Millions)
Net Profit /(loss) before extra-ordinary items as per Audited Accounts	**389.79**	**508.81**	**367.66**	**334.50**	**237.65**	**159.13**
Adjustments for audit qualification for Financial Year 2007-08 [as per para (b) below]	-	178.91	(178.91)	-	-	-
Change in Accounting Policy – AS 11 [as per para (c) below]	0.67	0.70	0.53	(6.38)	-	-
Preliminary and Deferred Revenue Expenses [as per para (d) below]	-	-	11.80	(0.25)	3.72	1.35
Prior Period Items [as per per para (e) below]	-	-	12.93	(7.04)	(5.90)	(0.21)
Taxation [as per para (f) below]	4.49	(64.45)	54.55	(4.36)	(19.76)	(5.54)
Net Profit /(loss) before extra-ordinary items as per Restated Statements	**394.95**	**623.97**	**268.56**	**316.47**	**215.71**	**154.74**

b) In the Auditor's Report on the accounts for the financial year 2008-09, the auditor have made certain comments whose impact on the profit could not be ascertain by them. During the financial year 2009-10, the company has reviewed these comments and have adjusted/modified the opening balances of relevant items to comply with the said observations, the impact of which is as under:

(Rs. In Millions)

Nature of Comment	Amount Accounted in F.Y. 2008-09.	Effect Given In F.Y. 2009-10
Capitalisation of borrowing cost not in accordance with AS-16 " Borrowing Cost".	171.06	Interest charge of Rs 171.06 millions capitalized in FY 2008-09 has been reworked and excess amount of Rs 104.00 millions - has been charged off under the head interest and finance charges in F.Y. 2009-10
Project development expenses capitalized on the gross value of fixed assest.	250.24	Project development expenses of Rs 250.24 millions capitalized in F.Y. 2008-09 has been reworked and amount of Rs 11.99 millions has been charged off under the respective head of expenses in F.Y. 2009-10.
Overheads allocation done on global basis not in accordance with AS -2 "Valuation of Inventories"	335.34	Overhead allocation has been reworked due to which closing inventory valuation has been lower by Rs.62.92 millions in F.Y. 2008-09 and opening inventory of F.Y. 2009-10 has been increased by similar amount.

The accounting effects given in F.Y. 2009-10 above has been restated in F.Y. 2008-09.

c) Change in Accounting Policy AS-11 :

During the Financial Year 2008-09, the Company has exercised the option granted *vide* notification F.No.17/33/2008/CL-V dated March 31, 2009 issued by the Ministry of Corporate Affairs. As per the notification, the exchange differences of the long term foreign currency loans for the year ended March 31 2009 have been included in the cost of depreciable assets to the extent these have been utilized for acquiring the assets while the balance amount has been recognized as an asset under 'Foreign Currency Monetary Item Translation Difference'. Earlier, the Company had the policy to recognized the exchange difference relating to long term foreign currency borrowing in Profit & Loss Account. Exchange differences pertaining to long term foreign currency borrowings recognized in the Profit & Loss Account prior to Financial Year 2008-09 is now adjusted in fixed assets with corresponding effect on depreciation for subsequent years

d) Preliminary expenses :

Upto Financial Year 2007-08, all expenses relating to issue of shares and debentures were amortised over a period of five years. From Financial year 2008-09, such expenses are charged to profit & loss account in the year of incurrence. For the purpose of this statement, such expenses have been charged off in the year of incurrence.

e) Prior Period Items

In the Unconsolidated Financial Statements for the years 2005-06, 2006-07 and 2008-09 certain items of income/expense have been identified as prior period items, For the purpose of this statement, such prior period items have been appropriately adjusted in respective years.

f) Taxation

i. Excess / shortfall in provision for income tax accounted in the financial statements for the years 2006-07 have been adjusted in the relevant financial years to which they relate to in the Restated Unconsolidated Financial Statements.

ii. Consequent to above adjustments given in para (b) to (e) above, the tax liabilities for the years from 2005-06 to 2009-10 were recomputed and the current tax provision for the respective years have been restated in the Restated Unconsolidated Financial Statements.

iii. Deferred tax for the Financial Year 2009-10, has been recomputed and restated based on the returns filed by the company

g) Cash flow Statement has been Taxation has been adjusted and restated to give effect to the restatement adjustments given in (b) to (f) above.

5. Statement of Auditors Qualification

a) Adjustment relating to Auditors Qualification

i. Auditors have commented on the accounts of Financial Year 2008-09, that the capitalisation of borrowing cost/ interest is effected as at year end as against the date when the asset is ready for its intended use is not in accordance with provisions of accounting (AS) 16 " Borrowing Costs" prescribe by Companies (Accounting Standard) Rules, 2006 which requires that borrowing costs capitalisation should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale is complete. It is not possible to determine the impact on the profits of the Company if the borrowing cost is capitalised as per the provisions of the accounting standard.

Adjustments has been made in the Restated Unconsolidated Financial Statements as given in 1(b) above.

ii. Auditors have commented on the accounts of Financial Year 2008-09, that the Company has capitalised project development expenses in the nature of revenue as at 31st March, 2009. In view of

the limitations faced by the management and explanations given, the then auditors could not comment on the correctness of the amount capitalised and cannot ascertain its impact, if any, on the depreciation charge for the year as also the results for the year.

Adjustments has been made in the Restated Unconsolidated Financial Statements as given in 1(b) above.

iii. Auditors have commented on the accounts of Financial year 2008-09, that inventory valuation is not in accordance with Accounting Standard (AS) 2 "Valuation of Inventories" prescribed by the Companies (Accounting Standard) Rules, 2006. In view of the explanation, the then auditors were unable to comment on the impact, if any, on the results for the year.

Adjustments has been made in the Restated Unconsolidated Financial Statements as given in 1(b) above.

b) Auditor's Qualifications for which adjustments not required in the Unconsolidated Financial Statements

i. Observations are made in the Auditor's report for year 2008-09 for following:

- The Company has acquired various assets through business transfer agreements. However, the apportionments of assets are not in accordance with AS 10 "Accounting of Fixed Assets" and have used best estimates for apportioning the cost.

  During Financial Year 2009-10, the Company has appointed the valuers to carry out the valuation of the acquired assets. The values derived by the valuer are substantially same or near to the values accounted.

- Balances with banks have not been confirmed independently and as such the auditors are unable to effectively comment upon the adequacy of disclosures of hypothecation, collaterals, mortgages as also of the guarantees and liens given against such balances in the financial statements. However, the Company has provided all the confirmation given by the bank.

- All balances under sundry creditors, loans and advances and sundry debtors are subject to confirmation.

- The Company has not updated its fixed asset register showing full particulars including quantitative details and situation of fixed assets except for three units and is in process of preparing/updating the fixed asset register for the units acquired during the year.

  The same has since been updated.

- The scope and coverage of internal audit system requires to be further enhanced to be commensurate with its size and the nature of its business.

  The Company has appointed internal auditors for the acquired units in Financial Year 2009-10

- Due to dearth of information, auditors cannot comments as to whether the company has used the funds raised on short term basis for long term investment.

6. Balance of Profit and Loss account, as restated as at 1-4-2005

	Rs. in Millions
Balance in Profit and Loss account as per audited financial statement	**213.43**
Less:	
Balance in Preliminary expenses as on 31-3-2005 written off	(16.62)
Add:	
Excess tax provided in respect of earlier years	16.49
Restated Balance in Profit and Loss account as at 1-4-2005	**213.31**

Annexure VI

UNCONSOLIDATED STATEMENT OF ACCOUNTING RATIOS, AS RESTATED

Particulars	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
						(Rs. in Millions)
Restated Net Profit before	394.95	623.97	268.56	316.47	215.71	154.74
Extra-Ordinary Items						
Extra-Ordinary Items (net of tax)	-	-	-	-	42.46	-
Restated Net Profit after	394.95	623.97	268.56	316.47	258.17	154.74
Extra-Ordinary Items						
Net Worth	6,306.16	4,624.23	3,700.25	3,431.72	1,763.32	923.54
No. of Equity Shares outstanding	24784022	21234022	21234022	21234022	16086474	13686474
at the end of the year (units)						
Weighted No. of Equity Shares outstanding	21272820	21234022	21234022	17439269	14771405	13509948
at the end of the year (units)						
Earning per share - Basic	18.57	29.39	12.65	18.15	14.60	11.45
Before Extra-Ordinary Items (Rs.)						
Earning per share - Basic	18.57	29.39	12.65	18.15	17.48	11.45
After Extra-Ordinary Items (Rs.)						
Earning per share - Diluted	18.57	29.39	12.65	18.15	14.60	11.45
Before Extra-Ordinary Items (Rs.)						
Earning per share - Diluted	18.57	29.39	12.65	18.15	17.48	11.45
After Extra-Ordinary Items (Rs.)						
Return on Net Worth (%)	6.26%	14.43%	7.26%	9.22%	14.64%	16.76%
Net Asset Value per Equity Share (Rs.)	254.44	217.77	174.26	161.61	109.61	67.48

Notes : -

1. Ratios have been computed as below:

Earnings per share – Basic (Rs.)

= Net Profits as restated attributable to equity shareholders / Weighted average number of equity shares outstanding during the year.

Earnings per share – Diluted (Rs.)

=Net Profits as restated attributable to equity shareholders / Weighted average number of diluted potential equity shares outstanding during the year.

Return on Networth (%)

=Net Profits after Extra-Ordinary Items / Networth at the end of the year excluding revaluation reserve and excluding Share Application money, if any.

Net asset value per equity share (Rs.)

=Net Worth at the end of the year / Number of equity shares outstanding at the end of the year

Annexure VII

UNCONSOLIDATED STATEMENT OF RELATED PARTY TRANSACTIONS

A) Name of Related Parties and nature of relationship where control exists

i)Subsidiary Companies:

Sr. No.	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
1	Arch Pharmalabs (USA) Inc.	Arch Pharmalabs (USA) Inc.	Arch Pharmalabs (USA) Inc.	Arch Pharmalabs (USA) Inc.	Arch Pharmalabs (USA) Inc.	Arch Pharmalabs (USA) Inc. (from 15th September, 2005)
2	Arch Life Sciences Limited	Arch Life Sciences Limited	Arch Life Sciences Limited	Arch Life Sciences Limited (from 21th June, 2007)	-	-
3	Arch Finechemicals Limited	Arch Finechemicals Limited	Arch Finechemicals Limited	Arch Finechemicals Limited (from 15th October, 2007)	-	-
4	-	-	-	-	Arch Europe Ltd.,UK (upto 28th April, 2006)	Arch Europe Ltd.,UK
5	Avon Organics Limited	Avon Organics Limited	Avon Organics Limited (from 31st January, 2009)	-	-	-
6	-	Benzochem Lifesciences Pvt Ltd. (upto 12th March, 2010)	Benzochem Lifesciences Pvt Ltd. (from 1st July, 2008)	-	-	-
7	Regal Pharma Pte Ltd (from 27th July, 2010)	-	-	-	-	-

ii) Associate Company/ Companies:

Sr. No.	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
1	-	-	-	-	-	Arch Financial Services (Bombay) Private Limited

iii) Key Management Personnel

Sr. No.	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
1	Mr. Ajit **A.** Kamath (Chairman & Managing Director)	Mr. Ajit **A.** Kamath (Chairman & Managing Director)	Mr. Ajit **A.** Kamath (Chairman & Managing Director)	Mr. Ajit **A.** Kamath (Chairman & Managing Director)	Mr. Ajit **A.** Kamath (Chairman & Managing Director)	Mr. Ajit **A.** Kamath (Chairman & Managing Director)
2	Mr. T. Mallikarjuna Reddy (Director)	Mr. T. Mallikarjuna Reddy (Director)	Mr. T. Mallikarjuna Reddy (Director)	Mr. T. Mallikarjuna Reddy (Director)	Mr. T. Mallikarjuna Reddy (Director)	Mr. T. Mallikarjuna Reddy (Director)
3	Mr. Manoj T. Jain (Dy. Managing Director)	Mr. Manoj T. Jain (Dy. Managing Director)	Mr. Manoj T. Jain (Dy. Managing Director)	Mr. Manoj T. Jain (Dy. Managing Director)	Mr. Manoj T. Jain (Dy. Managing Director)	Mr. Manoj T. Jain (Dy. Managing Director)
4	Mr. Rajendra P. Kaimal (Executive Director)	Mr. Rajendra P. Kaimal (Executive Director)	Mr. Rajendra P. Kaimal (Executive Director)	Mr. Rajendra P. Kaimal (Executive Director)	Mr. Rajendra P. Kaimal (Executive Director)	Mr. Rajendra P. Kaimal (Executive Director)
5	-	-	-	-	-	Mr. Subhash P. Mali (Director)

iv) Enterprises over which Key Management Personnel and their relatives exercise significant influence:

Sr. No.	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
1	Arch Phamachem Limited	Arch Phamachem Limited	Arch Phamachem Limited	-	-	Arch Phamachem Limited
2	Arch Impex Private Limited	Arch Impex Private Limited	Arch Impex Private Limited	-	-	Arch Impex Private Limited
3	AMR Investments Private Limited	AMR Investments Private Limited	-	-	-	-
4	Sainath Investments Private Limited	Sainath Investments Private Limited	Sainath Investments Private Limited	Sainath Investments Private Limited	Sainath Investments Private Limited	Sainath Investments Private Limited
5	-	Vijeta Trading Private Limited	Vijeta Trading Private Limited	-	-	-

B) Nature of Significant Transactions & Outstanding Balances

Name of the Party	Nature of Transaction	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
							(Rs. in Millions)
i) Subsidiaries/Fellow Subsidiary							
Arch Pharmalabs (USA) Inc.	Advances Given	31.75	46.33	54.28	11.91	12.72	9.65
	Outstanding Balance Debit /(Credit)	166.63	134.88	88.56	34.28	22.37	9.65
Arch Life Sciences Limited	Investment	-	-	-	117.37	-	-
	Outstanding Balance Debit /(Credit)	147.37	147.37	147.37	147.37	-	-
	Purchases	-	-	3.16	75.31	-	-
	Outstanding Balance Debit /(Credit)	-	-	(52.98)	(0.01)	-	-
	Sales	-	-	28.01	79.54	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	41.55	-	-
	Advances Given	-	-	-	313.80	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	102.50	-	-
	Business Acquisition	-	-	52.95	-	-	-
	Outstanding Balance Debit /(Credit)	(44.56)	(44.90)	(52.98)	-	-	-
Arch Finechemicals Ltd.	Investment	-	-	-	47.82	-	-
	Outstanding Balance Debit /(Credit)	47.82	47.82	47.82	47.82	-	-
	Purchases	-	-	21.26	242.00	-	-
	Outstanding Balance Debit /(Credit)	-	-	(88.22)	(83.77)	-	-
	Sales	-	-	38.73	48.28	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	3.15	-	-
	Advances Given	-	-	-	84.44	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
	Business Acquisition	-	-	100.16	-	-	-
	Outstanding Balance Debit /(Credit)	(78.58)	(78.66)	(88.22)	-	-	-
Avon Organics Limited	Investment	-	-	98.33	196.18	-	-
	Outstanding Balance Debit /(Credit)	294.51	294.51	294.51	196.18	-	-
	Purchases	26.41	70.80	77.64	311.62	-	-
	Outstanding Balance Debit /(Credit)	240.90	260.73	167.64	(43.52)	-	-
	Sales	23.54	34.40	70.69	96.06	-	-
	Outstanding Balance Debit /(Credit)	13.53	19.94	78.23	46.37	-	-
	Advances/Deposit Given	-	-	150.00	36.10	-	-
	Outstanding Balance Debit /(Credit)	186.10	186.10	186.10	36.10	-	-
	Purchases of Fixed Assets	-	1.60	-	-	-	-
	Interest on Deposit	1.38	-	-	-	-	-
	Conversion Charges paid	8.49	14.55	-	-	-	-

	Guarantee Given	1,045.00	1,045.00	575.00	-	-	-
Benzochem Life Sciences Private Limited	Investment	-	-	225.00	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	225.00	-	-	-
	Purchases	-	-	22.04	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	(278.26)	-	-	-
	Sales	-	-	1.73	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
	Business acquisition	-	-	319.97	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	(278.26)	-	-	-
Arch Europe Limited UK	Investment	-	-	-	-	-	3.94
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	3.94
ii) Associates							
Arch Financial Services (Bombay) Private Limited	Rent for Office Premises	-	-	-	-	-	1.20
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	5.00
iii) Key Management Personnel							
Mr. Ajit A. Kamath	Salary	2.14	4.53	4.51	2.27	1.57	1.55
Mr. Manoj T. Jain	Salary	1.98	3.78	3.76	2.26	1.25	1.24
Mr. Rajendra P. Kaimal	Salary	1.65	3.31	3.28	2.25	1.13	1.12
Mr. T. Mallikarjuna Reddy	Salary	1.98	3.95	3.26	1.06	1.01	1.01
Mr. Subhash P. Mali	Salary	-	-	-	-	-	1.12
iv) Enterprises over which Key Management Personnel and their relatives exercise significant influence:							
AMR Investments Private Limited	Share Application Money Received	100.00	250.00	-	-	-	-
	Share Application Money Adjusted	(350.00)	-	-	-	-	-
	Equity Share Capital Issued	8.75	-	-	-	-	-
	Security Premium Received	341.25	-	-	-	-	-
Arch Pharmachem Limited	Share Application Money received	-	50.00	-	-	-	-
	Share Application Money Adjusted	(50.00)	-	-	-	-	-
	Equity Share Capital Issued	1.25	-	-	-	-	-
	Security Premium Received	48.75	-	-	-	-	-
	Interest on Debentures Paid	3.57	78.36	-	-	-	-
	Inter Corporate Deposit	-	-	-	-	-	2.26
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
	Debenture Issued	-	50.00	500.00	-	-	-
	Debenture Reedemed	50.00	500.00	-	-	-	-

	Outstanding Balance Debit /(Credit)	-	(50.00)	(500.00)	-	-	-
Arch Impex Private Limited	Inter Corporate Deposit Given	-	-	0.20	-	-	17.21
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
	Share Application Money received	100.00	-	-	-	-	-
	Share Application Money Adjusted/Refunded	(100.00)	-	-	-	-	-
	Equity Share Capital Issued	2.50	-	-	-	-	-
	Security Premium Received	98.75	-	-	-	-	-
	Loan Taken	-	-	3.65	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	(8.11)	-	-	-
	Debenture Issued	-	-	250.00	-	-	-
	Debentutre Reedemed	50.00	200.00	-	-	-	-
	Outstanding Balance Debit /(Credit)	-	(50.00)	(250.00)	-	-	-
	Interest on Debentures paid	3.57	35.63	10.74	-	-	-
Vijeta Trading Private Limited	Rent for Office Premises	-	0.90	1.05	-	-	-
	Outstanding Balance Debit /(Credit)	-	-	-	-	-	-
Sainath Investments Private Limited	Rent for Office Premises	0.38	0.68	0.62	0.41	0.97	0.91
	Rent for Office Guest House	0.85	1.46	1.23	0.83	-	-
	Outstanding Balance Debit /(Credit)	(0.19)	(0.18)	(0.14)	(0.13)	(0.06)	(0.06)
	Outstanding Balance of Security Deposit Debit	1.33	1.33	1.33	1.33	1.33	1.33

Annexure VIII

UNCONSOLIDATED STATEMENT OF SEGMENTAL INFORMATION

a. Primary Segment Information

The Company is engaged solely in the business of 'Pharmaceuticals,API's and Intermediates'. The entire operations are governed by the same set of risk and returns and hence the same has been considered as representing a single primary segment.

b. Secondary Segment Information

The Company's operating divisions are managed from India. The principal geographic segments in which the Company operates based on location of customers are India and Rest of World.

Particulars	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
						(Rs. In Millions)
Sales :						
India	3,185.32	6,227.42	5,356.80	4,315.98	2,973.23	1,843.85
Rest of World	2,353.46	4,006.30	1,776.47	826.01	652.29	624.42
Total	**5,538.78**	**10,233.72**	**7,133.27**	**5,141.99**	**3,625.52**	**2,468.27**

Annexure IX

UNCONSOLIDATED STATEMENT OF OTHER INCOME, AS RESTATED

Particulars	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
	(Rs. in Millions)					
Recurring in Nature :						
Interest on Fixed Deposit with Banks	7.86	16.59	10.57	2.36	3.95	4.78
Interest on others	11.83	45.26	1.29	2.14	0.45	0.02
Dividend on Long Term Investments	14.38	0.23	0.15	0.15	0.04	0.05
Miscellaneous Income	0.27	1.26	0.06	-	0.02	0.45
Non Recurring in Nature :						
Sundry Credit Balances Written Back	-	0.45	0.01	-	-	-
Exchange Fluctuation Gain (Net)	9.69	4.80	-	(6.84)	8.64	1.78
Insurance Claim Received	0.18	0.42	0.12	-	1.91	-
Profit on sale of Fixed Assets	-	-	-	-	0.56	-
DEPB Claim	-	-	-	-	-	0.66
Miscellaneous Income	-	0.26	8.50	30.00	-	-
Total	**44.22**	**69.27**	**20.70**	**27.81**	**15.56**	**7.74**

Note: The classification of other income into recurring and non-recurring has been performed by the management of the company based on the current operations and business activities of the company. This classification is accordingly, solely based on the representation given by management.

The above income is arising out of the normal business activity, except for dividend on the long term investment

Annexure X

UNCONSOLIDATED STATEMENT OF INVESTMENTS

Particulars	As at September 30, 2010	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
						(Rs. in Millions)
Long Term Investments (At Cost)						
Trade						
In Equity Shares of Subsidiary Company Quoted - Fully paid Up						
- 14,309,100 Equity Shares of Rs. 10 each in Avon Organics Limited	294.51	294.51	294.51	196.18	-	-
Trade, Unquoted						
In Equity Shares of Subsidiary Company Unquoted - Fully paid Up						
- 2,280,000 Equity Shares of Rs. 10 each in Arch Life Sciences Limited	147.37	147.37	147.37	147.37	30.00	-
- 7,452,850 Equity Shares of Rs. 10 each in Arch Finechemicals Limited	47.82	47.82	47.82	47.82	-	-
- 2,333,333 Equity Shares of Rs. 10 each in Benzochem Lifesciences Private Limited	-	-	225.00	-	-	-
- 1,000 Equity Shares of US $ 0.10 each in Arch Pharmalabs (USA) Inc.	0.00 *	0.00 *	0.00 *	0.00 *	-	-
- 50,000 Shares of 1 Pound (UK) in Arch Europe Limited	-	-	-	-	-	3.94
In Equity Shares Fully paid up						
- 20,000 Equity Shares of Rs. 25/- each of The Greater Bombay Co-operative Bank Limited	0.50	0.50	0.50	0.50	0.50	0.50
- 20,000 Equity Shares of Rs. 25/- each of The Kalyan Janata Sahakari Bank Limited	0.50	0.50	0.50	0.50	0.50	0.50
- 20,000 Equity Shares of Rs 20/- each SVC Bank Limited	-	-	0.50	-	-	-
'-In Patancheru Envirotech Ltd. as Equity Contribution	1.03	1.03	1.03	0.10	0.10	0.10
- 10,000 units of BOB Growth 95 Scheme of Rs. 10/- each	-	-	0.10	0.10	0.10	0.10
Current Investments						
Others						
- UTI - Mutual Funds	0.50	0.50	0.50	-	-	-
- In Government Securities as 6 year National Savings Certificate	0.20	0.20	0.03	0.03	0.03	0.03
Total	**492.43**	**492.43**	**717.86**	**392.60**	**31.23**	**5.18**
* Cost of Acquisition is Rs.4,380/-						

ANNEXURE XI

UNCONSOLIDATED STATEMENT OF SUNDRY DEBTORS, AS RESTATED

Particulars	As at September 30, 2010	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
						(Rs. in Millions)
a) Debts outstanding for a period exceeding six months						
-Unsecured, Considered Good	856.05	902.71	192.19	85.23	33.90	11.06
-Unsecured, Considered Doubtful	-	-	-	-	-	-
Total (A)	**856.05**	**902.71**	**192.19**	**85.23**	**33.90**	**11.06**
b) Debts outstanding for a period less than six months						
-Unsecured, Considered Good						
- Related Parties	13.53	19.94	78.23	91.08	-	-
Arch Life Sciences Limited $	-	-	-	41.55	-	-
Arch Fine Chemicals Limited$	-	-	-	3.15	-	-
Avon Organics Limited #	13.53	19.94	78.23	46.37	-	-
- Others	4,010.40	3,848.86	2,842.29	1,393.56	1,145.61	809.75
-Unsecured, Considered Doubtful	-	-	-	-	-	-
Total (B)	**4,023.92**	**3,868.81**	**2,920.52**	**1,484.64**	**1,145.61**	**809.75**
Grand Total (A+B)	**4,879.97**	**4,771.51**	**3,112.70**	**1,569.87**	**1,179.51**	**820.81**

Note: Other than as stated above one of the Debtors are related to the directors or promoters or the company in any way.

$ Enterprises over which Key Management Personnel and their relatives exercise significant influence

Subsidiary Companies

Annexure XII

UNCONSOLIDATED STATEMENT OF LOANS AND ADVANCES, AS RESTATED

Particulars	As at September 30, 2010	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
	(Rs. in Millions)					
Unsecured and Considered Doubtful:						
Advances Recoverable in Cash or in kind, for value to be received	-	-	-	-	-	-
Unsecured and Considered Good:						
Due from related parties :						
-Arch Pharmalabs USA Inc.**$**	166.63	134.88	88.56	34.28	22.37	9.65
-Arch Life Sciences Limited **$**	-	-	-	102.50	-	-
-Avon Organics Limited **$**	186.10	186.10	186.10	37.00	-	-
-Arch Life Sciences Limited - Share Application Money **$**	-	-	-	313.80	-	-
-Arch Finechemicals Limited - Share Application Money **$**	-	-	-	84.44	-	-
Advances Recoverable in Cash or in kind, for value to be received	3,272.59	2,418.47	1,348.34	415.45	339.97	127.04
Share application money	-	-	-	-	100.00	-
Deposits	174.93	149.72	51.45	134.47	118.88	23.00
Advance Income Tax including Fringe Benefit Tax and Tax Deducted at Source	-	-	7.79	4.76	5.89	1.97
Total	**3,800.25**	**2,889.18**	**1,682.24**	**1,126.69**	**587.10**	**161.66**

Note: Other than as stated above none of the loans & advances are related to the directors or promoters or the company in any way.
$ Subsidiary Companies

Annexure XIII

UNCONSOLIDATED CAPITALISATION STATEMENT

Particulars	Pre-Issue as at September 30, 2010	Post-Issue (Refer Note 2)
		(Rs. in Millions)
Borrowings :		
Short Term Debt	6,285.48	
Long Term Debt	4,945.37	
Total Borrowings	**11,230.85**	
Shareholders' Funds		
Share Capital	247.84	
Reserves and Surplus	6,058.32	
Total Shareholders' Funds	**6,306.16**	
Short Term Debt / Shareholders Funds	1 : 1	
Long Term Debt / Shareholders Funds	0.78 : 1	

Notes:
1) Debts repayable within one year from 30-9-2010 are considered as short term funds

2) Shareholders Fund post issue can be calculated only on the conclusion of Book Building Process and hence have not been furnished. The post issue capitalisation shall be updated before filling the Prospectus

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Annexure XIV

UNCONSOLIDATED STATEMENT OF SECURED LOANS, AS RESTATED

	Particulars	As at September 30, 2010	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006	Interest Rate	Pledge of Promoter's Shares	Repayment Schedule	Purpose of Loan
		(Rs. In Millions)									
a.	Working Capital Loans	3,673.35	4,268.26	2,810.62	1,492.60	1,178.56	799.17	Refer Table A below	Nil	No Repayment clause and Renewable on yearly basis.	Refer Table A below
b.	Loans from Banks	3,968.21	3,682.85	2,901.32	706.82	412.04	852.73	Refer Table B below	Nil	Refer Table B below	
c.	Loans from Institution/Others	793.08	805.70	645.76	218.22	461.20	100.00	Refer Table C below	Nil	Refer Table C below	
d.	Loans under Hire Purchase Arrangements	8.46	13.01	22.14	19.98	11.37	12.03	-	Nil		
e.	Non-Convertible Debentures	200.00	200.00	300.00	400.00	400.00	-	11.63 %	Nil	Redeemable at par in one or more installments on various dates with the earliest redemption being on 28.02.2011 and the last being in 28.02.12	
f.	Interest accrued and Due	31.46	31.53	50.40	-	-	-	-			
	Total	**8,674.56**	**9,001.35**	**6,730.24**	**2,837.62**	**2,463.17**	**1,763.93**				

Securities Offered : -

a) Working Capital Loans

a) As at 31-3-2006:
is secured by hypothecation stock & book debts of the Company and as collateral, hypothecation and mortgage of fixed assets of Tarapur Unit of the Company, mortgage of the immovable properties of the promoters and their relatives, commercial premises of the group company, personal guarantee of the Promoter Directors of the Company and their relatives.
b) As at 31-3-2007 to 30-9-2008:
is secured on first pari-passu charge basis on complete current assets of the Company, on second pari-passu charge basis on the complete fixed assets of the Company and personal guarantee of the Promoter Directors of the Company.
c) As at 31-3-2009:
To the extent of Rs. 2311.57 millions, is secured on first pari-passu charge basis on complete current assets of the Company, on second pari-passu charge basis on the complete fixed assets of the Company and personal guarantee of the Promoter Directors of the Company. To the extent of Rs. 499.05 millions, is secured by Subservient Charge on current assets of the Company and personal guarantee of the Promoter Directors of the Company.

d) As at 31-3-2010 & 30-09-2010
is secured on first pari-passu charge basis on complete current assets of the Company, on second pari-passu charge basis on the complete fixed assets of the Company and personal guarantee of the Promoter Directors of the Company.

b) From banks:

a) As at 31-3-2006
Secured by hypothecation and mortgage of the fixed assets of the Company, immovable properties and personal guarantee of the Promoter Directors of the Company and their relatives and corporate guarantee of a group Company.
b) As at 31-3-2007
To the extent of Rs. 4060.44 millions, is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoters Directors of the Company. To the extent of Rs. 60 millions, is secured by Subservient Charge on current assets of the Company.
c) As at 31-3-2008
is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company.
d) As at 31-3-2009 to 30-09-2010
is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company & personal guarantee of the Promoter directors of the Company.

c) From Others:

a) As at 31-3-2006
Secured by hypothecation & mortgage of the fixed assets of the Company, immovable properties and personal guarantee of the Promoter Directors of the Company and their relatives and corporate guarantee of a group company.
b) As at 31-3-2007 & 31-03-2008
Is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company.
c) As at 31-3-2009
To the extent of Rs. 210.20 millions, is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company. To the extent of Rs. 435.56 millions, is secured by Residual Charge on the entire fixed assets and current assets of the Company.
d) As at 31-3-2010
To the extent of Rs. 129.63 millions, is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company. To the extent of Rs. 676.07 millions, is secured by Residual Charge on the entire fixed assets and current assets of the Company.
e) As at 30-9-2010
To the extent of Rs. 117.01 millions, is secured on first pari-passu charge basis on complete fixed assets of the Company, on second pari-passu charge basis on the complete current assets of the Company and personal guarantee of the Promoter Directors of the Company. To the extent of Rs. 676.07 millions, is secured by Residual Charge on the entire fixed assets and current assets of the Company.

d) Loans under Hire Purchase Arrangements:
As at 31-3-2006 to 30-9-2010:
Secured by the hypothecation of each vehicle financed by the respective bank.

e) Non- Convertible Debentures:
As at 31-3-2007 to 30-09-2010
Secured by Subservient Charge on the movable assets of the Company and personal guarantee of Promoter Directors of the Company.

Annexure XIV (Cont'd)

Table A : Working Capital
Details of Loans outstanding as at 30th September, 2010

Bankers	Sanctioned Limits	Outstanding Amount as at September 30, 2010	Effective Interest Rate
			(Rs. in Millions)
Allahabad Bank	200.00	161.90	11.50%
Axis Bank	970.00	282.78	9.00%
Barclays Bank PLC	300.00	291.66	9.50%
Canara Bank -	200.00	163.77	12.50%
Development Credit Bank Ltd.	50.00	49.38	12.00%
IDBI Bank	450.00	441.08	12.75%
Indusind Bank LTD.	150.00	150.54	11.25%
Karur Vysya Bank Ltd	300.00	293.03	12.00%
Kotak Mahindra Bank	150.00	130.47	11.00%
Laxmi Vilas Bank Ltd.	200.00	58.05	13.50%
Standard Charterd Bank	100.00	68.25	12.50%
State Bank of Bikaner & Jaipur	200.00	(41.33)	10.75%
State Bank of India	450.00	151.43	12.50%
State Bank of Indore	200.00	200.00	12.75%
State Bank of Indore	200.00	199.18	12.75%
State Bank of Mysore	400.00	183.73	9.75%
State Bank of Mysore	200.00	200.00	12.75%
State Bank of Travancore	350.00	350.02	13.00%
Union Bank of India	250.00	250.18	13.75%
Yes Bank	130.00	89.24	11.00%
Total	**5,450.00**	**3,673.35**	

Annexure XIV (Cont'd)

Table B : -Loans from Banks

					Repayment Schedule						
Name of Bank	**Type of Loan**	**Sanction amount**	**Outstanding Amount as at September 30, 2010**	**Effective Interest Rate**	**Financial Year 2010-11**	**Financial Year 2011-12**	**Financial Year 2012-13**	**Financial Year 2013-14**	**Financial Year 2014-15**	**Financial Year 2015-16**	**Purpose of Loan**
		(Rs. In Millions)									
Axis Bank	Term Loan 1	42.50	21.67	12.00%	5.00	10.00	6.67	-	-	-	Normal Capex Expenditure at Oncology unit
Axis Bank	Term Loan 2	18.00	10.00	11.50%	-	6.00	4.00	-	-	-	Normal Capex Expenditure at Oncology unit
Axis Bank	Term Loan 3	75.00	46.88	11.50%	18.75	28.13	-	-	-	-	Long term Working Capital requirement
Bank of Baroda	Term Loan	250.00	249.41	12.75%	15.60	62.50	62.50	62.50	46.31	-	Meeting Long Term Working Capital requirements and expansion of existing R & D Facilities
ICICI Bank Ltd (Formerly Bank of Rajasthan Ltd.)	Term Loan	100.00	98.28	14.00%	20.00	78.28	-	-	-	-	Financing of reqular capex requirement of the Company
Canara Bank	Term Loan 1	500.00	500.00	12.75%	-	55.60	111.20	111.20	111.20	110.80	Meet Long term working Capital requirement.
Canara Bank	Term Loan 2	250.00	249.96	14.00%	12.50	50.00	50.00	50.00	50.00	37.46	Expansion and modernisation at various locations
HDFC Bank Ltd. (Formerly Centurion Bank of Punjab)	Term Loan	150.00	103.13	12.00%	37.50	37.50	28.13	-	-	-	Funding Company's expansion plans at Gurgaon and R & D facilities
Bank of India	Term Loan	100.00	34.17	12.00%	20.50	13.67	-	-	-	-	Capex at Hyderabad Siddhipet Unit
DBS Bank	Term Loan	200.00	87.50	12.00%	25.00	50.00	12.50	-	-	-	Meeting Long Term Working Capital requirements
DEG Deutsche	Term Loan-	Euro 7.5	393.73	7.30	36.25	72.50	72.50	72.50	72.50	67.48	Modernisation of Gurgaon

Investitions	FCL	Mn. *		%							plant and R &D Unit at Taloja
Indian Overseas Bank	Term Loan	100.00	99.60	13.00%	10.00	20.00	20.00	20.00	20.00	9.60	Modernisation at Oncology Unit in Tarapur
Karur Vysya Bank	Term Loan 1	200.00	200.00	12.00%	50.00	50.00	50.00	50.00	-	-	Expansion by way of asset buyout of Dombivli Unit.
Karur Vysya Bank	Term Loan 2	100.00	62.50	13.50%	12.50	25.00	25.00	-	-	-	Meeting Capex and Expansion requirements
Kotak Mahindra Bank Ltd	Term Loan	40.00	24.14	12.00%	5.64	11.10	7.40	-	-	-	Takoever of loan of SVC Bank Ltd.
Lakshmi Vilas Bank	Term Loan	300.00	138.04	13.00%	60.00	78.04	-	-	-	-	General Corporate purpose, and Normal Capex Purpose
Punjab & Sind Bank	Term Loan	250.00	166.60	13.00%	27.80	55.60	55.60	27.60	-	-	Capex at Gurgaon, Hyderabad and Badlapur
State Bank Of Hyderabad	Term Loan	500.00	500.00	12.75%	31.30	125.00	125.00	125.00	93.70	-	Ongoing Capital expenditure, replacement of machinery part etc & R & D Expenditure
State Bank Of India	Term Loan	500.00	505.70	13.00%	30.70	100.00	100.00	100.00	100.00	75.00	Expansion at Sibra Unit in Hyderabad
State Bank of Indore	Term Loan	300.00	248.32	11.75%	30.00	60.00	60.00	60.00	38.32	-	Part fund capacity expansion at Gurgaon and Badlapur Unit
State Bank of Patiala	Term Loan 1	100.00	19.99	10.00%	14.99	5.00	-	-	-	-	Takeover of Badlapur unit and expansion
State Bank of Patiala	Term Loan 2	34.00	3.40	10.00%	3.40	-	-	-	-	-	Takeover and Purchase of R & D equipments for unit.
State Bank Patiala	Term Loan 3	100.00	50.58	12.00%	17.24	33.34	-	-	-	-	Reimbursement of capital expenditure incured in Sibra unit
State Bank Patiala	Term Loan 4	100.00	90.90	12.50%	10.90	20.00	20.00	20.00	20.00	-	Expansion at Sibra Unit.
Indusind	Term	75.00	63.75		7.50	15.00	15.00	15.00	11.25	-	Part finance

Bank	Loan			13.00%							project at Hyderabad Unit
TOTAL			**3,968.21**		**503.06**	**1,062.25**	**825.49**	**713.80**	**563.27**	**300.33**	

** Equivalent of Rs. **4500** Millions*

Table C : Loans from Institutions/Others

					Repayment Schedule						
Name of Bank	**Type of Loan**	**Sanction amount**	**Outstanding Amount as at September 30, 2010**	**Effective Interest Rate**	**Financial Year 2010-11**	**Financial Year 2011-12**	**Financial Year 2012-13**	**Financial Year 2013-14**	**Financial Year 2014-15**	**Financial Year 2015-16**	**Purpose of Loan**
											(Rs. In Millions)
LIC	Term Loan	150.00	100.00	9.40%	50.00	50.00	-	-	-	-	Meeting long term Working capital requirements and capex requirements of the company
Exim Bank	Term Loan-FCL	USD 5.70 Mn.*	17.01	Libor + 350 bsp	11.34	5.67	-	-	-	-	Part finance the acquisition of Vitalife, Gurgaon
IL & FS Finacial Services	Term Loan-SMCF Facility	750.00	676.07	12.00%	33.80	135.21	135.21	135.21	135.21	101.41	Part fund capacity requirements of the company
TOTAL			**793.08**		**95.14**	**190.88**	**135.21**	**135.21**	**135.21**	**101.41**	

Annexure XV

UNCONSOLIDATED STATEMENT OF UNSECURED LOANS, AS RESTATED

Particulars	As at						Effective Rate of Interest	Repayment Schedule
	September 30, 2010	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006		
	(Rs. In Millions)							
Short Term Loans from Banks/ Institution	2,500.00	2,101.51	1,009.64	1,008.50	400.00	-	Refer Table A below	
Debentures	-	100.00**	750.00*		-	-	-	-
Deferred Sales Tax Liability	55.25	56.96	56.96	0.17	0.75	2.35	NA	Over the 14 years from the month of sale
Others (Other than Promoters)	1.05	1.05	2.09	2.51	5.23	3.00	Nil	Payable within one year
Total	**2,556.30**	**2,259.52**	**1,818.69**	**1,011.18**	**405.98**	**5.35**		

* Amount of Rs. 550 Million & Rs. 200 Million from Arch Pharmachem and Arch Impex Limited (Corporate Promoter of the Company) respectively

** Amount of Rs. 50 Million & 50 Million from Arch Pharmachem and Arch Impex Limited (Corporate Promoter of the Company) respectively

Table A : Short Term Loans from Banks/Institution

Name of Bank/ Institution	Amount outstanding as at September 30, 2010 (Rs. In Million)	Rate of Interest	Repayment Schedule
State Bank of Bikaner & Jaipur	100.00	12%	Repayable within one year
LIC	1,950.00	7%	Repayable within one year
Commercial Papers	450.00	8%	Repayable within six months
Total	2,500.00		-

Annexure XVI

UNCONSOLIDATED STATEMENT OF CONTINGENT LIABILITIES, AS RESTATED

Sr. No.	Particulars	As at					
		September 30, 2010	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
							(Rs. in Millions)
a.	Guarantees by banks on behalf of the Company	12.74	9.88	5.35	6.78	3.92	2.55
b.	Letter of Credit	451.98	285.60	163.91	60.48	66.32	35.36
c.	Disputed Income Tax demands	-	-	-	-	44.54	-
d.	Counter Guarantees executed in favour of Banks for loan taken by subsidiaries outstanding as at the year end	1,045.00	1,045.00	575.00	-	-	-
e.	Claim against the Company/disputed liabilities not acknowledged as debts	2.11	2.11	0.98	0.98	0.98	0.98
f.	Bills discounted	166.47	291.51	370.74	140.29	-	-
	Total	**1,678.30**	**1,634.10**	**1,115.98**	**208.52**	**115.75**	**38.89**

Annexure XVII

UNCONSOLIDATED STATEMENT OF **DIVIDEND**

Particulars	Half year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
No. of Preference Shares of Rs.10 each				-*	10,000,000	10,000,000
Rate of Dividend					7.50%	7.50%
Amount of Dividend (Rs.In Mn.)	-	-	-	4.69	7.50	2.73
						(refer note)
Dividend Tax	-	-	-	0.80	1.27	0.38
Total Payout	**-**	**-**	**-**	**5.49**	**8.77**	**3.11**

Note:

1) Including dividend of Rs. 671,233 and dividend tax of Rs. 93,973 paid on 10% Cumulative Preference Shares redeemed during the year 2005-06

2) The Company has not paid any dividend to the Equity Shareholders in the last five years.

* Fully redeemed during the year

Annexure XVIII

UNCONSOLIDATED TAX SHELTER STATEMENT, AS RESTATED

Particulars		Half Year ended September 30, 2010	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
							(Rs. In Millions)
Profit before tax as restated	A	**527.66**	**894.33**	**379.08**	**452.55**	**332.12**	**232.88**
Income Tax rate applicable under Normal Provisions	B	33.22%	33.99%	33.99%	33.99%	33.66%	33.66%
Income Tax rate applicable under MAT provisions	C	19.93%	17.00%	11.33%	11.33%	11.22%	8.42%
Notional Tax at above rate (A x B)	D	**175.29**	**303.98**	**128.85**	**153.82**	**111.79**	**78.39**
Permanent differences							
- Deductions under Chapter VI A of Income Tax Act, 1961		(0.56)	(0.38)	-	(2.23)	(0.05)	(0.26)
- Exempt Income		-	-	-	-	(0.04)	-
- Expenses disallowed/considered under other head		4.60	2.32	4.75	3.95	3.64	6.68
- Deemed Income u/s 2(24) (x)		-	1.06	0.07	0.18	4.11	2.61
- Weighted Deduction for R&D u/s 35(2AB)		(138.80)	(173.69)	(88.61)	(105.68)	(162.52)	(24.92)
- Expenses allowed but not debited to P & L		-	-	-	-	-	-
Total	**E**	**(134.77)**	**(170.69)**	**(83.79)**	**(103.78)**	**(154.86)**	**(15.88)**
Temporary differences							
- Difference between book depreciation and income tax depreciation		(24.75)	(298.51)	(246.84)	(142.01)	(103.98)	(92.30)
- Disallowances under section 40/43B		-	(0.17)	0.17	(6.45)	6.45	-
Total	**F**	**(24.75)**	**(298.68)**	**(246.67)**	**(148.46)**	**(97.53)**	**(92.30)**
Net Adjustments (E + F)	**G**	**(159.52)**	**(469.37)**	**(330.46)**	**(252.24)**	**(252.39)**	**(108.18)**
Tax saving thereon (G x B)	**H**	**(52.99)**	**(159.54)**	**(112.32)**	**(85.74)**	**(84.95)**	**(36.41)**
Total Taxation Charge (D + H + I)	**I**	**122.29**	**144.45**	**16.52**	**68.09**	**26.84**	**41.97**
Taxable Income for MAT purpose (as per restated Profit and Loss account)	J	513.26	894.11	378.92	452.42	396.08	232.84
Tax payable under MAT provisions (J x C)	**K**	**102.30**	**151.95**	**42.93**	**51.26**	**44.44**	**19.59**
Interest	L	-	4.10	3.74	0.81	1.98	5.06
Tax provision for the year (Restated) [(Higher of I or K) + L]	**M**	**122.29**	**156.05**	**46.68**	**68.90**	**46.42**	**47.03**

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 restated audited consolidated financial statements of our Company included in this Draft Red Herring Prospectus, including the notes thereto and reports thereon. This financial information has been prepared in accordance with Indian GAAP, the SEBI ICDR Regulations and the Companies Act and restated in accordance with the SEBI ICDR Regulations. Our Company's fiscal ends on March 31 of each year; all references to a particular fiscal are to the twelve-month period ended March 31 of that year. This discussion may contain forward-looking statements and may reflect our current views with respect to plans, estimates and beliefs as well as future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors and contingencies that could impact our financial condition and results of operations such as those set forth in the section titled "**Risk Factors**" beginning on page xviii. You are advised to also refer the chapter titled "**Our Business**" beginning on page 86.*

Material Developments after September 30, 2010 that may affect our future Results of Operations:

There are no material developments after September 30, 2010 that may affect our future Results of Operations.

Certain Factors Affecting our Results of Operations

There are several factors which can affect our results of operations including macro-economic indicators, factors specific to our industry, globally and in India, and factors which are specific to us. We delineate below some of these factors that affect our results of operations:

Industry Paradigm and Regulated Markets

Our industry is undergoing rapid transformation and is at such stage of growth that has potential to become a key outsourcing hub as it continues to align itself with the overall globalization process in the country. We have witnessed several structural changes that have led to emergence of newer business models and continued adaptation by the leading players in the industry. A case in point is the emergence of CRAMS as a distinct business model. This has evolved primarily as a defense against the commoditization and the resultant price pressures in the international generics business. Indian participation in the international pharmaceutical market has increased and with more products going generic in developed economies, Indian formulation and bulk drug exports have grown significantly. Also, increasing cost pressures on innovators has resulted in significant growth in contract research business. However, growth of the domestic pharma market may be negatively impacted by any adverse pricing policy by the Indian regulatory bodies and policies adopted by the regulated markets like the US, EU, Australia and Japan, which are subject to a high degree of regulation with respect to pharmaceutical products.

Research and Development

Our research and development capabilities have enabled us to make inroads into high margin, high growth CRAMS business and develop relationships with global innovator and generic players. We have developed research and development capabilities for the identification and development of potential API and Intermediate products, for process development, analytical research and clinical research. It also enables us to develop non-infringing processes, to file process patents, to achieve process improvement and to drive production cost efficiencies for existing as well as new APIs and Intermediates. Our research and development has also enabled us in filing 19 process and 2 product patent applications including process patents that have been granted. Our revenue and capital research and development expenses (as per audited unconsolidated financial statements) amounted to ₹285 Million in Fiscal 2010 translating to 2.5% of our Income from Operations. Though there is a continued focus by Indian pharma companies on R&D, they are subject to a very different risk return profile of pharmaceutical R&D.

Client Concentration Risk

Our Company enjoys enduring long-term relationships with large customers and we derive major portion of our revenues from a few customers; our top ten customers (as per audited unconsolidated financial statements) contributed 41.72% of our consolidated Income from Operations in Fiscal 2010. We are focused on extending these relationships, as these partners increasingly involve our participation across a wider range of products and services. In the event any one or more customers cease to continue doing business with us, loss of any such customer will have a material adverse impact on our business and revenues. Besides, some of our customers have been large and established players having

better bargaining power which may adversely affect our margins and profitability. However, technology advantage, cost competitiveness and collaborative effort with the customer, can mitigate the risk of losing a customer.

Foreign Exchange Fluctuations

We are exposed to exchange rate risk primarily due to payables in respect of our imported raw material and from receivables in respect of our exports, which are mainly denominated in foreign currencies. We cater to global innovator and generic companies from over 60 countries. Approximately 38.9% of our consolidated Income from Operations during Fiscal 2010 was derived from our exports, which were mainly denominated in foreign currencies such as the US Dollar. We import raw materials primarily from China, Japan, East Asia and Europe. Approximately 35% of our raw materials by value were imported during Fiscal 2010, which were mainly denominated in foreign currencies such as the US Dollar. Any fluctuation in the value of the rupee against such currencies may adversely affect our results of operations. Since we export our products and import some of our raw materials it helps us to naturally hedge our foreign currency exposure, however a devaluation of any of the foreign currencies against the Indian Rupee may result in reduction of our margins.

Industry Competition and Consolidation Pressures

The API industry is subject to increased competition from the introduction of competing products and new entrants, including international players, to expand or augment existing operations or products lines and extend the scope of their geographical operations, as well as a trend towards consolidation of industry players. All these factors render the goals to continually expand customer base and increase market share, a significant challenge. Further, adequate availability of key raw materials at manageable price levels is critical and price fluctuations exacerbated by competitive pricing pressures may materially affect our margins. Such factors may have a significant effect on our income and financial condition and render our goals, to enter into other niche therapeutic segments and continually expand our customer base, a significant challenge.

Macro-economic Factors

Macro-economic factors, both in the Indian and international context, such as economic instability, political uncertainty, social upheavals, natural calamities or acts of God could influence our performance, which in turn could influence our results. In addition, macro-economic situation, inflationary pressures, fluctuations in interest rates, exchange rates would have a material effect on key aspects of our operations, including the costs of our raw materials, the prices at which we can sell our products, the cost of borrowing required to fund our operations and our profit margins.

Please refer some of these factors as described in the chapter titled "***Risk Factors***" beginning on page xviii.

Significant Accounting Policies

1. Basis of Preparation:

   The Restated Consolidated Financial Statements have been prepared based on the Consolidated Financial Statements of the Group prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by Companies (Accounting Standards) Rules, 2006, the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956, to the extent applicable.

   There is no material adjustments required to be made in the financial statements of overseas subsidiaries to bring them in line with the Indian GAAP.

2. Use of estimates:

   The preparation of restated consolidated financial statements in conformity with Indian GAAP requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the restated consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

3. Turnover:

   In line with generally accepted accounting practices, sales are recognised when goods are supplied and are recorded net of Rebates, Sales Tax. Service income is recognized as per the terms of the contracts with customers when the related services are performed, or the agreed milestones are achieved.

4. Revenue Recognition:

   In accordance with the Company's accounting policy followed consistently, all revenues are accounted when there is reasonable certainty of its ultimate collection.

5. Expenditure:

   All general business expenditure is accounted in the year in which it is incurred and provision is made for all known losses and expenses.

6. Fixed Assets:

   Fixed Assets are stated at cost, less accumulated depreciation. Costs include all costs relating to acquisition and installation of fixed assets. Intangible assets represent "product development expenses", "technology transfer", "Software" and "DMF Cost" which are stated at cost less accumulated amortization and impairment losses, if any.

7. Depreciation:

   Depreciation on fixed assets is provided on the straight line value method at the rates prescribed under Schedule XIV to the Companies Act, 1956. Intangible assets are amortised over a period of five years, being the expected period of use. The leasehold land and leasehold improvements are depreciated over the lease period.

8. Impairment of Assets:

   An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

9. Investments:

   Long-term investments are valued at cost. Provision for diminution in value of investments is made, if the diminution is of a nature other than temporary. Current investments are valued at the lower of cost and market value.

10. Inventory:

    Inventories are measured at lower of cost and net realisable value after providing for obsolescence, if any. Cost includes cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Cost of raw materials, stores and spares, packing materials, trading and other products are determined on FIFO basis.

11. Excise Duty and Sales Tax/Value Added Tax:

    Excise duty is accounted on the basis of both, payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses. Sales tax/Value added tax is charged to Profit and Loss account.

12. Research and Development Expenses:

    Revenue expenditure on research and development is expensed out under the respective heads of account in the year in which it is incurred.

    Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised, if the cost can be reliably

measured, the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the Profit and Loss account as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment. Fixed assets used for research and development are depreciated in accordance with the Company's policy.

Materials identified for use in research and development process are carried as inventories and charged to Profit and Loss Account on issuance of such materials for research and development activities.

13. Employee Benefits:

i. Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
ii. Post employment and other long term employee benefits are recognised as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognised at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

14. Borrowing Cost:

Borrowing costs attributable to acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to Profit and Loss account.

15. Foreign Currency Transactions:
i. Transactions denominated in foreign currencies are recorded at spot rates / average rates.
ii. Monetary items denominated in foreign currencies at the year-end are restated at year end rates.
iii. Non monetary foreign currency items are carried at cost.
iv. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account except in case of long term liabilities which if related to acquisition of fixed assets are adjusted to the carrying cost of such assets and the other long term assets/liabilities are carried to Foreign Currency Translation Reserve and amortised in profit and loss account over the period of three years or upto March 31, 2011 whichever is less.

16. Accounting for taxes on Income:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961.

Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets is recognized and carried forward only to the extent that there is a virtual certainty that the asset will be realized in future.

17. Provision, 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. Contingent Assets are neither recognized nor disclosed in the consolidated financial statements.

18. Earnings per Share (EPS):

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year/ period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year/ period. For the purpose of calculating diluted earnings per share, net profit after tax for the year/ period and the weighted average number of shares outstanding during the year/ period are adjusted for the effects of all dilutive

potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

Discussion on Results of Operations

We will discuss our results of operations on a consolidated basis and, thus, we set forth below a table showing comparative analysis of consolidated figures of Income from Operations, Expenditures, EBITDA, Profits Before Tax and Profits After Tax for H1 2011 and for the fiscals 2010, 2009, 2008 and 2007.

(Amount in ₹ Million)

Particulars	H1 2011		Fiscal 2010		Fiscal 2009		Fiscal 2008		Fiscal 2007	
	Amount	In%	Amount	In%	Amount	In%	Amount	In%	Amount	In%
Income from Operation / Sales	6,225		11,619		9,807		5,394		3,626	
y-o-y growth in %			18%		82%		*49%*		*47%*	
Less										
Expenditure										
Cost of materials	3,639	58.5%	7,163	61.6%	6,554	66.8%	3,539	65.6%	2,368	65.3%
Manufacturing Expenses and Other Expenses	514	8.3%	869	7.5%	881	9.0%	429	8.0%	305	8.4%
Selling, Distribution and Administration Expenses	579	9.3%	1016	8.7%	940	9.6%	450	8.3%	283	7.8%
Less: Transfer to Project Development Expenses	49	0.8%	133	1.1%	252	2.6%	43	0.8%	11	0.3%
Earnings Before Interest, Depreciation and Tax	1,542	24.8%	2,704	23.3%	1,684	17.2%	1,019	18.9%	681	18.8%
Less:										
Interest and Finance Charges	714	11.5%	1326	11.4%	921	9.4%	378	7.0%	250	6.9%
Depreciation	322	5.2%	516	4.4%	326	3.3%	187	3.5%	126	3.5%
Add:										
Other Income	31	0.5%	82	0.7%	24	0.2%	30	0.6%	16	0.4%
Profit before Tax and Extra-Ordinary Items	536	8.6%	944	8.1%	462	4.7%	483	9.0%	321	8.9%
Less Taxation	133	2.1%	270	2.3%	128	1.3%	144	2.7%	116	3.2%
Profit after Tax and before Extra-Ordinary Items	403	6.5%	674	5.8%	334	3.4%	339	6.3%	205	5.6%
Less:										
Share of (Profit)/ Loss from Investment in Associate	-						11		-	
Share of Profit Transferred to Minority	17		31		29		8		-	
Pre-Acquisition Profit	-		-		15		12		-	
Loss on Disposal of Subsidiary	-		16		-		-		-	
Net Profit before Extra-Ordinary Items	386	6.2%	627	5.4%	289	3.0%	308	5.7%	205	5.6%
Add Extra-Ordinary Items (net of Tax)	-		-		-		-		42	
Net Profit after Extra-Ordinary Items	386	6.2%	627	5.4%	289	3.0%	308	5.7%	247	6.8%

The discussion given below on Income and Expenditure items are based on consolidated figures for that fiscal unless specified otherwise. All the figures discussed below are in Rupees Million (rounded off to the nearest integer) and all the percentages (rounded off to one decimal place) are calculated on consolidated Income from Operations/ Sales of the relevant period/fiscal, unless specified otherwise.

Review of Financial Performance

- Our consolidated Income from Operations has grown at a 3-Year CAGR (Fiscal 2010) of 47.4% achieving ₹11,619 Million in Fiscal 2010.
- Our consolidated EBITDA grew at a 3-Year CAGR (Fiscal 2010) of 58.4% with ₹2,704 Million in Fiscal 2010 i.e. 23.3% of our consolidated Income from Operations.
- Our consolidated PAT grew at a 3-Year CAGR (Fiscal 2010) of 36.4% with ₹627 Million in Fiscal 2010 i.e. 5.4% of our consolidated Income from Operations.

Revenue Analysis

- **Domestic v/s Exports:**

We derive our Income from Operations from both domestic markets as well as Exports. Over the years we have increased the share of Exports in our consolidated Income from Operations which is evinced from the following table:

Amount in ₹ Million

Income from Operations - Consolidated	*H1 2011*		*Fiscal 2010*		*Fiscal 2009*		*Fiscal 2008*	
	Amount	*In %*	*Amount*	*In %*	*Amount*	*In %*	*Amount*	*In %*
from Domestic Sales	3,672	*59.0%*	7,104	*61.1%*	7,666	*78.2%*	4,568	*84.7%*
from Exports	2,552	*41.0%*	4,514	*38.9%*	2,141	*21.8%*	826	*15.3%*
Total	**6,225**	***100.0%***	**11,619**	***100.0%***	**9,807**	***100.0%***	**5,394**	***100.0%***

The share of Exports in our consolidated Income from Operations grew from 15.3% in Fiscal 2008 to 38.9% of that in Fiscal 2010 i.e. in relative terms it has more than doubled during the last three fiscals. The share of Exports has increased further to 41% for H1 2011. In absolute terms, our revenues from Exports during this period has grown at a CAGR of 90.6% achieving ₹4,514 Million in Fiscal 2010.

Annual (y-o-y) growth in Exports (Fiscal 2008-2010)

Fiscal 2010 – Continent-wise Export Revenues

In Fiscal 2010, we exported to over 60 countries including regulated markets, majority of which, i.e. 55.9% of was to Middle East, USA and East Asia. Of the total Exports in Fiscal 2010, 88.7% was through our Company and the rest through our subsidiary viz., Avon Organics Limited.

- **Manufactured v/s Traded:**

Amount in ₹ Million

Income from Operations - Consolidated	*H1 2011*		*Fiscal 2010*		*Fiscal 2009*		*Fiscal 2008*	
	Amount	*In %*	*Amount*	*In %*	*Amount*	*In %*	*Amount*	*In %*
from Mfd. Products	5,387	*86.5%*	10,404	*89.5%*	8,124	*82.8%*	4,070	*75.4%*
from Traded Products	838	*13.5%*	1,215	*10.5%*	1,683	*17.2%*	1,324	*24.6%*
Total	**6,225**	***100.0%***	**11,619**	***100.0%***	**9,807**	***100.0%***	**5,394**	***100.0%***

Our trading revenues over the last three fiscals have declined from 24.6% in Fiscal 2008 to 10.5% in Fiscal 2010. Our traded products are chemicals, Intermediates and APIs, traded as one-off business opportunities available to us.

- **Product Mix - API / Intermediates and CRAMS:**

Fiscal 2009

Fiscal 2010

- **API / Intermediates:**

The share of API / Intermediates in our consolidated Income from Operations has reduced from 94.3% in Fiscal 2009 to 84.4% in Fiscal 2010 to 79.6% in H1 2011 with the increasing share of our CRAMS revenues. We provide products across several Therapeutic segments. We derive majority of our revenues from Therapeutic segments like Antibiotics – side chains, Lipid Lowering Agents, Oncology, Anti-Platelet Agents, Anti-Retroviral, Decongestant, NSAIDs, Anti-Anginal, Anti-Asthmatic and Calcium Channel Blocker.

In Fiscal 2010, Antibiotics – side chains contributed 19.8% of our consolidated Income from Operations followed by Lipid Lowering Agents which contributed 10.4%, Oncology 8.2%, Anti-Platelet Agents 7.5% and Anti-Retrovirals 4.8% of our consolidated Income from Operations.

Amount in ₹ Million

Major Therapeutic Categories	***Fiscal 2009***		***Fiscal 2010***		***Increase/(Decrease) in %***	
	Amount	***In %****	***Amount***	***In %****	***In Absolute terms***	***In Relative terms***
Antibiotics – side chains	1,716.62	17.5%	2,304.02	19.8%	34.2%	2.3%
Lipid Lowering Agents	1,735.73	17.7%	1,207.26	10.4%	(30.4%)	(7.3%)
Oncology	646.77	6.6%	954.98	8.2%	47.7%	1.6%
Anti-Platelet Agents	766.33	7.8%	867.33	7.5%	13.2%	(0.3%)
Anti-Retroviral	247.96	2.5%	561.39	4.8%	126.4%	2.3%

**measured as a percentage of consolidated Income from Operations for that fiscal*

Our revenues in Fiscal 2010 from Antibiotics being side chains of Isoxazole Penicillins grew both in absolute and relative terms. Our revenues, however, from Lipid Lowering Agents i.e. Atorvastatin and its intermediates, showed a decline of 30.4% in Fiscal 2010 when compared in absolute terms with Fiscal 2009 and a decline of 7.3% in Fiscal 2010 when compared in relative terms with Fiscal 2009. This decline is primarily attributable to the change in business arrangements of supplying Atorvastatin API whereby though our revenues decline but our volumes and margins are not directly affected. Our revenues from Anti-Platelet Agents (Clopidogrel and its intermediates) have changed marginally to 7.5% of our consolidated Income from Operations in Fiscal 2010 vis-à-vis the previous fiscal. The revenues from these products, however, in absolute terms increased by 13.2% in Fiscal 2010.

Our revenues from Antibiotics – side chains, Lipid Lowering Agents and Anti-Platelet Agents contributed 37.2%, 17.5% and 9.7% respectively forming significant part of our consolidated Income from Operations in Fiscal 2008.

Our revenues from Oncology (primarily being Gemcitabine and its intermediates) and Anti-Retroviral (comprising of Efavirenz and its intermediates and Zidovudine and its intermediates) range of products showed growth by 47.7% and 126.4% in absolute terms in Fiscal 2010 when compared with Fiscal 2009, which as a percentage of our consolidated Income from Operations improved by 1.6% and 2.3% respectively.

For H1 2011, our consolidated Income from Operations from Oncology was 18.7%, Antibiotics – side chains was 17.1%, Lipid Lowering Agents was 9.8%, Anti-Retroviral was 6.3% and Anti-Platelet Agents was 5.7%. Our revenues from Oncology have grown from 6.6% of our consolidated Income from Operations in Fiscal 2009 to 8.2% in Fiscal 2010 to 18.7% in H1 2011, contributing highest to our consolidated Income from Operations during this period.

This clearly indicates the growing contribution from Oncology, which we consider as one of our key therapeutic segments. Our increasing share in revenues from Oncology range of products has been resultant of our acquisition of Tarapur Unit 2 during Fiscal 2009. We believe that Oncology therapeutic segment has significant growth potential and as a business strategy, going ahead, we are targeting growth in the Oncology and Controlled Substances products. We have already launched 8 Oncology APIs from Tarapur Unit 2 and we are working on another 6 APIs to be launched over the next 12 months.

- **CRAMS:**

We have evinced our growth in CRAMS through its increasing share in our consolidated Income from Operations which increased from 0.8% in Fiscal 2008 to 5% in Fiscal 2009 to 15.2% in Fiscal 2010 i.e. in relative terms its share has tripled since last fiscal. And in absolute terms it has grown about 3.6 times that of last fiscal achieving ₹1,763 Million in Fiscal 2010. In H1 2011 the share of CRAMS in our consolidated Income from Operations was 20% achieving ₹1,243 Million. Of the total CRAMS revenues in Fiscal 2010, our Company contributed 72% and the rest 28% was from our Subsidiary, Avon Organics Limited.

- **Contract Research (CR):**

Of our total CRAMS revenues, CR (including Custom Synthesis) contributed 66% of the total CRAMS in Fiscal 2010 generating revenues of ₹1,167 Million. We have been catering over 20 companies for our CR business primarily providing route scouting, small scale synthesis, safety studies, scale up & technology transfer leading to documentation for regulatory filings. Our major clients for this business comprise of global innovator and generic players.

- **Contract Manufacturing (CM):**

Of our total CRAMS revenues, CM contributed 34% in Fiscal 2010 generating ₹596 Million. We have a contract manufacturing agreement for the manufacturing and supply of an API for a generic drug treating herpes. We make this compound at our USFDA inspected and approved Avon Solapur Unit (owned by our Subsidiary Avon) which earlier was solely focused on the production of Pseudoephedrine (a Decongestant product). This contract manufacturing, we believe, has improved this Unit from a single product facility to a multiple product facility as part of our diversification strategy.

- **Client Concentration:**

Client Concentration – consolidated Income from Operations	*H1 2011*	*Fiscal 2010*	*Fiscal 2009*	*Fiscal 2008*
Sales to Top Customer	9.61%	7.01%	5.85%	5.99%
Sales to Top 5 Customers	27.38%	24.86%	18.82%	23.45%
Sales to Top 10 Customers	41.72%	39.46%	31.59%	38.12%

Our sales to top customer have been between 5% and less than 10% of our consolidated Income from Operations in the last three fiscals. Though our top 10 customers contributed revenues between 31% and less than 42% of our consolidated Income from Operations, not all of our top 10 customers have remained same in any of the last three fiscals. For H1 2011, our top customer's share rose to 9.61% and that of the top 10 customers' share to 41.72% of our consolidated Income from Operations.

Codexis has been our top customer for the last three fiscals and for H1 2011. We have technical and commercial arrangements with Codexis whereby we manufacture and supply Atorvastatin intermediates for Codexis' customers both in India and overseas using their proprietary biocatalysis technology.

However, as such we have wide customer base catering to over 400 customers (Fiscal 2010). We enjoy business relationships with large customers and are focused on extending these relationships, as these customers increasingly involve participation across a wider range of products and services. With varied products and service offerings coupled with the technology advantage, cost competitiveness, collaborative effort, etc., we endeavor reducing the risk of loss of our client and continue increasing our customer base.

Discussion on Financial Performance

Under this paragraph we will discuss financial performance on consolidated basis for the last three fiscals viz., 2008, 2009 and 2010 and for H1 2011.

In Fiscal 2007, we had an existing wholly owned subsidiary in the US viz., Arch Pharmalabs (USA) Inc. and had closed one of our other wholly owned subsidiaries in UK viz., Arch Europe Limited in April 2006. During Fiscal 2008, we made equity investments in Arch Life Sciences Limited, Arch Finechemicals Limited and Avon Organics Limited to the tune of 58.46%, 88.95% and 43.6% respectively by virtue of which Arch Life Sciences Limited and Arch Finechemicals Limited became our subsidiaries and Avon Organics Limited became our associate for this fiscal. Thus, in Fiscal 2008 our financial statements were consolidated with 3 subsidiaries and an associate company. During Fiscal 2009, we acquired 70% shareholding in Benzochem Lifesciences Private Limited and increased our shareholding by 20% in Avon Organics Limited by virtue of which both Benzochem Lifesciences Private Limited and Avon Organics Limited became our subsidiaries. Thus, in Fiscal 2009 our financial statements were consolidated with 5 subsidiaries. In March 2010 we sold our entire equity investment in Benzochem Lifesciences Private Limited resultant of which we had 4 subsidiaries by the end of Fiscal 2010. During H1 2011, we incorporated a company under the name of Regal Pharma Pte Limited as a subsidiary of our subsidiary, Avon Organics Limited with 90% shareholding. We had 5 subsidiaries as at September 30, 2010.

We acquired the Taloja Unit during Fiscal 2008. Fiscal 2009 has been a historic year for us as we acquired 4 operating manufacturing plants viz., Medak Unit 2, Tarapur Unit 2, Dombivli Unit and Medak Unit 3 and a R&D facility i.e. Mhape R&D Centre during this fiscal. Fiscal 2010 enjoyed a full year benefit of all of these acquired manufacturing facilities and R&D facility.

Considering all the above activities during the period under discussion, we believe that the consolidated financial performance for the last three fiscals viz., 2008, 2009 and 2010 and for H1 2011 may not be directly comparable to each other to the extent of these activities.

- **H1 2011**

Major Activities / Events:

A company under the name of Regal Pharma Pte Limited was incorporated on July 27, 2010, as a subsidiary of our subsidiary, Avon Organics Limited with 90% shareholding. Pursuant to this we had 5 subsidiaries by the end of this period.

Analysis of Profit and Loss Account Items:

- **Income**

  During H1 2011 our consolidated Income from Operations were ₹6,225 Million comprising 59% of revenues from domestic markets and 41% from Exports (against that of 38.9% in Fiscal 2010).

- **Expenditure**

  Our Expenditures comprise Cost of Materials, Manufacturing Expenses and Other Expenses and Selling, Distribution and Administration Expenses. The Cost of Materials was 58.5%, Manufacturing Expenses and Other Expenses was 8.3% and Selling, Distribution and Administration Expenses was 9.3%, aggregating to 76.1% of our consolidated Income from Operations. Our Expenditures for Fiscal 2010 was 77.8% of our consolidated Income from Operations, thereby, evincing 1.7% reduction in our Expenditures in the first half of the current fiscal.

- **EBITDA**

  Our EBITDA margins for H1 2011 improved to 24.8% from 23.3% in Fiscal 2010 with reduced Expenditures during this period as compared with previous full fiscal.

- **Interest and Finance Charges**

  Interest and Finance Charges include Bank Interest, Bank Charges and Other Interest Costs which for H1 2011 was 11.5% of our consolidated Income from Operations changing marginally from the previous full fiscal.

- **Depreciation**

  The Depreciation cost for H1 2011 was 5.2% of our consolidated Income from Operations.

- **Net Profits after Extra Ordinary Items**

  Our Net Profits after Extra Ordinary Items for H1 2011 was ₹386 Million i.e. 6.2% of our consolidated Income from Operations, marginally improving from 5.4% that of in the previous full fiscal.

▪ **Fiscal 2010 compared with Fiscal 2009**

Major Activities / Events:

During Fiscal 2010, we divested our 70% shareholding in Benzochem Lifesciences Private Limited with effect from March 12, 2010, resultant of which we had 4 subsidiaries by the end of Fiscal 2010. Fiscal 2010 enjoyed full year benefits of all of the manufacturing facilities and R&D facility acquired during the previous fiscal.

Analysis of Profit and Loss Account Items:

- **Income**

  Our consolidated Income from Operations grew from ₹9,807 Million in Fiscal 2009 to ₹11,619 Million in Fiscal 2010 achieving a *y-o-y* growth of 18% in Fiscal 2010 vis-à-vis 82% in Fiscal 2009. The growth in Fiscal 2010 was primarily attributable to the revenues from CRAMS which achieved a *y-o-y* growth of 261%. During Fiscal 2010 we saw a significant increase in share of Exports (rising from 21.8% in Fiscal 2009 to 38.9% in Fiscal 2010) and share of CRAMS (rising from 5% in Fiscal 2009 to 15.2% in Fiscal 2010) in our consolidated Income from Operations.

- **Expenditure**

- ***Cost of Materials***

The *Cost of Materials* include the cost of raw materials consumed and purchases of Finished Goods as adjusted with their opening and closing stocks.

Our *Cost of Materials* improved from 66.8% of our consolidated Income from Operations in Fiscal 2009 to **61.6%** that of in Fiscal 2010. This improvement in our material costs was primarily due to increase in revenues from higher margin CRAMS and product portfolio rationalisation.

Raw Material Purchases

We consume both indigenous and imported raw materials. Our Raw Material purchases were of ₹6,878 Million in Fiscal 2010 vis-à-vis ₹6,309 Million in Fiscal 2009. We imported 35% of our total raw material purchases in Fiscal 2010 vis-à-vis 27% that of in Fiscal 2009. We import raw materials primarily from China, Japan, East Asia and Europe.

- ***Manufacturing Expenses and Other Expenses***

Our *Manufacturing Expenses and Other Expenses* comprise research and development expenses, power and fuel costs, clearing, forwarding and transportation costs, packing material, stores and spares and consumables, repairs and maintenance, other manufacturing expenses and exchange rate fluctuation charge.

Our *Manufacturing Expenses and Other Expenses* in Fiscal 2010 was **7.5%** of our consolidated Income from Operations improving from 9.0% that of in the previous fiscal. These costs have reduced due to increased revenues from our higher margin CRAMS business.

Research and Development Expenses

Research and Development Expenses which are recurring in nature is charged to profit and loss account while capital expenditures are included in the respective heads of fixed assets.

Our *Research and Development Expenses* (standalone) was ₹174 Million in Fiscal 2010 vis-à-vis ₹127 Million in Fiscal 2009, most of which (₹162 Million and ₹109 Million respectively) is expensed at our in-house R&D Centre at Taloja which is approved by Department of Scientific & Technology, Government of India. Our *Research and Development Expenses* (consolidated) was ₹174 Million in Fiscal 2010 vis-à-vis ₹128 Million in Fiscal 2009 which is 1.5% and 1.3% of our consolidated Income from Operations of these respective fiscals.

Power and Fuel Costs

Our *Power and Fuel Costs* were ₹327 Million and ₹307 Million i.e. 2.8% and 3.1% of our consolidated Income from Operations in Fiscal 2010 and 2009 respectively.

Clearing, Forwarding and Transportation Costs

Our *Clearing, Forwarding and Transportation Costs* were ₹164 Million in Fiscal 2010 vis-à-vis ₹174 Million in Fiscal 2009, showing a decrease both in absolute terms and as a percentage of our consolidated Income from Operations, i.e. from 1.8% in Fiscal 2009 to 1.4% in Fiscal 2010.

- ***Selling, Distribution and Administration Expenses***

Our *Selling, Distribution and Administration Expenses* comprise personnel expenses, establishment expenses and sales and distribution expenses. Our *Selling, Distribution and Administration Expenses* for Fiscal 2010 was **8.7%** of our consolidated Income from Operations marginally improving from 9.6% that of in the previous fiscal.

Personnel Expenses

Our *Personnel Expenses* were ₹629 Million in Fiscal 2010 vis-à-vis ₹533 Million in Fiscal 2009 i.e. 5.4% of our consolidated Income from Operations for both these fiscal.

Establishment Expenses

Our *Establishment Expenses* were ₹264 Million in Fiscal 2010 i.e. 2.3% of our consolidated Income from Operations vis-à-vis ₹306 Million in Fiscal 2009 i.e. 3.1% of our consolidated Income from Operations.

Sales and Distribution Expenses

Our *Sales and Distribution Expenses* were ₹120 Million in Fiscal 2010 vis-à-vis ₹101 Million in Fiscal 2009 i.e. 1% of our consolidated Income from Operations for both these fiscals.

- ***Project Development Expenses***

These are the expenses incurred under the above heads but are capitalized during the period / fiscal. During Fiscal 2010 an amount of ₹133 Million was capitalized i.e. 1.1% of our consolidated Income from Operations vis-à-vis Fiscal 2009 when an amount of ₹252 Million was capitalized i.e. 2.6% of our consolidated Income from Operations. This affected our margins by 1.5% when compared with the previous Fiscal.

- **EBITDA**

Our EBITDA in Fiscal 2010 was ₹2,704 Million i.e. **23.3%** of our consolidated Income from Operations against ₹1,684 Million i.e. 17.2% of our consolidated Income from Operations in Fiscal 2009. This increase is attributable to the improvement in Cost of Material, Manufacturing Expenses and Other Expenses and Selling, Distribution and Administration Expenses by 5.2%, 1.5% and 0.9% respectively when compared with the previous fiscal. The Project Development Expenses, however, capitalized during the fiscal were lower by 1.5% reducing the EBITDA margins. Collectively, EBITDA margins improved by 6.1% in Fiscal 2010 vis-à-vis the previous fiscal.

- **Interest and Finance Charges**

Interest and Finance Charges include Bank Interest, Bank Charges and Other Interest Costs.

Interest and Finance Charges in Fiscal 2010 was **11.4%** of our consolidated Income from Operations vis-à-vis 9.4% of our consolidated Income from Operations in Fiscal 2009.

Our consolidated Bank Interest charge in Fiscal 2010 was ₹1,326 Million vis-à-vis ₹921 Million in Fiscal 2009. Our consolidated Debt as on March 31, 2010 stood at ₹12,484 Million and ₹9,537 Million as on March 31, 2009. Our average cost of borrowing was 10.6% in Fiscal 2010 against 9.7% in Fiscal 2009.

- **Depreciation**

Our *Depreciation* charge in Fiscal 2010 was ₹516 Million as against ₹326 Million in Fiscal 2009. This, as a percentage of our consolidated Net Block of Fixed Assets as on March 31, 2010 and March 31, 2009 was **8.1%** and 6.5% respectively.

- **Other Income**

Our Other Income primarily comprise of Interest income and exchange rate fluctuation gain, if any. In Fiscal 2010, it was ₹82 Million (**0.7%**) against ₹24 Million (0.2%) in Fiscal 2009 of our consolidated Income from Operations.

- **Net Profits after Extra Ordinary Items**

Our Net Profits after Extra Ordinary Items for 2010 was ₹627 Million i.e. **5.4%** of our consolidated Income from Operations, significantly improving from 3% that of in Fiscal 2009.

- **Fiscal 2009 compared with Fiscal 2008**

Major Activities / Events:

Fiscal 2009 has been a historic year for us as we acquired 4 operating manufacturing plants viz., Medak Unit 2, Tarapur Unit 2, Dombivli Unit and Medak Unit 3 and a R&D facility i.e. Mhape R&D Centre during this fiscal. We acquired Medak Unit 2, Tarapur Unit 2, and Medak Unit 3 through purchase of assets and liabilities from our subsidiaries i.e. Arch Finechemicals Limited on August 05, 2008, Benzochem Lifesciences Private Limited on December 20, 2008 and Arch Life Sciences Limited on March 11, 2009, respectively. We acquired Dombivli Unit from Watson Pharma Private Limited on January 01, 2009. It was acquired on 'as is where is basis' *vide* Business Transfer Agreements executed with them at their Book Value / Written Down Value.

We increased our shareholding in Avon Organics Limited to 63.6% from 43.6% held in the previous fiscal, by virtue of which it became our subsidiary. The manufacturing facilities viz., Avon Medak Unit and Avon Solapur Unit are operated through this subsidiary. We also acquired 70% shareholding in Benzochem Lifesciences Private Limited, engaged in the manufacturing of APIs in Anti-Cancer and Anti-Malarial segments, during this fiscal whereby it became our subsidiary. Thus, in Fiscal 2009 our financial statements were consolidated with 5 subsidiaries.

Analysis of Profit and Loss Account Items:

- **Income**

Our consolidated Income from Operations grew from ₹5,394 Million in Fiscal 2008 to ₹9,807 Million in Fiscal 2009 achieving a *y-o-y* growth of 82% in Fiscal 2009 vis-à-vis 49% in Fiscal 2008. Our growth in Fiscal 2009 was primarily from the addition of 4 operating manufacturing plants acquired during this fiscal and the revenues from additional 2 subsidiaries viz., Avon Organics Limited (an associate company in previous fiscal) and Benzochem Lifesciences Private Limited The share of CRAMS in our consolidated Income from Operations increased from a meager 0.8% in Fiscal 2008 to 5% in Fiscal 2009 and the share of Exports increased from 15.3% in Fiscal 2008 to 21.8% in Fiscal 2009.

- **Expenditure**

- ***Cost of Materials***

Our *Cost of Materials* marginally increased from 65.6% of our consolidated Income from Operations in Fiscal 2008 to 66.8% that of in Fiscal 2009.

- ***Manufacturing Expenses and Other Expenses***

Our *Manufacturing Expenses and Other Expenses* in Fiscal 2009 was **9%** of our consolidated Income from Operations increasing from 8% that of in the previous fiscal.

Research and Development Expenses

Our *Research and Development Expenses* (standalone) was ₹127 Million in Fiscal 2009 vis-à-vis ₹110 Million in Fiscal 2008, most of which (₹109 Million and ₹75 Million respectively) is expensed at our in-house R&D Centre at Taloja which is approved by Department of Scientific & Technology, Government of India. Our *Research and Development Expenses* (consolidated) was ₹128 Million in Fiscal 2009 vis-à-vis ₹71 Million in Fiscal 2008 which remained 1.3% of our consolidated Income from Operations of both these fiscals.

Power and Fuel Costs

Our *Power and Fuel Costs* were ₹307 Million and ₹156 Million i.e. 3.1% and 2.9% of our consolidated Income from Operations in Fiscal 2009 and 2008 respectively.

Clearing, Forwarding and Transportation Costs

Our *Clearing, Forwarding and Transportation Costs* were ₹174 Million in Fiscal 2009 vis-à-vis ₹52 Million in Fiscal 2008.

- ***Selling, Distribution and Administration Expenses***

Our *Selling, Distribution and Administration Expenses* for Fiscal 2009 was 9.6% of our consolidated Income from Operations increasing from 8.3% that of in the previous fiscal.
Personnel Expenses

Our *Personnel Expenses* were ₹533 Million in Fiscal 2009 i.e. 5.4% of our consolidated Income from Operations vis-à-vis ₹252 Million in Fiscal 2008 i.e. 4.7% of our consolidated Income from Operations in this fiscal.

Establishment Expenses

Our *Establishment Expenses* were ₹306 Million in Fiscal 2009 i.e. 3.1% of our consolidated Income from Operations vis-à-vis ₹149 Million in Fiscal 2008 i.e. 2.8% of our consolidated Income from Operations in this fiscal.

Sales and Distribution Expenses

Our *Sales and Distribution Expenses* were ₹101 Million in Fiscal 2009 i.e. 1% vis-à-vis ₹79 Million in Fiscal 2008 i.e. 1.5% of our consolidated Income from Operations in this fiscal.

- ***Project Development Expenses***

These are the expenses incurred under the above heads but are capitalized during the period / fiscal. During Fiscal 2009 an amount of ₹252 Million was capitalized i.e. 2.6% of our consolidated Income from Operations vis-à-vis Fiscal 2008 when an amount of ₹43 Million was capitalized i.e. 0.8% of our consolidated Income from Operations. This leads to an improvement of margins during this fiscal of 1.8%.

- **EBITDA**

Our EBITDA in Fiscal 2009 was ₹1,684 Million i.e. **17.2%** of our consolidated Income from Operations against ₹1,019 Million i.e. 18.9% of our consolidated Income from Operations in Fiscal 2008. This is attributable to an increase in the Cost of Material, Manufacturing Expenses and Other Expenses and Selling, Distribution and Other Expenses collectively being 3.5% when compared with the previous fiscal and the Project Development Expenses capitalized during the fiscal being higher improving the EBITDA margins by 1.8% in Fiscal 2009.

- **Interest and Finance Charges**

Interest and Finance Charges in Fiscal 2009 was **9.4%** of our consolidated Income from Operations vis-à-vis 7% of our consolidated Income from Operations in Fiscal 2008.

Our consolidated Bank Interest charge in Fiscal 2009 was ₹921 Million vis-à-vis ₹378 Million in Fiscal 2008. Our consolidated Debt as on March 31, 2009 stood at ₹9,537 Million and ₹4,196 Million as on March 31, 2008. Our average cost of borrowing was 9.7% in Fiscal 2009 against 9% in Fiscal 2008.

- **Depreciation**

Our *Depreciation* charge in Fiscal 2009 was ₹326 Million as against ₹187 Million in Fiscal 2008. This, as a percentage of our consolidated Net Block of Fixed Assets as on March 31, 2009 and March 31, 2008 was **6.5%** and 6.4% respectively.

- **Other Income**

In Fiscal 2009, our Other Income was ₹24 Million (0.2% of our consolidated Income from Operations) against ₹30 Million (0.6% of our consolidated Income from Operations) in Fiscal 2008.

- **Net Profits after Extra Ordinary Items**

Our Net Profits after Extra Ordinary Items for 2009 was ₹289 Million i.e. **3%** of our consolidated Income from Operations reducing from 5.7% that of in Fiscal 2008.

- **Fiscal 2008 compared with Fiscal 2007**

Major Activities / Events:

In pursuit to our growth strategy, we acquired shareholdings in Arch Life Sciences Limited, Arch Finechemicals Limited and Avon Organics Limited during this fiscal. By virtue of our shareholdings, viz., 58.46% in Arch Life Sciences Limited and 88.95% in Arch Finechemicals Limited, these two companies became our subsidiaries during this fiscal. Arch Life Sciences Limited owning Medak Unit 3 is engaged in the manufacturing of Anti-Retroviral range of Pharmaceutical products which were to serve expanding our supplies to the European / North American markets. Arch Finechemicals Limited owning Medak Unit 2 is engaged in the manufacture of various pharmaceutical intermediates and specialty chemicals. These were to help us in backward integration of our Isoxazoles Side Chains business and enable us to offer an added range of intermediates from our other manufacturing sites.

Avon Organics Limited is a listed public company engaged in the manufacture of Intermediates and APIs. It has two manufacturing facilities viz., Avon Solapur Unit and Avon Medak Unit. We acquired 43.6% shareholding in this company and were in the process of acquiring another 20% through a Public Announcement as per the requirement of SEBI (SAST) Regulations, 1997 during this fiscal. During this fiscal we also acquired Taloja Unit from Chromato Labs Private Limited, which being in proximity to our Taloja R&D Centre, was to facilitate scaling up of various processes developed in our labs besides adding to our product offerings in the Anti-Asthmatic segment.

Analysis of Profit and Loss Account Items:

- **Income**

Our consolidated Income from Operations grew to achieve ₹5,394 Million in Fiscal 2008 from ₹3,626 Million in Fiscal 2007 achieving a *y-o-y* growth of 49% in Fiscal 2008 vis-à-vis 47% in Fiscal 2007. Our growth in Fiscal 2008 was primarily from the revenues earned from the subsidiaries acquired during this fiscal, viz., Arch Life Sciences Limited, Arch Finechemicals Limited and Avon Organics Limited. Our share in Exports was 15.3% of our consolidated Income from Operations in Fiscal 2008.

- **Expenditure**

  - ***Cost of Materials***

Our *Cost of Materials* marginally changed from 65.3% of our consolidated Income from Operations in Fiscal 2007 to **65.6%** that of in Fiscal 2008.

- ***Manufacturing Expenses and Other Expenses***

  Our *Manufacturing Expenses and Other Expenses* in Fiscal 2008 was **8%** marginally dropping from 8.4% in the previous fiscal.

  Research and Development Expenses

  Our *Research and Development Expenses* (standalone) was ₹70 Million in Fiscal 2008 vis-à-vis ₹33 Million in Fiscal 2007. Our *Research and Development Expenses* (consolidated) was ₹71 Million in Fiscal 2008 i.e. 1.3% of our consolidated Income from Operations in this fiscal.

  Power and Fuel Costs

  Our *Power and Fuel Costs* were ₹156 Million and ₹110 Million i.e. 2.9% and 3% in Fiscal 2008 and 2007 respectively of our consolidated Income from Operations.

  Clearing, Forwarding and Transportation Costs

  Our *Clearing, Forwarding and Transportation Costs* were ₹52 Million and ₹41 Million i.e. 1% and 1.1% in Fiscal 2008 and 2007 respectively of our consolidated Income from Operations.

- ***Selling, Distribution and Administration Expenses***

  Our *Selling, Distribution and Administration Expenses* for Fiscal 2008 was **8.3%** of our consolidated Income from Operations increasing from 7.8% that of in the previous fiscal.

  Personnel Expenses

  Our *Personnel Expenses* were ₹252 Million and ₹163 Million i.e. 4.7% and 4.5% in Fiscal 2008 and 2007 respectively.

  Establishment Expenses

  Our *Establishment Expenses* were ₹149 Million and ₹94 Million i.e. 2.8% and 2.6% in Fiscal 2008 and 2007 respectively.

  Sales and Distribution Expenses

  Our *Sales and Distribution Expenses* were ₹79 Million and ₹45 Million i.e. 1.5% and 1.2% in Fiscal 2008 and 2007 respectively.

- ***Project Development Expenses***

  These are the expenses incurred under the above heads but are capitalized during the period / fiscal. During Fiscal 2008 an amount of ₹43 Million was capitalized i.e. **0.8%** of our consolidated Income from Operations vis-à-vis Fiscal 2007 when an amount of ₹11 Million was capitalized i.e. 0.3% of our consolidated Income from Operations.

- **EBITDA**

  Our EBITDA in Fiscal 2008 was ₹1,019 Million i.e. **18.9**% of our consolidated Income from Operations against almost similar margins earning ₹681 Million i.e. 18.8% of our consolidated Income from Operations in Fiscal 2007.

- **Interest and Finance Charges**

  Our *Interest and Finance Charges* in Fiscal 2008 was **7%** of our consolidated Income from Operations marginally different from 6.9% of our consolidated Income from Operations in Fiscal 2007.

Our consolidated Bank Interest charge in Fiscal 2008 was ₹378 Million vis-à-vis ₹250 Million in Fiscal 2007. Our consolidated Debt as on March 31, 2008 stood at ₹4,196 Million and ₹2,869 Million as on March 31, 2007. Our average cost of borrowing was 9% in Fiscal 2008 against 8.7% in Fiscal 2007.

- **Depreciation**

Our *Depreciation* charge in Fiscal 2008 was ₹187 Million as against ₹126 Million in Fiscal 2007. This, as a percentage of our consolidated Net Block of Fixed Assets as on March 31, 2008 and March 31, 2007 was **6.4%** and 6.9% respectively.

Net Profits after Extra Ordinary Items

Our Net Profits after Extra Ordinary Items for 2008 was ₹308 Million i.e. **5.7%** of our consolidated Income from Operations reducing from 6.8% in Fiscal 2007.

Analysis of Other Key Profit and Loss Account Items

- ***Research and Development Expenditure***

  - Our *Research and Development Expenses* (consolidated) in H1 2011 was ₹112 Million (i.e. 1.8% of our Income from Operations) vis-à-vis ₹174 Million in Fiscal 2010 (i.e. 1.5% of our Income from Operations).

  - Our *Research and Development Expenses* (standalone) was ₹174 Million in Fiscal 2010 vis-à-vis ₹127 Million in Fiscal 2009, most of which (₹162 Million and ₹109 Million respectively) is expensed at our in-house R&D Centre at Taloja which is approved by Department of Scientific & Technology, Government of India. Our *Research and Development Expenses* (consolidated) was ₹174 Million in Fiscal 2010 vis-à-vis ₹128 Million in Fiscal 2009 which is 1.5% and 1.3% of our Income from Operations of these respective fiscals.

    Our total (revenue and capital) *Research and Development Expenses* (standalone) amounted to ₹285 Million and ₹266 Million in Fiscal 2010 and Fiscal 2009 respectively translating to 2.5% and 2.7% of our Income from Operations.

  - Our *Research and Development Expenses* (standalone) was ₹127 Million in Fiscal 2009 vis-à-vis ₹109 Million in Fiscal 2008, most of which (₹109 Million and ₹75 Million respectively) is expensed at our in-house R&D Centre at Taloja which is approved by Department of Scientific & Technology, Government of India. Our *Research and Development Expenses* (consolidated) was ₹128 Million in Fiscal 2009 vis-à-vis ₹71 Million in Fiscal 2008 which remained 1.3% of our Income from Operations of both these fiscals.

    Our total (revenue and capital) *Research and Development Expenses* (standalone) amounted to ₹266 Million and ₹168 Million in Fiscal 2009 and Fiscal 2008 respectively translating to 2.7% and 3.1% of our Income from Operations.

  - Our *Research and Development Expenses* (standalone) was ₹70 Million in Fiscal 2008 vis-à-vis ₹33 Million in Fiscal 2007. Our *Research and Development Expenses* (consolidated) was ₹71 Million in Fiscal 2008 i.e. 1.3% of our Income from Operations in this fiscal.

- ***Project Development Expenditure***

  - Our *Project Development Expenses* in H1 2011 was ₹161 Million against ₹346 Million in Fiscal 2010, i.e. 2.6% and 3% of our consolidated Income from Operations of this period / fiscal which has been capitalized in this period / fiscal.

  - Our *Project Development Expenses* in Fiscal 2010 was ₹346 Million against ₹323 Million in Fiscal 2009, i.e. 3% and 3.3% of our consolidated Income from Operations which has been capitalized in these fiscals.

  - Our *Project Development Expenses* in Fiscal 2009 was ₹323 Million against ₹188 Million in Fiscal 2008, i.e. 3.3% and 3.5% of our consolidated Income from Operations which has been capitalized in these fiscals.

  - Our *Project Development Expenses* in Fiscal 2008 was ₹188 Million, i.e. 3.5% of our consolidated Income from Operations which has been capitalized in this fiscal.

- ***Exchange Rate Fluctuation***

  Transactions denominated in foreign currencies are recorded at spot rates / average rates. Monetary items denominated in foreign currencies at the year-end are restated at year end rates. Non-monetary foreign currency items are carried at cost. In respect of branches, which are integral foreign operations, all transactions are translated at rates prevailing on the date of transaction or that approximates the actual rate on the date of transaction. Branch monetary assets and liabilities are restated at the year-end rates. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account except in case of long term liabilities, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

  - Our *Exchange Rate Fluctuation* net gain in H1 2011 was ₹10.42 Million (i.e. 0.17% of our consolidated Income from Operations) vis-à-vis net gain of ₹14.7 Million in Fiscal 2010.

  - Our *Exchange Rate Fluctuation* net gain in Fiscal 2010 was ₹14.7 Million (i.e. 0.13% of our consolidated Income from Operations) vis-à-vis a net loss of ₹76.64 Million in Fiscal 2009.

  - Our *Exchange Rate Fluctuation* net loss in Fiscal 2009 was ₹76.64 Million (i.e. 0.78% of our consolidated Income from Operations) vis-à-vis a net loss of ₹6.22 Million in Fiscal 2008.

  - Our *Exchange Rate Fluctuation* net loss in Fiscal 2008 was ₹6.22 Million vis-à-vis net loss of ₹8.64 Million in Fiscal 2007.

- **Analysis of Balance Sheet Items [Fiscal 2008 to Fiscal 2010 and H1 2011]**

  Share Capital

  Our Equity Share Capital was ₹160.86 Million comprising 16,086,474 Equity Shares as on March 31, 2007. During Fiscal 2008, the warrants held by ICICI Venture and Arch Impex Private Limited (issued in the year 2006) were converted into 804,272 Equity Shares and issued to each of them at a premium of ₹236 per Equity Share. Further, during this fiscal, 3,539,004 Equity Shares were issued on a rights basis to the existing Shareholders at a premium of ₹290 per Equity Share in the ratio of one for every five Equity Shares held by them. Eventually, our Equity Share Capital was ₹212.34 Million comprising 21,234,022 Equity Shares as on March 31, 2008.

  During H1 2011, we issued 875,000, 125,000 and 250,000 Equity Shares at a premium of ₹390/- to AMR Investments Private Limited, Arch Pharmachem Limited and Arch Impex Private Limited respectively, 1,000,000 Equity Shares at a premium of ₹440/- to Dataline Investments Limited and 1,300,000 Equity Shares at a premium of ₹480/- to Mitsui & Co. Limited Thus, as at September 30, 2010 our Equity Share Capital was ₹247.84 Million comprising 24,784,022 Equity Shares.

  Share Application Money

  During the end of Fiscal 2010 we received an amount of ₹300 Million as Share Application Money of which ₹250 Million was from AMR Investments Private Limited and ₹50 Million was from Arch Pharmachem Limited against which Equity Shares were issued to them during H1 2011.

  Net Worth

  Our consolidated *Net Worth* as at September 30, 2010 was ₹6,286 Million. We evinced a 3-Year CAGR (ending March 31, 2010) of 38.4% in our *Net Worth* with an increase from ₹1,741 Million as at March 31, 2007 to ₹4,613 Million as at March 31, 2010. Our increase in *Net Worth* is attributable to both further issuances (as discussed above) and net profits for the period / fiscals under review.

  Secured Loans

  Our consolidated *Secured Loans* as at September 30, 2010 was ₹9,795 Million. It primarily comprise of Loans from Banks of ₹4,596 Million and Working Capital Loans of ₹4,165 Million. Our consolidated *Secured Loans* has increased from ₹3,131 Million as at March 31, 2008 to ₹10,064 Million as at March 31, 2010. This substantial increase is in lines with increasing working capital needs and increasing capital expenditures. Our growth in

working capital needs is primarily in sync with growth in our revenues. Secured Redeemable Non-Convertible Debentures of ₹400 Million were issued during Fiscal 2007 with such tenure that ₹100 Million being payable each of the 4 years from Fiscal 2009. These NCDs outstanding as at September 30, 2010 were ₹200 Million.

Unsecured Loans

Our consolidated *Unsecured Loans* as at September 30, 2010 was ₹2,714 Million, primarily comprising of Short Term Loan from Banks / Institutions of ₹2,500 Million. We also enjoy Interest Free Sales Tax Deferment which stood at ₹213 Million as at September 30, 2010.

Debt-Equity Ratio

Our total Debt position as at September 30, 2010 was ₹12,509 Million comprising of ₹9,795 Million of *Secured Loans* and ₹2,714 Million of *Unsecured Loans*. The Short Term Debt / Shareholders' Funds ratio was 1.18:1 and Long Term Debt / Shareholders' Funds ratio was 0.81:1 as on this date. The total *Debt/Equity Ratio* as at September 30, 2010 was 2:1. Our Equity issuances during H1 2011 to the extent of ₹1,587 Million have improved our *Debt/Equity* position.

Fixed Assets

During the fiscals under review we had significant additions in our Gross Block of *Fixed Assets.* Our consolidated Gross Block as at September 30, 2010 was ₹7,982 Million grown with a 3-Year CAGR (ending March 31, 2010) of 56.5% from ₹2,082 Million as at March 31, 2007. Our increase in consolidated *Fixed Assets* is primarily attributable to our inorganic initiatives viz., acquisitions of manufacturing facilities (as discussed above) during the period / fiscals under review.

Capital Work in Progress - Our *Capital Work in Progress* balance as at the end of the period / fiscal comprise the closing balances of the *Project Development Expenses,* product development expenses and advance against capital expenditure.

Project Development Expenses

(Amount in ₹Million)

Particulars	*H1 2011*	*Fiscal 2010*	*Fiscal 2009*	*Fiscal 2008*
Opening balance	**67.84**	**83.83**	**3.90**	**41.64**
Add :				
Transferred from Profit and Loss Account	49.47	133.04	251.77	42.61
Interest capitalized	43.61	129.13	67.05	103.82
	160.92	**346.00**	**322.72**	**188.07**
Less : Capitalised during the year	8.43	278.16	238.90	184.17
Closing balance	**152.49**	**67.84**	**83.83**	**3.90**

With changes in our product mix, as we keep moving towards higher margin product / services, we needed to carry out certain changes in the existing facilities by incurring expenditures which were capital in nature. Further, in case of long term contract, we have to incur certain civil expenditure like altering the positioning of existing machineries, reactors, container, vacuum dryer, recycler etc. and have to create a pilot plant to check the viability of the project especially in case of innovative products. Besides, expenditures have to be incurred for regular maintenance and upgradation of manufacturing facilities. All such expenses which improve the assets and helps in achieving higher productivity are capital in nature and are capitalized during the year.

For further details on our past and ongoing capital expenditures please refer to the chapter "***Our Business***" beginning on page 86.

Goodwill on Consolidation

The difference between our share in net asset value and our investment value is accounted as Capital Reserve / (Goodwill) as at the end of the period / fiscal. The details of this figure are as follows:

(Amount in ₹Million)

Subsidiaries	H1 2011			Fiscal 2010			Fiscal 2009			Fiscal 2008		
	Book Value	Investment	Capital Reserve/ goodwill)	Book Value	Investment	Capital Reserve/ (goodwill)	Book Value	Investment	Capital Reserve/ (goodwill)	Book Value	Investment	Capital Reserve/ (goodwill)
Arch Finechemicals Limited	108	48	60	108	48	60	108	48	60	108	48	60
Arch Life Sciences Limited	13	147	(134)	13	147	(134)	13	147	(134)	13	147	(134)
Benzochem Life Sciences Limited	-	-	-	-	-	-	147	225	(78)	-	-	-
Avon Organics Limited	262	284	(22)	262	284	(22)	262	284	(22)	-	-	-
Total	383	479	(96)	383	479	(96)	530	704	(174)	121	195	(74)

Our *Goodwill on Consolidation* as at September 30, 2010 and March 31, 2010, 2009 and 2008 stood at ₹96 Million, ₹96 Million, ₹174 Million and ₹74 Million respectively.

Investments

Our consolidated *Investments* reduced from ₹187.53 Million as at March 31, 2008 to ₹3.69 Million as at March 31, 2009 primarily on account of ₹185.37 Million of our equity investment in Avon Organics Limited which on becoming our subsidiary during this fiscal was adjusted while consolidating.

Foreign Currency Monetary Item Translation Difference Account

Foreign Currency Monetary Item Translation Difference Account represents the exchange rate difference arising on revaluation of the long term foreign currency loans which are not included in the cost of depreciable assets to the extent being utilized for acquiring these assets and this appears as one of the assets in the Balance Sheet. *Foreign Currency Monetary Item Translation Difference Account* was ₹0.78 Million, ₹0.54 Million and ₹4.74 Million as at September 30, 2010, March 31, 2010 and March 31, 2009 respectively.

Working Capital

(Amount in ₹Million)

Particulars	*As at Sep. 30, 2010*	*As at March 31, 2010*	*As at March 31, 2009*	*As at March 31, 2008*
Current Assets, Loans and Advances				
Inventories	4,478	4,359	3,609	1,747
Sundry Debtors	5,662	5,361	3,553	1,640
Cash and Bank Balances	429	634	434	988
Loans and Advances	3,481	2,572	1,638	789
Total (A)	**14,050**	**12,926**	**9,234**	**5,164**
Current Liabilities and Provisions				
Current Liabilities	3,053	2,510	1,908	771
Provisions	157	61	23	50
Total (B)	**3,210**	**2,571**	**1,931**	**821**
Working Capital (WC) (A-B)	**10,840**	**10,355**	**7,303**	**4,343**
Increase in Working Capital	**485**	**3,052**	**2,960**	**1,534**
Inventory Turnover Ratio (no. of days)	**131**	**137**	**134**	**118**
Debtors Turnover Ratio (no. of days)	**166**	**168**	**132**	**111**

WC/ Turnover Ratio (no. of days)	**318**	**325**	**272**	**294**
Working Capital Ratio (A/B)	**4.38**	**5.03**	**4.78**	**6.29**

API manufacturing industry per se is working capital intensive in nature.

Inventory – Raw Material

One or more of the following factors determine our levels of inventory (raw material) we hold:

- lead time involved in procurement
- price volatility / cyclicality
- forex movements
- approved vendor list being limited or limited suppliers
- vendor manufacturing on campaign basis
- number of inputs that go into manufacturing products we offer, for instance may vary from half a dozen to couple of dozen
- as buffer stocks to cater surge demand, windfall orders, etc.

Also, for determining the level of inventory to be held, the holding cost of raw material inventory is always compared with the implications of a stock-out position. A stock-out position could mean loss of business orders, customers and thereby adversely affecting our goodwill.

Inventory – Finished Goods

One or more of the following factors determines our levels of inventory (finished goods) we hold:

- lead time involved
- as buffer stocks to cater surge demand, windfall orders, etc.
- manufacturing on campaign basis
- number of inputs that go into manufacturing products we offer, for instance may vary from half a dozen to couple of dozen

Debtors

Our credit terms normally vary between 60 days to 150 days for local sales and 60 days to 270 days for exports depending from customer to customer. The increase in debtors turnover (days) is also attributable to changing credit patterns in the industry.

Loans and Advances

The Loans and Advances component primarily comprise of advances to our suppliers, balance with customs, central excise authorities, advances to co-manufacturing / co-marketing partners and receivables from subsidiaries.

Current Liabilities

The Current Liabilities component primarily comprise of advances from our customers, creditors for expenses and raw materials.

Liquidity and Capital Resources

Amount in ₹Million

Particulars	*H1 2011*	*Fiscal 2010*	*Fiscal 2009*	*Fiscal 2008*
Net cash from /(used in) Operating Activities	728.75	(289.60)	(1,751.72)	(126.37)
Net cash from /(used in) Investing Activities	(1,480.60)	(1,302.81)	(3,256.41)	(1,832.53)
Net cash from /(used in) Financing Activities	546.73	1,792.22	4,454.14	2,442.03
Net increase in Cash & Cash Equivalents	**(205.12)**	**199.81**	**(553.99)**	**483.13**

- **Cash Flows from Operating Activities**

Our Operating Profits before working capital changes have been ₹1,554 Million, ₹2,711 Million, ₹1,839 Million and ₹1,050 Million for H1 2011, Fiscal 2010, Fiscal 2009 and Fiscal 2008 respectively, i.e. it has improved with increase in our net profits. However, with changes in our working capital over these period / fiscals the net cash generated from / (used in) Operating Activities have been negative. Our increase in working capital were ₹787 Million, ₹2,886 Million, ₹3,497 Million and ₹1,100 Million for H1 2011, Fiscal 2010, Fiscal 2009 and Fiscal 2008 respectively as a result of increase in turnover and our working capital needs. Besides, Income tax paid for H1 2011, Fiscal 2010, Fiscal 2009 and Fiscal 2008 respectively, were ₹38 Million, ₹114 Million, ₹93 Million and ₹76 Million respectively. All these collectively have led to negative cash flows in Operating Activities for the fiscals under review.

- **Cash Flows from Investing Activities**

  During the fiscals under review we had significant additions in our *Fixed Assets* primarily attributable to our inorganic initiatives viz., acquisitions of manufacturing facilities (as discussed above) during the period / fiscals under review. Further, changes in our product mix, pursuant to long term contracts and for regular maintenance and upgradation of manufacturing facilities we need to continue investing in our production assets. For details on our past and ongoing investments in our manufacturing facilities please refer to the chapter "***Our Business***" beginning on page 86.

- **Cash Flows from Financing Activities**

  Our cash flows from Financing Activities is primarily from our equity issuances and increase in our both secured and working capital loans. We have ensured our financing activities to commensurate with our growth in business and long term and short term financing needs emanating from it. Our *Debt-Equity Ratio* as at September 30, 2010 was 2:1 evincing our conscious effort in maintaining an optimum mix of debt and equity in our Company.

Contingent Liabilities

Amount in ₹Million

Particulars	***H1 2011***	***Fiscal 2010***	***Fiscal 2009***	***Fiscal 2008***
Guarantees by banks on behalf of the Company	17.84	14.98	10.45	6.78
Letter of Credit	498.57	288.02	178.20	27.21
Claim against the company/disputed liabilities not acknowledged as debts	5.05	5.05	3.91	1.22
Bills discounted	166.47	291.51	370.74	140.29
Total	**687.92**	**599.55**	**563.31**	**175.50**

Revaluation Reserves

Our Company has revalued its assets on March 31, 2002 and the revaluation reserve so generated was used to set-off accumulated losses subsequently. Please refer to the chapter titled "***Capital Structure***" beginning on page 28.

Related Party Transactions

In the normal course of business our Company enters into transactions with its related parties. For details please refer to the discussion in the chapter titled "***Related Party Transactions***" on page 187, "***Annexure VII – Consolidated Statement of Related Party Transactions***" and "***Annexure VII – Unconsolidated Statement of Related Party Transactions, as restated***" beginning on pages 211 and 249 in the chapter "***Financial Statements***" on page 192.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet transactions.

Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate risk, foreign exchange risk, inflation and commodity price risk. We are exposed to different degrees of these risks in the normal course of our business. We are specifically exposed to the following market risks:

Interest Rate Risk

We are exposed to market risk with respect to changes in interest rates related to our borrowings. Interest rate risk exists with respect to our indebtedness that bears interest at floating rates tied to certain benchmark rates as well as borrowings where the interest rate is reset primarily based on changes in the short-term interest rates set by Indian banks, as well as due to changes in interest rates set by the RBI, which are generally announced through credit policy measures issued twice a year. We undertake debt obligations to support our working capital needs and capital expenditure. Upward fluctuations in interest rates increase the cost of debt and interest cost of outstanding variable rate borrowings. As of January 31, 2011, ₹12,206.68 Million or 97.16 % of our total borrowings from banks and financial institutions were at floating rates of interest.We have not entered into agreements to hedge risks associated with changes in interest rates.

Foreign Exchange Risk

We are exposed to exchange rate risk primarily due to payables in respect of our imported raw material and from receivables in respect of our exports, which are mainly denominated in foreign currencies. Approximately 35% of our raw materials by value were imported during Fiscal 2010, which were mainly denominated in foreign currencies such as the US Dollar. Approximately 38.9% of our consolidated Income from Operations during Fiscal 2010 was derived from our exports, which were mainly denominated in foreign currencies such as the US Dollar. Since we export our products and import some of our raw materials it helps us to naturally hedge our foreign currency exposure.

Inflation

Although India has experienced fluctuation in inflation rates in recent years, inflation has not had a material impact on our business or results of operation.

Commodity Price Risk

We are exposed to market risk with respect to commodity prices from our purchase and sale of raw materials, utilized in the manufacturing of API intermediates and APIs. Prices for raw material components are volatile, and raw material expense forms the largest portion of our operating expenses. The Cost of Materials represented 61.6% of our consolidated Income from Operations during Fiscal 2010. We evaluate and manage our commodity price risk exposure through our sourcing policies and operating procedures. In the normal course of business, we purchase raw materials under purchase orders based on prevailing market conditions. Accordingly, significant increases in the prices of raw materials could affect our results of operations.

Information required as per Item (2) (IX) (E) (5) of Part A of Schedule VIII to the SEBI Regulations:

1. *Unusual or Infrequent Events or Transactions.*

   Extra-Ordinary Income of ₹64 Million (₹42.46 Million net of taxes) in Fiscal 2007 is on account of one time compensation received from a customer. Other than this, there have been no other events or transactions that, to our knowledge, may be described as "unusual" or "infrequent".

2. *Significant economic changes that materially affected or are likely to affect income from continuing operations.*

   There are no significant economic changes that materially affected our Company's operations or are likely to affect our income from continuing operations except, as described under "***Certain Factors Affecting Our Results of Operations***" on page 270 of this chapter and as described in the chapter titled "***Risk Factors***" beginning on page xviii.

3. *Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.*

   Other than as described under "***Certain Factors Affecting Our Results of Operations***" on page 270 of this chapter and as described in the chapter titled "***Risk Factors***" beginning on page xviii, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our sales, revenue or income from continuing operations.

4. *Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known.*

   Other than as described in the chapters titled "***Risk Factors***" and "***Our Business***" beginning on pages xviii and 86 respectively and as described under this chapter, to our knowledge there are no future relationship between costs and revenues that have or had or are expected to have a material adverse impact on our operations and finances.

5. *The extent to which material increases in Income from Operations or revenues are due to increased sales volume, introduction of new products or services or increased sales prices.*

   The reasons for changes in our consolidated Income from Operations during the fiscals 2007, 2008, 2009 and 2010 are as explained above under this chapter.

6. *Total turnover of each major industry segment in which our Company operates.*

   We are engaged solely in the business of 'Pharmaceuticals'. The entire operations are governed by the same set of risk and returns and hence the same has been considered as representing a single industry segment. This industry segment has been discussed in the chapter titled "***Industry Overview***" beginning on page 72.

7. *Status of any publicly announced new products or business segment.*

   Since September 30, 2010, our Company has not announced any new products or business segments.

8. *Seasonality of Business.*

   There is no seasonality in the business we operate.

9. *Any significant dependence on a single or few suppliers or customers.*

   Our operations are not significantly dependent on a single or a few suppliers or customers. Information regarding our suppliers and customers are given on page 278 under this chapter.

10. *Competitive Conditions.*

    Growing competition may subject us to pricing pressures and require us to reduce the prices of our products and services in order to retain or attract customers, which may have a material adverse effect on our revenues and margins.

Recent Accounting Pronouncements

There are no recent accounting pronouncements that were not yet effective as at September 30, 2010 that will result in a change in our Company's significant accounting policies.

FINANCIAL INDEBTEDNESS

The total outstanding amount as at January 31, 2011 is ₹15,205 Million. Set forth below is a brief summary of our current significant outstanding financing arrangements as certified by our Joint Statutory Auditors *vide* their certificate dated March 15, 2011, as at January 31, 2011:

A. **SECURED LOANS:**

1. Term loans

(*amount in ₹ in Million unless specified otherwise*)

Term Loan Provider	Nature of loan	Amount Sanctioned (amount in ₹ Million)	Amount Outstanding as on January 31, 2011 (amount in ₹ Million)	Rates of interest	Repayment Schedule (amount in ₹ Million)	Purpose	Security Clause
From Banks[1]							
Bank of Baroda	Term Loan	250	249.41	BPLR+ 0.25%	₹15.6 Million (payable on quarterly basis)	Meeting Long Term Working Capital requirements and expansion of existing R&D Facilities	1st charge on *pari passu* basis with other Term Lenders on the Fixed assets of the Company & 2nd charge on *pari passu* basis with other Term Lenders on the Current assets of the Company.
Bank of India	Term Loan	100	27.34	BPLR	Step up schedule	Capex at Hyderabad Siddhipet Unit	
Bank of Rajasthan	Term Loan	100	98.12	PLR - 1.50%	₹10 Million (payable on monthly basis)	Financing of regular capex requirement of the Company	
Canara Bank	Term Loan	500	500	BPLR	₹27.8 Million (payable on quarterly basis)	Meet Long term working Capital requirement	
DEG, Germany	Term Loan	€7.5Million**	357.22 [@]	7.30%	EUR 0.625 Million (payable on half yearly basis)	Modernisation of Gurgaon plant and R &D Unit at Taloja	
Exim Bank	Term Loan	US$ 5.7 Million (Company availed part loan of US$ 2.99 Millions)[#]	11.02[@]	Libor+ 3.5%	USD 0.13 Million (payable on quarterly basis)	part finance the acquisition of Vitalife, Gurgaon	
Indian Overseas Bank	Term Loan	100	94.60	PLR	₹5 Million (payable on quarterly basis)	Modernisation at Oncology Unit in Tarapur	
Punjab and Sind	Term Loan	250	152.70	PLR - 1.00%	₹13.9 Million	Capex at Gurgaon,	

Term Loan Provider	Nature of loan	Amount Sanctioned (amount in ₹ Million)	Amount Outstanding as on January 31, 2011 (amount in ₹ Million)	Rates of interest	Repayment Schedule (amount in ₹ Million)	Purpose	Security Clause
					(payable on quarterly basis)	Hyderabad and Badlapur	
South Indian bank	Term Loan	1,000	1,000	Base rate + 400 bps	₹50 Million (payable on quarterly) basis	Corporate Loan	
State Bank of India	Term Loan	500	500	PLR - 1.25%	₹25 Million on quarterly basis	Expansion at Sibra Unit in Hyderabad	
State Bank of India	Term Loan	250	235.79	State Bank's Advance Rate (SBAR)	₹15 Million (payable on Quarterly basis)	Part fund capacity expansion at Gurgaon and Badlapur Unit	
State Bank of Patiala	Term Loan - 4	100	85.91	PLR - 1.5%	₹8.33 Million (payable on Quarterly basis)	Expansion at Sibra Unit in Hyderabad	
State Bank of Patiala	Term Loan - 2	34	1.72	PLR - 0.5%	₹1.7 Million (payable on Quarterly basis)	Purchase of R&D equipments for unit	
State Bank of Patiala	Term Loan - 3	100	42.18	PLR - 0.75%	₹5 Million (payable on Quarterly basis)	Normal Expansion at Sibra Unit in Hyderabad	
State Bank of Patiala – I	Term Loan - 1	100	10.13	BPLR	₹5 Million (payable on Quarterly basis)	Takeover of assets of Badlapur Unit and further expansion	
United bank of India	Term Loan	700	698.73	11%	Step up schedule	Capital Expenditure at various locations	
ICICI Bank	Term Loan	2,500	1,992.01	Base rate +315 bps	16 installments of ₹156.25 Million each	General Corporate purpose, and Normal Capex Purpose	
Total (A)		**6,584**	**6,056.88**				
From Institutions							
LIC Of India	Term Loan	150	50	9.4%	₹50 Million on yearly basis	Meeting long term Working capital requirements and capex	1st charge on pari passu basis with other

Term Loan Provider	Nature of loan	Amount Sanctioned (amount in ₹ Million)	Amount Outstanding as on January 31, 2011 (amount in ₹ Million)	Rates of interest	Repayment Schedule (amount in ₹ Million)	Purpose	Security Clause
						requirements of the company	Term Lenders on the Fixed assets of the Company & 2nd charge on pari passu basis with other Term Lenders on the Current assets of the Company.
ILFS-SMCF	Term Loan	750	676.07	Long Term SBI PLR	₹37.5 Million on quarterly basis	Part fund capacity requirements of the company	Subservient charge on Assets of the company
Total (B)		**900**	**726.07**				
Debentures[2]							
Axis Bank Limited	NCD	400	200	11.63%	₹100 Million on yearly basis	Long term Working requirements of company	Subservient charge on Assets of the company
Total (C)		**400**	**200**				
Grand Total (A+B+C)		**7,884**	**6,982.95**				

2. Working Capital

(*Amount in ₹ Million unless specified otherwise*)

Loan Provider	Nature of loan	Amount Sanctioned (amount in ₹ Million)	Amount Outstanding as on January 31, 2011 (amount in ₹ Million)	Average Rates of interest*	Repayment Schedule	Purpose	Security Clause
i) Fund Based Limits							
Allahabad Bank	Working Capital	200	196.79	11.50%			1st charge on pari passu basis with other
Axis Bank	Working Capital	970	639.55	9.00%			

Loan Provider	Nature of loan	Amount Sanctioned (amount in ₹ Million)	Amount Outstanding as on January 31, 2011 (amount in ₹ Million)	Average Rates of interest*	Repayment Schedule	Purpose	Security Clause
Barclays Bank PLC	Working Capital	250	246.37	9.50%	Renewable on yearly basis	Working Capital requirement	Working Capital Bankers on the Current assets of the Company & 2nd charge on pari passu basis with other Working Capital lenders on the Fixed assets of the Company.
Canara Bank - OD	Working Capital	200	200.10	12.50%			
IDBI Bank-CC	Working Capital	450	445.35	12.75%			
Indusind Bank LTD.	Working Capital	150	151.59	11.25%			
Karur Vysya Bank Ltd	Working Capital	300	252.07	12.00%			
Kotak Mahindra Bank	Working Capital	150	140.10	11.00%			
Laxmi Vilas Bank Ltd.	Working Capital	200	166.39	13.50%			
Standard Chartered Bank	Working Capital	100	141.43	12.50%			
State Bank of Bikaner & Jaipur	Working Capital	200	197.71	10.75%			
State Bank of India	Working Capital	650	409.94	12.50%			
State Bank of Mysore	Working Capital	400	394.23	9.75%			
State Bank of Mysore - WCDL	Working Capital	200	200	12.00%			
State Bank of Travancore	Working Capital	350	349.15	13.00%			
Union Bank of India	Working Capital	250	247.26	13.75%			
Yes Bank	Working Capital	130	190.60	11.00%			
Total		**5,150**	**4,568.63**				
ii) Non fund Based Limits		3,900	2,641.33	N.A	Renewable on yearly basis	Working Capital requirement	
Total (i) and (ii)		9,050	7,209.97				

3. Vehicle Loans

Vehicle Finance***		**8.17**	Average of 11%p.a	Payable monthly on EMI basis	Purchase of Vehicle for Company purpose	Charge on respectiv e vehicle.

Total Secured Loans (1 + 2 + 3)	**16,934**	**14,201.09**				

B. UNSECURED LOANS:

Banks/ Institutions	Nature of loan	Amount Sanctioned (amount in ₹ Million)	Amount Outstanding as on January 31, 2011 (amount in ₹ Million)	Average Rates of interest	Repayment Schedule	Purpose
State bank of Bikaner & Jaipur	Short Term Loan	100	101.09	12.00%	Payable within one year	Ongoing Capital expenditure
L & T finance	Short Term Loan	100	100	13.00%		General Corporate purpose
Department of Scientific & Industrial Research	Loan against Expenditure for R & D purpose	5.75	1.05	N.A		Loan against Expenditure for R&D purpose
Development Corporation of Konkan Ltd.		0.08	0.08	N.A		N.A.
Sales Tax Deferment scheme of AP	Sales Tax Deferment Loan	54.43	54.43	N.A		N.A.
Bank of Bahrain and Kuwait	Short Term Loan	150	147.50	Libor + 200 Bps		General Corporate purpose
Commercial Paper (IDBI Bank)	Short Term Loan	600	600	10.00%		Working Capital requirement / General Corporate purpose
Total Unsecured Loans		**1,010.26**	**1,004.15**			

Total Loans	**17,944.26**	**15,205.23**

* Fund based limits are availed by the company in the different forms like cash credit('CC')/working capital demand loan('WCDL')/packing credit/foreign currency- the interest rate is taken as an average of all these fund based facilities.
** Equivalent of ₹4500 Millions
*** Vehicle Loan taken from HDFC Bank, ICICI Bank, Karur Vysya bank and Kotak Mahindra Bank.
# equivalent to ₹134.4Mn..
@ Conversion into Indian Rupees at the Exchange Rate of 1USD= ₹ 45.95 and 1Euro= ₹62.54.

*1. **Security Trustee Arrangement***

*Our Company and Term Lenders have agreed that the security interest in the security as above be created in favour of Axis Bank Limited (the "**Security Trustee**") in trust for the benefit of the lenders. Our Company, SBOI, SBOM, SBoP, IB, EXIM and IL&FS entered into a Security Trustee Agreement dated January 5, 2007 with Axis Bank Limited (earlier known as "UTI Bank Limited"). The Security Trustee Agreement was amended March 30, 2007 for modification of certain terms and definitions and further on May 9, 2007 to include new lenders. The agreement was amended again on March 5, 2007 to include the new lenders and remove the names of the lenders whose loans had been extinguished. The Agreement was further amended on March 5, 2010. The current Agreement incorporates the Security Trustee Agreement dated January 5, 2007 and the two amendments made to it on March 30, 2007 and May 9, 2007, and is extended to cover Axis Bank and new lenders of the company (both existing and future lenders) to the extent of ₹ 5,909 Millions.*

The Term Lenders have also entered into Security Sharing Agreement dated March 5, 2010 where in the lenders have agreed that the right of the Term Lenders inter se under or in respect of (i) any Distribution Monies shall rank pari passu amongst themselves and (ii) any assets subject to the Security Interest shall be held by the Security Trustee in accordance with the Terms of the Agreement.

The agreement also provides for application of Distribution Monies in the following order (i)Security trustee's remuneration and in paying all proper costs, charges and expenses in the enforcement of security interest (ii) proper costs, charges and expenses in the

enforcement of security interest incurred by the Lenders (iii) paying to each lender the amount outstanding due and payable under the Lenders Loan Agreement to which it is a party (iv) lastly, in paying the surplus to the person or persons entitled. The agreement also provides for the cooperation of lenders to commence and complete the Enforcement Action in case of default by our Company.

2. *In order to meet its long term working capital requirements our Company has, pursuant to the sanction letter dated February 28, 2007 and the Subscription Agreement dated March 6, 2007, issued 400 Secured Non-Convertible Redeemable Debentures of ₹1,000,000 each ("**NCDs**") on a private placement basis on March 20, 2007 to Axis Bank Limited ("**Debt Security Holder**") and the same have been listed on BSE w.e.f. March 5, 2008. IDBI Trusteeship Services Limited has been appointed as the Debenture Trustee vide agreement dated July 3, 2007. Modification has been made dated July 7, 2007 wherein charge was created on an immovable property of our Company. For further information refer to the paragraph "**Non-Convertible Debentures**" in this chapter, beginning on page 299.*

The NCDs outstanding as on date are:

Sr. no.	Issued and Paid-up value (in ₹)	Date of Allotment	Date of Redemption	Rate of Interest (%)	Date of payment of Interest
1	1,000,000	March 20, 2007	March 7, 2012	11.50% per annum and to be reset at the end of every year	Monthly – Commencing from March 31, 2007 and on Redemption

Negative Covenants

The financing arrangements contain various restrictive covenants, including requirement to adhere to basic financial parameters as stipulated by the lenders and restriction on the declaration of dividend until fulfillment of certain stipulated conditions. In addition, the lenders also have the right to appoint or remove nominee director(s). Under the terms of these financing arrangements, our Company has undertaken not to do any of the following without the prior consent of the lenders, as may be applicable, including:

- Not to make changes in the Certificate of Incorporation, Memorandum and Articles of Association.
- Not to avail of any advance from any other bank or from any other person on the assets hypothecated and charged to the bank and shall not have the right to create a lien, charge etc upon the same.
- Not change or in any way alter the capital structure.
- Not implement a new scheme of expansion or take up an allied line of business or manufacture.
- Not declare a dividend or distribute profits after deduction of taxes without written permission of the bank except where the installments of principal and interest payable to the Bank are being paid regularly
- Not withdraw or allow to be withdrawn any moneys brought in by its directors, proprietors, partners, relative and friends of proprietors/partners/promoters or directors.
- Not to create in any manner any mortgage, charge, pledge, hypothecation, lien, or other encumbrances on the security given or which may at anytime during the continuance of the loan agreement.
- Not sell, alienate, lease or otherwise dispose of all or substantially all or any of its business, properties or assets, or consolidate or merge with any other corporation, or agree to do any of the foregoing.
- Not undertake or permit any reorganization, amalgamation, reconstruction, take-over or any other schemes of compromise or arrangement affecting its present constitution.
- Not utilize the credit facilities for any other purpose besides those set forth in our Company's proposal.
- Maintain sufficient financial interest in the business and not to withdraw/divert/misuse the funds and funds and assets invested in the Business as capital, deposits or otherwise.
- Not carry on business confined to trading activity for which bank has sanctioned credit facilities efficiently, properly and profitably and shall keep all licenses, leases, etc., required for it renewed.
- Not to vary the Shareholding of Directors, Principal Shareholders and Promoters during the currency of the loan.
- Not to exceed its drawing power beyond the limits of the facility.
- Not enter into business relationships with specifically designated nationals and blocked persons or entities maintained on the relevant lists by the United Nations.
- Neither our Company nor of its affiliates or officers, Directors, employees or agents insist on, receive or solicit any illegal payment or influence the action of any person in connection with the projects.
- Not to disinvest their shares without prior approval of the.
- Not to induct a person identified as a willful defaulter or a director of an entity identified as a willful defaulter on the board of our Company. Our Company should remove any such person from the Board.
- Not to effect any material change in our management.
- Our Promoters shall hold at least 26 % of the equity share capital of our Company. Our Promoters shall not dispose of the shares held by them.

NON- CONVERTIBLE DEBENTURES

In order to meet its long term working capital requirements our Company has, pursuant to the sanction letter dated February 28, 2007 and the Subscription Agreement dated March 6, 2007, issued 400 Secured Non-Convertible Redeemable Debentures of ₹1,000,000 each ("**NCDs**") on a private placement basis on March 20, 2007 to Axis Bank Limited ("**Debt Security Holder**") and the same have been listed on BSE w.e.f. March 5, 2008. IDBI Trusteeship Services Limited has been appointed as the Debenture Trustee *vide* agreement dated July 3, 2007. Modification has been made dated July 7, 2007 wherein charge was created on an immovable property of our Company.

Subscription Agreement

Axis Bank (Earlier UTI Bank) agreed to finance the long term working capital requirements of our Company by subscribing to 11.50% Secured Redeemable Non-Convertible Debentures ("**NCDs**") of the face value of ₹1,000,000 each and of the aggregate nominal value of ₹400 Million. As per the subscription agreements Debentures to rank first pari-passu *inter se*. IDBI Trusteeship Services Limited to be appointed as debenture trustee to the NCDs. Coupon rate to be reset at the end of every year from the date of first disbursement maintaining a spread of 400 bps over annualized yield on one-year benchmark G-Sec.

The Subscription Agreement lays down the following restrictive covenants:

1. Dividend not to be paid to any Shareholders unless it has paid the installment of principal, interest commitment, costs etc and there is no outstanding event of default. Also any dividend shall be declared only with the prior written intimation to the Debenture holders/ their trustees.
2. Our Company not to amend the MoA and AoA or alter its capital structure which is prejudicial to the interest of debenture holders.
3. No Merger, consolidation etc without the prior approval of NCD holders.
4. Our Company not to invest by way of share capital in or lend or advance funds to or place deposits with any other concern other than in normal course of business.
5. Our Company not to revalue its assets.
6. Our Company not to carry out any trading activity other than the sale of its inputs, own products, by products.
7. Notwithstanding revaluation of assets, our Company not to buy-back its own Equity Shares.
8. No withdrawal of monies by the principal share holders/directors/depositors.
9. Our Company shall not undertake any new project, diversification etc without the prior written approval of debenture holders.
10. Our Company not to dispose of assets without the consent of Debenture holders.
11. Our Company not to raise any loan secured or unsecured, issues any debentures, issue deposits, and create charge on its assets except with prior approval in writing of Debenture Trustees.
12. Debt or equity ratio of the company shall not exceed 2 to 1 during the tenor of the NCD's.

The NCDs are to be redeemed in 4 equal installments commencing at the end of 2nd, 3rd, 4th and 5th year from the date of its first disbursement. Three of the NCDs have been redeemed on March 7, 2009, March 7, 2010 and March 7, 2011. NSDL has *vide* its letters dated March 12, 2009, March 19, 2010 and March 9, 2011 has confirmed that the NCDs been debited to the account(s) in the NSDL systems on March 10, 2009, March 19, 2010 and March 9, 2011 respectively.

The NCDs outstanding as on date are:

Sr. no.	Issued and Paid-up value (in ₹)	Date of Allotment	Date of Redemption	Rate of Interest (%)	Date of payment of Interest
1.	1,000,000	March 20, 2007	March 7, 2012	11.50% per annum and to be reset at the end of every year	Monthly – Commencing from March 31, 2007 and on Redemption

Our Company also does not have a right to redeem the outstanding debentures in full or in part except with the prior written consent of Debenture holder.

Debenture Trustee Agreement

IDBI Trusteeship Services Limited had agreed to act as the trustee for the Debenture Holder upon the terms and conditions of the Debenture Trustee Agreement, and for such consideration as mentioned in the Consent Letter dated June 27, 2007 between our Company and IDBI Trusteeship Services Limited.

The debentures are secured by (a) a subservient charge on the residual movable assets of our Company to the extent that a movable asset cover of 2 times is maintained till the date of maturity; (b) joint and several irrevocable personal guarantees of Ajit Kamath, Manoj Jain and Rajendra Kaimal; and (c) a first legal mortgage and charge on its immovable property in Gujarat i.e. Plot bearing number SF-14, located on the second floor of the building known as "Abhilasha Square", Vadodara, Gujarat, under the registered debenture trust deed under these presents. The Company has taken a no-objection from UTI for the creation of security on our Company's Registered Office situated at 4th Floor, H Wing, Tex Centre, Chandivali, Andheri (East), Mumbai 400 072. In the event that IDBI Trusteeship Services Limited feels that the security created is not sufficient, then IDBI Trusteeship Services Limited request our Company to furnish additional security. Any changes in the manner of creation of security and the documentation for the same shall only be undertaken with the prior written approval of UTI. In the event our Company acquires immovable property, the same must be intimated to IDBI Trusteeship Services Limited and thereafter charged in favour of IDBI Trusteeship Services Limited.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings, violations of securities laws, disputes or tax liabilities against our Company, our Subsidiaries, our Promoter and our Group Companies and there are no defaults, non-payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issued by our Company and its Subsidiaries, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) against our Company, its Directors, its Subsidiaries or its Group Companies that would have a material adverse effect on its business and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Promoters, our Promoter Group, our Directors and that none of the above are or have been debarred from accessing the capital market under any order or directions made by SEBI.

Other than in accordance with the mutually accepted terms in our agreements with our suppliers, wherein the credit period has been determined, we believe there are no small scale undertakings to which a sum exceeding ₹ 100,000 is due for a period of more than 30 days to be paid by us.

CASES AGAINST OUR COMPANY

Suits filed against our Company

1. Chemical Suppliers India Private Limited ("**Chemical Suppliers**") had filed this suit (Suit No. CS 747/2008) dated January 1, 2007 before the District Judge Tis Hazari Court, Delhi against Apollo International Limited and our Company. Chemical Suppliers is in the business of dealing with chemicals and had dealt with Apollo International Limited ("**Apollo**") from time to time as per their requirements. Chemical Suppliers alleges that they had taken delivery of some chemicals from Apollo on September 30, 2004 on the assurance that Apollo would find buyers for the goods and in case buyers could not be found, the goods would be taken back by Apollo. Further, it is alleged that when Chemical Suppliers received the invoice for the transaction, it was discovered that the goods supplied to it were not purely of chemical nature as the delivery challan on the goods had suggested, and that the goods were actually bulk drugs. Chemical Suppliers further alleges that in-spite of repeated reminders to Apollo to dispose of or to take back the goods, Apollo failed to do so.

   In December, 2004, Chemical Suppliers learnt that Vitalife Laboratories, a unit owned by Apollo had been transferred to our Company at which time it asked for a statement of account from Apollo for the purpose of comparison of accounts. Chemical Suppliers have alleged that they learnt that the said transaction was allegedly done by Apollo just to show higher sales figures to our Company before the transfer of Vitalife Laboratories to our Company. Chemical Suppliers further alleges that our Company and Apollo asked for Chemical Suppliers to contact Morepen Laboratories Limited, for the sale of the said goods. Chemical Suppliers alleges that when it contacted Morepen Laboratories Limited for the sale of the goods, the said material was tested by the laboratory/ quality control department of Morepen and the same was rejected because of impurities as observed in the laboratory report dated April 13, 2004. On receipt of this report, Chemical Suppliers met our Company and requested that we take back the goods being the holding company of Vitalife Laboratories. Our Company on June 9, 2005 got a certificate of analysis in which it was found that the material supplied to Chemical Suppliers did not possess the required specifications and had failed in purity and as such could not be sold in the market. Aggrieved, Chemical Suppliers filed the present suit against Apollo and our Company praying for a decree for the recovery of ₹1,950,000 together with interest *pendentelite* and future interest at the rate of 18% per annum with effect from January 31, 2007, from our Company and Apollo. Chemical Suppliers further prayed for a decree of mandatory injunction against Apollo and our Company, thereby directing us to take back the delivery of material as supplied to Chemical Suppliers by Apollo on September 30, 2004.

2. Shasun Chemicals and Drugs Limited ("**Shasun**") has filed a suit against Codexis Inc. and our Company praying for permanent injunction restraining Codexis Inc. from manufacturing "Hydroxynitrile" ("**HN**") in any manner or transferring the technical know-how with regard to HN and restraining our Company and our assignees and licensees from manufacturing HN in any manner. Shasun has alleged that it entered into an agreement dated May 9, 2005 with Codexis Inc for transfer of technology with regard to the manufacture of HN. Shasun has alleged that although it had performed its initial obligation under the said agreement by payment of US $ 250,000 towards

refundable deposit in consideration for an exclusive right granted for the manufacture and supply of entire HN requirements of Codexis Inc., Codexis Inc. had failed to comply with its obligations under the said agreement and later had sent a notice dated July 8, 2008 terminating the said agreement on the ground that Shasun had failed to achieve the initial specification within the timeframe agreed upon by the parties. It has further alleged that subsequently, Codexis Inc. had entered into an agreement with our Company for manufacturing of HN and was in the process of transferring the required technology for the same. They also claimed reliance on the Codexis Inc. website where Codexis Inc. had declared that it had entered into an agreement with our Company with regard to an undisclosed pharmaceutical intermediate using Codexis Inc. technical know-how. Allegedly aggrieved, Shasun has filed this suit praying for permanent injunction restraining Codexis Inc. from manufacturing HN in any manner or transferring the technical know-how with regard to HN and restraining our Company and our assignees and licensees from manufacturing HN in any manner.

Shasun had filed an application (Appl. 289 of 2009) before the High Court of Judicature at Madras praying for grant of leave to the applicant to sue Codexis Inc. and our Company. The Hon'ble High Court has *vide* its order dated November 3, 2010 granted leave to Shasun to proceed with filing of a suit. Subsequently, Codexis Inc. and our Company filed an appeal before the High Court of Judicature at Madras on December 14, 2010, against the order dated November 3, 2010 on the ground that the Hon'ble High Court does not have jurisdiction over the subject matter and it ought to have dismissed the application (Appl. 289 of 2009). Codexis Inc and our Company also prayed for setting aside the order dated November 3, 2010 and the allowance of this Original Side Appeal.

Subsequently, our Company filed an affidavit dated January 11, 2011 seeking to stay the operation of the order dated November 03, 2010 granting leave to Shasun to initiate proceedings against our Company in the Plaint in D.No. 1831 of 2009 pending disposal of the Original Side Appeal. The matter is currently pending disposal before the High Court of Madras.

Labour matters against our Company

1. Matter bearing Ref No. 137/2008 was instituted before the Industrial Tibunal-cum-Labour Court I by Sunder Singh for reinstatement with continuity of service and all back wages and other legal entitlements. Sunder Singh has issued a demand notice dated June 07, 2007 to Vita life Laboratories (a division of our Company) under Section 2 A of the Industrial Disputes Act, 1947 for reinstatement with continuity of service and all back wages and other legal entitlements. A copy of the demand notice was sent to the Labour-cum-Conciliation officer, Gurgaon for further necessary action. The matter bearing Ref No. 137/2008 was referred to the Industrial Tibunal-cum-Labour Court I for adjudication under section 10 (1) of the Industrial Disputes Act, 1947 on February 2, 2008. Sunder Singh, an electrician working with our Company, has alleged that he was travelling in staff bus which met with an accident on December 21, 2005 and suffered injuries on his hand. Sunder Singh has alleged that post recovery, when he reported for duty on January 10, 2007; he was not accepted on duty and was told that his services had been terminated. Our Company in its written submissions submitted that Sunder Singh was intimated by our Company regarding his absence on March 1, 2007 and again on May 22, 2007 and that in spite of repeated reminders he did not resume duty and that accordingly he deserted his duty.

   The matter was dismissed *ex-parte*, in favor of our Company pursuant to the order dated February 5, 2009 by the Presiding Officer, Labour Court-I. On February 12, 2009, Sunder Singh filed an application for setting aside the order, which was accepted by the Presiding Officer, Labour Court-I and the order dated February 5, 2009 was recalled. The matter is currently at evidence stage and our Company has on February 22, 2011 filed the affidavit in reply. The matter is slated for hearing on May 9, 2011.

2. Sunder Singh has filed a claim application (Application No. 112/2007) dated November 2, 2007 before the Commissioner under Workmen's Compensation Act, 1923, Circle 1, praying for an order awarding a sum of ₹250,000 as compensation and ₹125,000 as penalty along with interest. Sunder Singh had issued a legal notice dated August 3, 2007 under Section 10 of the Workmen's Compensation Act, 1923 seeking payment of compensation along with penalty within 10 days from the receipt of the notice and subsequently filed a claim application (Application No. 112/2007) dated November 2, 2007 before the Commissioner under Workmen's Compensation Act, 1923, Circle 1, praying for an order awarding a sum of ₹250,000 as compensation and ₹125,000 as penalty along with interest at the rate of 12% per annum from the date of the accident till its realization. Our Company filed its written statement dated December 19, 2009 denying all allegations and praying for the dismissal of the application. The matter is currently pending before the Commissioner (Circle IV), under Workmen's Compensation Act.

3. General Mazdoor Sabha has filed a complaint (No. 305 of 2010) dated November 26, 2010 before the Industrial Court, Thane against our Company, Ajit Kamath (our Promoter), Rajiv Varma, G.G Pai, Laxman & Co, Laxman Khanavkar (together referred to as the "**Management**") alleging that certain employees who are part of the General Mazdoor Sabha are not being given the minimum wages, bonus, overtime wages and safety equipments as per the requirements of law and that our Company is not paying the Employees contribution to the provident fund. General Mazdoor Sabha further states that Management is not providing medical facilities, changing room, transport facilities etc to the Employees though the same are provided to other permanent employees. General Mazdoor Sabha has also alleged that the Employees were threatened with termination of employment if they continue with their trade union activities. Hence General Mazdoor Sabha has filed the present complaint praying that the Management be declared as being engaged in unfair labour practices under Items 1(a), 1(b), 4(a), 4(f) and 6 of Schedule II and Items 9 and 10 of Schedule IV of the Maharashtra Recognition of Trade Unions & Prevention of Unfair Trade Practices Act, 1971 and that the Respondent be ordered to desist from engaging in the same. Further, General Mazdoor Sabha prays to restrain our Company, Ajit Kamath, Rajiv Varma and G.G Pai, from terminating the contract with Laxman & Co and Laxman Khanavkar for any reason and vice versa and also to restrain the Management from terminating the services of the concerned employees for any reason and from interfering in the trade union activities of the employees. Further, General Mazdoor Sabha has prayed to direct our Company, Ajit Kamath, Rajiv Varma and Pai G.G, to provide and ensure that the concerned employees receive salary, bonus and safety equipments as per the provisions of law. Our Company *vide* its reply dated December 23, 2010 has denied all allegations mentioned in the complaint and further stated that the General Mazdoor Sabha has no legal right or authority to file the complaint on behalf of the Employees employed by the Respondents.

Notices issued by Tax Authorities to our Company

1. The Commissioner of Central Excise, Belapur issued a Show Cause Notice (F.No.V/Adj (SCN) 15-123/Commr/2009-10/Bel/1412) dated March 29, 2010. The notice alleges that our Company has availed Cenvat Credit on inputs, input services and capital goods which are not admissible to it. The notice further alleges that our Company has availed Cenvat Credit on inputs and capital goods, while our final product was exempted under Notification No. 167/71 dated September 11, 1971, and cleared without payment of duty. Therefore, we were called upon to show cause as to why Cenvat Credit amounting to ₹11,270,283 availed by our Company should not be recovered under provisions of Rule 14 of Cenvat Credit Rules, 2004 read with proviso to Section 11A(1) of the Central Excise Act, 1944 and why Cenvat credit of ₹9,896,860 reversed by our Company should not be appropriated against the duty demanded along with interest and penalty.

   Our Company *vide* its letter dated April 22, 2010 has responded to the said notice stating that the entire credit amounting to ₹11,270,283 had been availed by us when it was registered as a manufacturer with the Central Excise Department and not after the exemption was granted to us. Our Company has further prayed that since our Company is not liable to pay any such amount, the demand made in the notice should be dropped.

2. The Assistant Commissioner of Central Excise & Customs issued a Show Cause notice (C.No.V/15/29/44/2010-Adjn) dated November 15, 2010 to our Company seeking us to show cause as to why an amount of ₹443,934 being the Cenvat Credit alleged to have been irregularly availed by them on outdoor catering service during the period from December 2007 to July 2010 should not be demanded and recovered from them in terms of Rule 14 of the Cenvat Credit Rules, 2004 read with proviso to sub-section (1) of Section 11A of the Central Excise Act, 1944 and also as to why interest and penalty in respect of the same should not be recovered. Our Company *vide* its reply dated December 9, 2010 refuted the charges stating that they are eligible to avail credit on the outdoor catering service received by them as per the settled legal position and the issue of notice for the period beyond limitation is improper. Further, our Company has stated in its reply that there cannot be any suppression of facts with regard to the credit availed on input services as the returns show availment of service tax as Cenvat credit. Our Company are awaiting department's response to our said reply.

3. The Deputy Commissioner of Income Tax, Central Circle-32, Mumbai, issued notice (No. D.C.I.T. CC-32/153A/2008-09) dated December 8, 2008 under section 153A stating that action under Section 132 of the Income Tax Act, 1961 have been initiated against our Company on April 24, 2008 for irregular filing of Income Tax returns and directing our Company to deliver the returns in the prescribed form for the assessment years 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008 and 2008-2009 within 30 days from the date of service of the notices.

   Our Company filed the returns for the above-mentioned assessment years on January 27, 2009. However, the assessment proceedings regarding assessment years 2003-2004, 2004-2005, 2005-2006,2006-2007, 2007-2008, 2008-2009 and 2009-2010 are currently pending.

CASES FILED BY OUR COMPANY

Tax matters filed by our Company

1. Our Company has filed an appeal before the Directorate General of Foreign Trade, Ministry of Commerce, New Delhi ("**DGFT**") against the Adjudication Order No. 5/307/700/00-01/ECA/HYD/50 and Adjudication Order No. 5/308/00-01/ECA/HYD/51 passed by the Deputy DGFT both dated May 1, 2002, imposing penalties for non fulfillment of export obligation against advance license no. 1531853 and license no. 1431849, each amounting to ₹1,057,1372. The DGFT *vide* order dated July 29, 2003 remanded the case back to the adjudicating authority for re-adjudication based on our Company's fresh submission. The matter is currently pending.

2. The Commissioner of Central Excise (Appeals) *vide* Order dated August 24, 1999, had set aside the Order in Original dated October 22, 1998 passed by the Assistant Commissioner of Central Excise and has remanded the matter for denovo adjudication to the lower authority. The Assistant Commissioner of Central Excise had issued show cause cum demand notices bearing no. CEX/RE/SEKH/SCN/93/ (dated 04/10/1995) (ii) CEX/RE/SEKH/SCN/93/ (dated 30/11/1995) (iii) CEX/RE/SEKH/SCN/93/ (dated 25/03/1996) (iv) CEX/RE/SEKH/SCN/93/585 (v) CEX/RE/SEKH/SCN/93/865 (vi) CEX/RE/SEKH/SCN/93/13 and (vii) CEX/RE/SEKH/SCN/93/613 to Sekhsaria Chemicals Private Limited for contravention of Rules 173B, 173F, 173G and Rule 9 of the Central Excise Rules 1994 proposing recovery of differential duty of ₹ 1,134, 550 under Rule 9 of the Central Excise Rules, 1944 read with section 11 A of Central Excise Act, 1944. Subsequently, the Assistant Commissioner of Central Excise *vide* Order in Original dated October 22, 1998 confirmed the said demand. Aggrieved Sekhsaria Chemicals had filed an appeal with the Commissioner of Central Excise (Appeals). The Commissioner of Central Excise (Appeals) *vide* Order dated August 24, 1999, had set aside the Order in Original dated October 22, 1998 passed by the Assistant Commissioner of Central Excise and has remanded the matter for denovo adjudication to the lower authority. The matter is currently pending adjudication with the Assistant Commissioner of Central Excise.

NOTICES AGAINST OUR COMPANY

1. Our Company has received a notice from S.V. Glass Industries dated March 23, 2010 demanding payment of ₹2,013,446 as balance payment for certain scientific glass apparatus purchased by Benzochem Life Sciences Private Limited from time to time. The said Notice alleges that the business operations of Benzochem Life Sciences Private Limited where transferred to our Company along with its assets and liabilities and that our Company shall have to make the balance payment of ₹2,013,446. The notice further alleges that S.V. Glass Industries has not been informed of the transfer of business to our Company and that the erstwhile management of Benzochem Life Sciences Private Limited shall be liable to make the said payment until S.V. Glass Industries is provided with a copy of the agreement effecting the transfer of the business or until our Company undertakes the liability of payment of ₹2,013,446. As our Company had acquired all the rights and liabilities of Benzochem Life Sciences Private Limited with effect from December 20, 2008 under a slump sale, our Company replied to the said notice on March 28, 2010 denying all allegations made against it. Our Company is awaiting S.V. Glass Industries's response to our said reply

2. Our Company has received a notice from Poonam Yadav, Proprietor, Tech Solutions, dated February 5, 2010, demanding payment of ₹1,216,664 along with interest as balance payment for aluminium fabrication, epoxy flooring and PU painting purchased by Benzochem Life Sciences Private Limited from time to time. As our Company had acquired all the rights and liabilities of Benzochem Life Sciences Private Limited with effect from December 20, 2008 under a slump sale. Our Company has refuted the charges levied in the aforementioned notice *vide* reply dated March 28, 2010.

3. Our Company was issued a notice bearing File No. Chem-598/AL/UDES/AM97/251 dated August 11, 2009 asking our Company to furnish the documents/information for discharging the export obligation against Quantity based Advance license bearing No. 0008974 and DEEC bearing No. 219563 dated September 17, 1996. Our Company in its reply to the said notice on November 26, 2010 requested regularization of its export obligation and closure of the case claiming that the export obligation was fixed for 6,000 Kgs of DICMIC Chloride, however we could export only 5,000 Kgs of the same due to adverse market conditions. Further, our Company also stated in the reply that we had imported 2,6 Dichloro Benzaldehyde by executing two separate bank guarantees for a sum of ₹ 990,350 which was forfeited by the Chennai Customs though the unutilized quantity was only 900 kg. Our Company is awating response to the reply filed.

4. Our Company has received a notice from Joint Director General of Foreign Trade bearing File No. Chem-872/AL/UDES/AM'97/250 dated August 11, 2009 seeking to furnish the documents/information for discharging the export obligation against Value based Advance license bearing No. 00026539 and DEEC bearing No. 233035 dated December 18, 1996. Our Company in its reply to the said notice on March 05, 2011, has stated that Part-H that is required to be submitted has already been submitted with Joint Director General of Foreign Trade on April 08, 1999 and has sought regularization of the export obligation and closure of the matter. Our Company is awating response to the reply filed.

Past cases against our Company

1. **Consent Order dated May 11, 2009 for violation of compliance requirements under the SEBI Takeover Regulations against our Company.**

   SEBI had instituted a Regularization Scheme in the year 2002 -2003 for non compliance with regulations 6 and 8 of the SEBI Takeover Regulations which was not availed by our Company and our Company was thus liable for penalty and prosecution under Section 15 A and Section 29 of the SEBI Act, respectively for alleged violation of regulations 6(2) and 6(7) of the SEBI Takeover Regulations for the year 1997 and 8 (3) of the SEBI Takeover Regulations for the years 1998 to 2002. SEBI subsequently, *vide* letter (CFD/DCR/RC/TO/26660/04) dated November 29, 2004, offered settlement by consent order if our Company was willing to request settlement of the matter and upon payment of an amount of ₹175,000 as penalty for the alleged violations. Our Company *vide* its letter dated April 6, 2005 replied to the abovementioned letter requesting settlement of the alleged violations by a consent order and agreed to pay the suggested amount. Our Company also waived its rights to a hearing under Rule 4(5) of Securities and Exchange Board of India (Procedure for Holding Inquiries and Imposing of Penalties by Adjudicating Officer) Rules, 1995.

   Pursuant to discussions with SEBI our Company submitted revised terms of consent *vide* its letter dated August 11, 2008 where our Company had, without admitting or denying the guilt and subject to undertakings/ waivers offered to settle the matter upon payment of settlement charges of ₹175,000 and ₹25,000 towards administrative charges in the matter. SEBI *vide* its letter (EFD/DRAII/PT/DT/160390/2009) dated April 16, 2009 communicated to our Company that the revised terms of consent offered by our Company were examined by the independent High Powered Advisory Committee and the committee had recommended settlement of the matter upon payment of settlement charges and administrative charges as stated above within 15 days of receipt of the said letter. Our Company made the payment to SEBI through pay order dated April 18, 2004. SEBI upon receipt of the fee issued a settlement order (CO/934/217/2009) dated May 11, 2009 accepted terms of the consent and ordered that SEBI shall not take enforcement action against our Company for its failure to comply with the terms of Takeover Regulations. The matter has thus been settled.

CASES AGAINST OUR DIRECTORS/PROMOTERS

Cases against Promoter Directors - Ajit Kamath, Manoj Jain and Rajendra Kaimal

1. Our Promoter Directors had received a statutory notice dated February 1, 2009 under Section 433 and 434 of the Companies Act from Pawankumar Rameshwar Bajaj demanding payment of ₹438,159 as balance payment of principal and interest towards a loan of ₹5,000,000 obtained in June 2005. The Promoter Directors refuted the charges levied by Pawankumar Rameshwar Bajaj *vide* reply dated February 16, 2009 stating that the entire loan amount of ₹5,000,000 and interest amount of ₹167,913 has been duly paid in the year 2006 itself.

2. Komal Gopal Chhabria filed a Criminal Complaint 497/2009 dated June 26, 2009 before the Judicial Magistrate First Class at Ulhasnagar, alleging an offence under section 406, 420, 467, 468 and 471 read with section 34 of Indian Penal Code, 1860, against Tube Glass Containers Limited (Now AMRA Industries Limited) and 14 others including our Promoter Directors. For further information, please refer to the matter referred below as matter no. 1 under the head "*Cases against the group companies*".

3. Bajrang Dying and Printing Works & Mc Dowell Pharmaceuticals through its proprietor Shri Komal G Chhabria filed a civil suit bearing no. 489/2009 before the Civil Judge, Kalyan against Tube Glass Containers Limited (Now AMRA Industries Limited) & 14 others including our Promoter Directors for possession of the said property, and also made an application for the appointment of receiver in respect of the suit premises bearing Plot No. A-25, MIDC Industrial Area, Badlapur (East), Thane, Maharashtra. For further information, please refer to the matter referred below as matter no. 2 under the head "*Labour Matters against our Company"*.

4. General Mazdoor Sabha had filed a complaint (No. 305 of 2010) dated November 26, 2010 before the Industrial Court, Thane against our Company, our Promoter Ajit Kamath, Rajiv Varma, Pai G.G, Laxman & Co, Laxman Khanavkar (together referred to as the "**Management**") alleging that certain employees who are part of the Complainant are not being given the minimum wages, bonus, overtime wages and safety equipments as per the requirements of law and that our Company is not paying the Employees contribution to the provident fund. For further information, please refer to the matter referred below as matter no. 3 under the head *"Cases against our Company"*.

Cases against Directors

T Mallikarjuna Reddy

1. T Mallikarjuna Reddy has received a Show Cause Notice bearing Reference No. KA/20082009/017653 dated June 12, 2010 from the Registrar of Companies, Bangalore calling upon him to show cause as to why action should not be taken for prosecution under Section 162, 168, 210(5), 220(3) for contravention of Section 159,166,210 and 220 of the Companies Act with respect to Rosette Agro Tech Limited for non filing of its annual returns, balance sheet, profit and loss account and for not holding the Annual General Meeting for the year ending 2009 in accordance with the provisions of Companies Act, 1956. T Mallikarjuna Reddy replied to the said notice on July 2, 2010 stating that he never acted in the capacity of a director of Rosette Agro Tech Limited and he also has not signed the Form 29 giving his consent for the appointment as a director of this entity.

2. T Mallikarjuna Reddy has received a Notice bearing Reference No. TA/H/SCN/DN/21559/08 from the Registrar of Companies, Bangalore dated September 1, 2008 regarding non filing of Annual Returns/Balance Sheets and Profit and Loss Account for the years 2004-2007 in respect of Rosette Agro Tech Limited. Default in compliance with the same would invite penal provisions under Section 220(3) read with Section 162 and section 162(1) of the Companies Act, 1956. T Mallikarjuna Reddy replied to the said notice September 19, 2008 stating that he never acted in the capacity of a director of Rosette Agro Tech Limited and he also has not signed the Form 29 giving his consent for the appointment as a director of this entity.

3. T Mallikarjuna Reddy has received a Show Cause Notice bearing Reference No. AP/20082009/008158 dated June 10, 2010 calling upon him to show cause as to why action should not be taken for prosecution under Section 162, 168, 210(5), 220(3) for contravention of Section 159, 166, 210 and 220 of the Companies Act, 1956. T. Mallikarjuna Reddy replied to the said notice on July 2, 2010 stating that he never acted in the capacity of a director of Rosette Agro Tech Limited and he also hadn't signed the Form 29 giving his consent for the appointment as a director of this entity.

Vandana Rajadhyaksha

1. Vandana Rajadhyaksha has received a Notice bearing Reference No. MH/20072008/088656 dated June 17, 2010 from the Registrar of Companies, Maharashtra, calling upon her to show cause as to why action should not be taken for prosecution under Section 162, 168, 210(5), 220(3) for contravention of Section 159,160,166, 210 and 220 of the Companies Act, 1956 with respect to Cafe Network Limited, from which Vandana Rajadhyaksha had resigned from this company on June 27, 2008, for non filing of its annual returns, balance sheet, profit and loss account and for not holding the Annual General Meeting for the financial year ending March 31, 2008 in accordance with the provisions of Companies Act, 1956.

CASES AGAINST OUR SUBSIDIARIES

Suits against Avon

1. Voltas Limited has filed a Civil Suit 976 of 2009 dated July 7, 2009 before the Senior Civil Judge City Civil Court, Hyderabad against Avon inter alia praying for a decree against Avon amounting to ₹507,500 with future interest at the rate of 15% on the principal amount of ₹350,000 from the date of filing of the suit till the date of realization thereof. Avon *vide* Purchase Order bearing No. BT/ENGG/39 dated May 13, 2006 placed an order for the purchase of Brine Chiller Package having capacity of 18 TR ("**Chiller Package**") from Voltas Limited for a total consideration of ₹500,000. The advance amount of ₹150,000 was paid to Voltas Limited and the remaining amount of ₹350,000 was to be paid on receipt of the Chiller Package along with all the documents. Voltas Limited alleges that the Chiller Package was supplied to Avon and the balance amount of ₹350,000 was not released by Avon, in spite of repeated reminders. Avon in its reply denies all averments and allegations as false. The matter is currently pending at the evidence stage.

Suits filed by Avon

1. Avon has filed a Civil Suit no. CS/92/2002 dated July 15, 2002 before the District Judge, Tiz Hazari, Delhi against Union Bank of India ("**Union Bank**)" and Pioneer Products limited ("**Pioneer Products**"). Pioneer Products was a regular customer of Avon and the goods were supplied to it as and when orders were placed with Avon. In the due course of business, Pioneer Products placed an order for the supply of methyl aceto acetamide and the said product was supplied to Pioneer Products *vide* invoice dated August 5, 1999 against the "Irrevocable Letter of Credit" which was issued by Union Bank *vide* letter dated August 2, 1999 for ₹938,302. Subsequently, Avon approached its banker State Bank of Hyderabad for release of the above letter of credit, to which State Bank of Hyderabad replied *vide* their memo stating that Union Bank has not honoured the documents stating discrepancies. Hence, Avon has filed the present suit praying for a decree directing Union Bank and Pioneer Products to accept the documents and give credit to the amount under Letter of Credit no. IFB/IN/LC/467/99 opened by Pioneer Products or in alternate direct Union Bank and Pioneer Products to pay a sum of ₹938,302 covered under the said invoice along with interest at the rate of 24 % per annum from the date of invoice. Union Bank *vide* its reply dated September 20, 2002 denied all allegations raised against it and further claimed that, the terms and conditions of the letter of credit were not complied with and hence they are not liable to make the payment under the letter of credit.

2. Avon filed a civil appeal (Civil Appeal No. 45 of 2008) dated February 28, 2008 before the Andhra Pradesh High Court against Indian Oil Corporation Limited ("**IOC**") upon being aggrieved by the judgment and decree dated November 29, 2007 passed in OS No. 241/2006 by the Additional Chief Judge, City Civil Court, Hyderabad, directing Avon to pay an amount of ₹3,652,545. The Respondent had supplied high speed diesel to Avon for power generation and through a letter dated September 20, 1996 Avon had undertaken to submit the certificate in the manner prescribed by the Government of Andhra Pradesh notification G.O.M No. 625 as modified in the G.O.M No.1019 to the Respondent covering the supplies of product made at the concessional rate of 4% Andhra Pradesh General Sales Tax. The letter also provided that in case Avon failed to submit the monthly certificate then the Respondent is entitled to raise debit notes towards the difference in tax applicable for the product. The Respondent supplied high speed diesel to the Defendant to the tune of ₹11,122,786 inclusive of 4% concessional Commercial Tax Component during 1999-2000. Subsequently, the Commercial Tax Department served a notice to the Respondent stating that the concessional rate of tax is not applicable to Avon and demanded payment of ₹1,705,123 for the year 1999-2000, which was paid by IOC. Subsequently a suit was filed for the recovery of suit amount from Avon. The above Appeal has been filed praying that the judgment dated November 29, 2007 passed by Additional Chief Judge, City Civil Court, Hyderabad be set aside. The matter is currently pending.

Criminal cases filed by Avon

1. Avon has filed a criminal complaint (Cr. Com. 3126 of 2009) dated December 10, 2009 before III Additional Chief Judicial Magistrate under Sections 190 & 200 of the Criminal Procedure Code read with Section 138 & 141 of the Negotiable Instruments Act against Zero Effluent Systems & Equipment Private Limited and Atul Goel (together referred to as the "**Accused**"). Avon had advanced an amount of ₹2,800,000 *vide* cheque dated October 3, 2008 in pursuance of the contract under which the Accused were to supply an effluent treatment plant. The Accused failed to supply the equipment in accordance with the contract and subsequently in order to repay the advance amount issued a cheque dated April 25, 2009 in favour of Avon. The cheque was returned and dishonored with an endorsement "*payment stopped by the drawer*". Avon issued a legal notice dated November 4, 2009 demanding the payment of ₹2,800,000 within 15 days from the date of receipt of this statutory notice. The Accused replied to the said notice on November 17, 2009 denying the allegation of its failure to supply the effluent treatment plant and also its liability to pay ₹2,800,000. Being aggrieved by the reply and on non receipt of payment, the present complaint was filed praying for punishing the Accused under section 138 and section 141 of the Negotiable Instruments Act and pay compensation to the tune of ₹2,800,000 under section 357 of Criminal Procedure Code, 1973. The matter is currently pending.

2. Avon has filed a memorandum of criminal appeal (Criminal Appeal No. 10706/2009) before the Andhra Pradesh, High Court against Bhaskar Agro Chemicals Limited ("Bhaskar Agro"), P. Pattabhi Rama Rao ("Rama Rao") and the State of Andhra Pradesh (together referred to as "Respondents") on being aggrieved by the judgment delivered by the- Additional Metropolitan Sessions Judge for the Trial of communal offence-Cum-VIII Additional Metropolitan Sessions Judge Court; in Criminal Appeal No. 295/2008 dated January 30, 2009 reversing the judgment passed by the learned XIV Additional Metropolitan Magistrate in Criminal Complaint.NO. 877/2003 dated September 8, 2008 and setting aside the judgment of the trial court dated September 8, 2008 and thereby acquitting the Respondent. Avon and Bhaskar Agro had long standing business relations and Avon alleged that during the course of the business it had supplied material to Bhaskar Agro amounting to ₹1,491, 447 but has not

received any payment for the same. On repeated reminders Bhaskar Agro had issued two cheques dated April 3, 2003 and April 3, 2006 for ₹375,000 and ₹1,000,000 respectively drawn on Union Bank of India as partial discharge of its liability. The cheques when presented by Avon were dishonored for "exceeding arrangement". On being aggrieved, Avon filed a complaint before the learned XIV Additional Metropolitan Magistrate for an offence under section 138 of the Negotiable Instruments Act, 1881. The matter is currently pending before the High Court, Andhra Pradesh.

Notices against Avon

1. The office of Assistant Commissioner of Central Excise and Customs has issued a Show Cause Notice (C.No.V/15/29/22/2010) dated July 23, 2010 alleging that Avon had contravened Rule 3(5) of the Cenvat Credit Rules, 2004, since Avon had cleared Cenvat credit availed inputs, without payment of appropriate amount of Cenvat credit involved on the raw materials cleared. The Cenvat credit short paid by Avon was worked out to be ₹173,266 and that the same was recoverable from the assessee under Rule 14 of the Cenvat Credit Rules 2004 read with section 11 A of the Central Excise Act, 1944. Hence Avon was issued the present Show Cause Notice as to why the Cenvat amounting to ₹173,266 should not be recovered and the amount of ₹173,266 already paid should not be appropriated towards the Cenvat Credit appropriated above. Further, an explanation as to why a penalty under Rule 14 of Cenvat Credit Rules, read with section 11 AC of the Central Excise Act and interest at the rates applicable should not be demanded from them. Avon, *vide* its reply dated December 10, 2010 refuted the charges on the ground that duty equivalent to Cenvat credit is liable to be paid only when the inputs are cleared as such. In the present case the goods were not cleared in the same condition as the goods were received, hence the demand of differential duty is not correct. Further, Avon submitted that penalty cannot be imposed under Rule 14 of Cenvat Credit Rules, 2004 read with section 11 AC of the Central Excise Act, 1944.

2. Avon has received a legal notice from Agrawal Roadlines Private Limited dated December 30, 2009 demanding payment of ₹45,440 besides interest at the rate of 18% per annum from the day of the trip till the realization, as payment for the transportation undertaken in pursuance of the contract from Padana to Hyderabad. Avon replied to the said notice on February 20, 2010 denying all allegations and affirming that they are not due and liable to pay any amount to your Agrawal Roadlines Private Limited.

3. Avon had received a Legal Notice under Sections 433 and 434 of the Companies Act from Silica Ware Private Limited ("Silica Ware") dated November 9, 2009 demanding payment of ₹171,975.16 together with interest at the rate of 18% per annum, as payment for the glass equipments and apparatus sold, supplied and delivered to Avon. The payment was to be made within 21 days from the date of receipt of the notice. Avon *vide* its reply dated December 5, 2009 denied the claim made against it amounting to ₹171,915.16 but accepts its liability to pay an amount of ₹14, 149. Subsequently, on January 23, 2010 Avon received a notice from Silica Ware, stating that the admitted amount of ₹14,149 was not paid and demanding the payment of ₹14,149 together with interest at the rate of 18% per annum till the date of actual payment. Avon replied *vide* notice dated March 31, 2010 stating that they are ready and willing to pay the said amount provided Silica Ware expresses their willingness to execute an acknowledgment towards full and final settlement of accounts and also give in writing that they shall not have any claims on this account in the future. Response to Avon's reply is awaited.

4. Avon has received a legal notice from Penta Freight Private Limited dated April 21, 2010 demanding ₹98,015 as payment for the professional services availed from Penta Freight Private Limited for clearing and forwarding of cargo. Avon has replied to the said notice on April 30, 2010, stating that there is no balance amount to be paid in respect of the same. Response to Avon's reply is awaited.

5. Avon has received a legal notice from S.B. Engineering Works dated January 6, 2010 demanding ₹2,97,793 with interest at the rate of 24% as payment for the fabrication and erection of equipment work undertaken in pursuance of the work order dated April 1, 2008 for the period of April 2008 to August 2009. Our Company *vide* its reply dated February 20, 2010 has denied all allegation raised in the legal notice dated January 6, 2010 and reiterates that they are not due and liable to pay any amount. Response to Avon's reply is awaited.

6. Avon has received a legal notice from Trans India Express dated August 21, 2010 demanding ₹145,778 together with interest at the rate of 24% as payment for transportation of consignment by way of road carriages. Avon *vide* its reply dated September 17, 2010 has denied all allegations. Response to Avon's reply is awaited.

7. Our Company had received a legal notice dated June 18, 2010 from Varun Enterprise considering it as Avon and demanding ₹21,200 together with interest at the rate of 24% as payment for the lubricants supplied on several occasions under different bills. Our Company has replied *vide* letter dated October 2, 2010 stating that our

Company and Avon Organics Limited are different entities and that our Company has not undertaken any commercial transaction with Varun Enterprise as alleged in the legal notice. Further our Company claimed that Varun Enterprise had misunderstood the facts and had issued the legal notice wrongly.

8. Our Company had received a legal notice dated June 18, 2010 from Monika Traders wherein Monika Traders has erroneously construed our Company as Avon and demanding ₹45,761 together with interest at the rate of 24% as payment for the lubricants supplied on several occasions under different bills. Our Company replied *vide* letter dated October 2, 2010 stating that our Company and Avon Organics Limited are different entities and that our Company has not undertaken any commercial transaction with Monika Traders as alleged in the legal notice. Further, our Company claimed that Monika Traders had misunderstood facts and had issued the notice wrongly.

Suits against Arch Life Sciences Limited

1. Sibra Pharmaceuticals Limited which is presently known as Arch Life Sciences Limited has filed an appeal dated August 8, 2009 before Sales Tax Appellate Tribunal, Andhra Pradesh. Sibra Pharmaceuticals Limited had claimed Input Tax Credit ("**ITC**") of ₹94,236 on 4% taxable goods and ₹505,451 on 12.5% taxable goods for the period from April, 2005 to January, 2006, in accordance with section 13 of the Andhra Pradesh Value Added Tax Act, 2005 ("**APVAT**"). The commercial tax officer *vide* order dated May 19, 2007 disallowed the said ITC on the ground that there is no provision in the APVAT to convert the Andhra Pradesh General Sales Tax registration into startup business in the APVAT. Aggrieved by the order dated May 19, 2007, Sibra Pharmaceuticals Limited had filed an appeal before the Appellate Deputy Commissioner, Punjagutta. The Appellate Deputy Commissioner, Punjagutta *vide* its order dated January 31, 2009 dismissed the appeal filed before the Appellate Deputy Commissioner, Punjagutta. Allegedly aggrieved, the present appeal has been filed before the Sales Tax Appellate Tribunal, Andhra Pradesh, praying for setting aside the impugned order and to allow the appeal.

Legal Notices issued against Arch Life Sciences Limited

1. Arch Life Sciences Limited has received a legal notice under Section 433 and 434 of the Companies Act, 1956 from Paharpur Cooling Towers Limited dated February 13, 2010 demanding payment of ₹1,856,716 as balance payment for two cooling towers, freight, demurrage charges and interest levied thereon. Paharpur Cooling Towers Limited has alleged that Arch Life Sciences Limited refused to take delivery of the cooling towers manufactured upon specifications provided by Arch Life Sciences Limited. Arch Life Sciences Limited has refuted the charges levied by Paharpur Cooling Towers Limited *vide* reply dated March 31, 2010 and stated that the order had been cancelled. Arch Life Sciences has also asked for a refund of the advance of ₹527,626 paid to Paharpur Cooling Towers Limited.

CASES AGAINST OUR GROUP COMPANIES

Tube Glass Containers Limited (Now AMRA Industries Limited)

1. Komal Gopal Chhabria has filed a Criminal Complaint 497/2009 dated June 26, 2009 before the Judicial Magistrate First Class at Ulhasnagar, alleging an offence under section 406, 420, 467, 468 and 471 read with section 34 of Indian Penal Code, 1860, against Tube Glass Containers Limited (Now AMRA Industries Limited) and 14 others including our Promoter Directors (together referred to as the "**Accused**"). Tube Glass Containers Limited (Now AMRA Industries Limited), originally a partnership firm ("***Tube Glass***"), had entered into a sale agreement dated November 1, 1994 with Komal Gopal Chhabria under which Tube Glass had bought plot no. A-25, MIDC Industrial Area, Badlapur (East), Thane, Maharashtra for a consideration amounting to ₹1.5 Million from Komal Gopal Chhabria. Subsequently, a Memorandum of Understanding dated October 8, 1998 was entered into between Tube Glass and Komal Gopal Chhabria, for cancellation of the agreement to sale dated November 1, 1998 and to restore possession back to Komal Gopal Chhabria for a sale consideration of ₹1.8 Million, towards which Komal Gopal Chhabria had paid ₹0.5 Million.

   On March 31, 2000, Tube Glass was converted into and succeeded by Tube Glass Containers Limited (Now AMRA Industries Limited). Further on May 9, 2001, a final Memorandum of Understanding was entered into between Tube Glass Containers Limited (Now AMRA Industries Limited), its then directors and Komal Gopal Chhabria, whereby Tube Glass Containers Limited (Now AMRA Industries Limited) intended to continue using the said property for its own business, cancelling the previous Memorandum of Understanding dated October 8, 1998 and in consideration of which an amount of ₹1.3 Million was to be paid to Komal Gopal Chhabria. Komal Gopal Chhabria has alleged that a balance consideration of ₹0.3 Million out of this amount were not paid hence the disputed property belongs to Komal Gopal Chhabria and also claims that Tube Glass Containers Limited (Now

AMRA Industries Limited) and its then directors are liable to pay a further sum of ₹0.7 Million as expenses and damages. Komal Gopal Chhabria further alleged that the transfer of the said premises by Tube Glass Containers Limited (Now AMRA Industries Limited) and its ex-directors in favour of the new directors by disposing of all shares of Tube Glass Containers Limited (Now AMRA Industries Limited) constituted breach of the understanding contained in the Memorandum of Understanding dated May 9, 2001 and thus the Accused are liable to be prosecuted u/s 406, 420, 467,468 and 471 read with Section 34 of Indian Penal Code, 1860.

2. Bajrang Dying and Printing Works & Mc Dowell Pharmaceuticals through its proprietor Komal G Chhabria filed a civil suit bearing no. 489/2009 before the Civil Judge, Kalyan against Tube Glass Containers Limited (Now AMRA Industries Limited) & 14 others including our Promoter Directors for possession of the said property, and also made an application for the appointment of receiver in respect of the suit premises bearing Plot No. A-25, MIDC Industrial Area, Badlapur (East), Thane, Maharashtra ("**Premises**"). Tube Glass Containers Limited (Now AMRA Industries Limited), then a partnership firm ("***Tube Glass***"), had entered into a sale agreement dated November 1, 1994 with Bajrang Dying under which it had bought the Premises for a consideration amounting to ₹1.5 Million. Subsequently, a Memorandum of Understanding dated October 8, 1998 was entered into between Tube Glass and Bajrang Dying, for cancellation of the agreement to sale dated November 1, 1998 and to restore possession back to Bajrang Dying for a sale consideration of ₹1.8 Million, towards which Bajrang Dying had paid ₹0.5 Million. On March 31, 2000, Tube Glass was converted into and succeeded by Tube Glass Containers Limited (Now AMRA Industries Limited). Further on May 9, 2001, a final Memorandum of Understanding was entered into between Tube Glass Containers Limited (Now AMRA Industries Limited), its then directors and Bajrang Dying, whereby Tube Glass Containers Limited (Now AMRA Industries Limited) intended to continue using the Premises for its own business and cancelling the previous Memorandum of Understanding dated October 8, 1998 and in consideration of which an amount of ₹1.8 Million was to be paid to Bajrang Dying out of which the sum of ₹0.5 Million was paid at the time of the said Memorandum of Understanding. Bajrang Dying alleges that even though the amounts were paid, it was not paid on schedule dates and the advance amount of ₹0.5 Million, was repaid only to the extent of ₹0.2 Million. Bajrang Dying further alleges that it was agreed that the suit premises shall not be transferred to anybody other than to Bajrang Dying, so Tube Glass Containers Limited (Now AMRA Industries Limited) and its then directors breached the Memorandum of Understanding by transferring the shares to the new directors. Tube Glass Containers Limited (Now AMRA Industries Limited) and its present directors *vide* their written submission dated August 12, 2009 denied all allegations raised by Bajrang Dying.

Past penalties imposed against Arch Investment Private Limited

1. SEBI *vide* its order dated August 12, 2009 had suspended the certificate of registration (INB200969732) of Arch Investment Private Limited under Section 19 of SEBI Act for non payment of fees as prescribed under *Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992* for a period of 6 months or till the time the outstanding fee is paid. OTCEI *vide* its notice dated September 1, 2010 advised Arch Investment Private Limited to comply with SEBI/ OTCEI requirements with regard to the documents and outstanding dues. Arch Investment Private Limited replied to the said notice submitted the outstanding documents and fees. OTCEI thereafter imposed a penalty of ₹ 4,000, including processing fees on Arch Investment Private Limited *vide* its letter dated December 15, 2010 for effecting changes in shareholding pattern for which prior permission had not been taken from OTCEI. Arch Investment Private Limited has paid the said fees and penalty on November 16, 2010 and February 15, 2011 respectively.

Material Developments since the Last Balance Sheet Date

In the opinion of the Board, other than as disclosed in the chapter titled "***Management's Discussion and Analysis Of Financial Condition and Results of Operations***" on page 270, there has not arisen, since the date of the last financial statements set out herein, any circumstance that materially or adversely affects our profitability taken as a whole or the value of our consolidated assets or our ability to pay our material liabilities over the next twelve months.

LICENSES AND APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for our present business (as applicable on date of this Draft Red Herring Prospectus) and except as mentioned below, no further approvals are required for carrying on our present business.

In view of the approvals listed below, we can undertake this Issue and our current/proposed business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as on the date of this Draft Red Herring Prospectus.

The main objects clause of the Memorandum of Association and objects incidental to the main objects enable our Company to carry out our existing activities.

The following statement sets out the details of licenses, permissions and approvals taken by our under various central and state laws for carrying out our business.

1. APPROVALS FOR THE ISSUE

Corporate Approvals

The following approvals have been obtained in connection with the Issue:

1. The Board of Directors have, pursuant to a resolution passed at its meeting held on September 3, 2010, authorized the Issue, subject to the approval of the shareholders of our Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary.

2. The shareholders of our Company have, pursuant to a special resolution held on September 29, 2010 under Section 81(1A) of the Companies Act.

3. The Offer for Sale comprises an offer for sale of:

   - 360,209, 2,847,621 and 5,075 Equity Shares offered by India Advantage Fund II, India Advantage Fund V and Rainbow Fund respectively, which has been authorized by ICICI Venture by its letter dated December 28, 2010 in its capacity as the investment managers to these funds.
   - 438,457 Equity Shares which has been authorized by Dynamic India Fund - I by a resolution of its board dated December 27, 2010.
   - 500,000 Equity Shares which has been authorized by IIML Investors by its letter dated February 4, 2011 as investment managers for Leverage India Fund, a scheme of IL&FS Private Equity Trust, a trust established under the Indian Trusts Act.
   - 2,021,245 Equity Shares which has been authorized by the Swisstech VCF by a resolution of its board dated December 20, 2010.

4. Our Company has obtained in-principle listing approvals dated [•], 2011 and [•], 2011 from the BSE and the NSE, respectively.

Approval from the RBI

1. Our Company has made an application dated February 7, 2011, to the RBI seeking approval for transfer of Equity Shares by the Selling Shareholders in the IPO to Non-residents and residents without having to satisfy the pricing requirements.

Approvals from lenders

Our company has taken no objection certificates from our existing lenders for the purpose of this Issue.

2. INCORPORATION AND OTHER DETAILS

Incorporation details of our Company

Certificate of Incorporation bearing No. U24231MH1993PLC150891 issued by the Registrar of Companies, Maharashtra, Mumbai.

Incorporation details of the Subsidiaries

1. Certificate of Incorporation of Avon Organics Limited bearing No. L24110AP1993PLC016112 dated August 03, 1994 issued by the Registrar of Companies, Hyderabad, Andhra Pradesh.
2. Certificate of Incorporation of Arch Life Sciences Limited bearing No. U24239AP2003PLC042232 dated May 27, 2008 issued by the Registrar of Companies, Hyderabad, Andhra Pradesh.
3. Certificate of Incorporation of Arch Finechemicals Limited bearing No. U24110AP1993PLC015533 dated February 08, 2008 issued by the Registrar of Companies, Hyderabad, Andhra Pradesh.
4. Certificate of Incorporation of Arch Pharmalabs USA dated September 13, 2005 issued by the Secretary of State for the State of Delaware, USA.
5. Regal Pharma was incorporated as the subsidiary of our Subsidiary, namely Avon Organics Limited on July 27, 2010 in Singapore as a limited private company under the Singapore Laws with the company no. 201015805N.

3. DOSSIERS FILED WITH VARIOUS AUTHORITIES:

i. Dossiers filed with United States Food and Drugs Authority ("US FDA") and The European Directorate for the Quality of Medicines & HealthCare ("EDQM")

Sr. No.	Product/ Drug	Unit where the product/drug is manufactured	US FDA Acknowledgment and Dossier no. (Date on which filed)	EDQM Acknowledgment of application for Cos. (Date on which certificate of suitability issued)
1.	Stavudine USP	Gurgaon Unit	21902 (August 21, 2008)	-
2.	Atorvastatin Calcium Crystalline	Gurgaon Unit	21985 (September 15, 2008)	-
3.	Atorvastatin Calcium Crystalline	Gurgaon Unit	024312 (December 1, 2010)	-
4.	Trandolapril EP	Gurgaon Unit	20681 (July 13, 2007)	-
5.	Clopidogrel Bisulphate USP	Gurgaon Unit	19744 (September 5, 2006)	-
6.	Lamivudine USP	Gurgaon Unit	21548 (April 17, 2008)	-
7.	APIF12B (Felbamate)	Gurgaon Unit	22810 (June 15, 2009)	-
8.	Zidovudine USP	Gurgaon Unit	21570 (April 24, 2008)	-
9.	Clopidogrel Bisulphate USP (Form I)	Gurgaon Unit	20444 (April 14, 2007)	-
10.	Citalopram Hydrobromide USP (Cyano Route)	Dombivali Unit	23566 (March 03, 2010)	-
11.	Entacapone	Dombivali Unit	22714 (March 25, 2009)	-
12.	Cetirizine dihydrochloride	Dombivali Unit	20539 (May 17, 2007)	R1-CEP 2001-144-Rev 01 (February 20, 2009)
13.	Escitalopram Oxalate	Dombivali Unit	19663 (June 20, 2006)	-
14.	Mefenamic Acid	Dombivali Unit	19195 (February 23, 2006)	R0-CEP-2007-001-Rev 01 (February 20, 2009)
15.	Meloxicam USP	Dombivali Unit	15926 (April 5, 2002)	-
16.	Citalopram	Dombivali	16045	-

Sr. No.	Product/ Drug	Unit where the product/drug is manufactured	US FDA Acknowledgment and Dossier no. (Date on which filed)	EDQM Acknowledgment of application for Cos. (Date on which certificate of suitability issued)
	Hydrobromide	Unit	(July 11, 2002)	
17.	Ibuprofen	Dombivali Unit	9119 (May 13, 1991)	R1-CEP 2000-114-Rev 01 (February 20, 2009)
18.	Piroxicam	Dombivali Unit	9118 (May 13, 1991)	R1-CEP 2000-034-Rev 03 (February 20, 2009)
19.	Zidovudine USP	Medak Unit 3	21325 (February 6, 2008)	-
20.	Lamivudine USP	Medak Unit 3	21549 (April 17, 2008)	-
21.	Efavirenz	Medak Unit 3	21708 (June 19, 2008)	-
22.	Nevirapine Anhydrous USP	Medak Unit 3	22162 (November 5, 2008)	-
23.	Stavudine USP	Medak Unit 3	21606 (May 12, 2008)	-
24.	Amlodipine Besylate USP	Tarapur Unit 2	23632 (May 21, 2010)	-
25.	Gemcitabine Hydrochloride USP	Tarapur Unit 2	23633 (March 31, 2010)	-
26.	Benztropine Mesylate USP	Tarapur Unit 2	023719 (June 4, 2010)	-
27.	Gemcitabine Hydrochloride Usp	Maharashtra	23801 (May 26, 2010)	-
28.	3-Phenyl-5-Methyl Isoxazole-4-Carbonyl Chloride (PMIC Chloride)	Medak Unit 1	18215 (March 28, 2005)	-
29.	FCMIC Chloride	Medak Unit 1	17953 (December 27, 2004)	-
30.	CMC Chloride	Medak Unit 1	17693 (September 15, 2004)	-
31.	DICMIC Chloride	Medak Unit 1	17954 (December 12, 2004)	-
32.	Pseudoephedrine Sulfate	Avon Solapur Unit	16825 (September 9, 2003)	-
33.	Pseudoephedrine Hydrochloride	Avon Solapur Unit	15524 (July 13, 2001)	R1- CEP 2002- 038-Rev 00 (September 18, 2008)
34.	Ephedrine hydrochloride	Avon Solapur Unit	16619 (June 5, 2003)	-
35.	Aceclofenac	Dombivali Unit	-	R0-CEP 2006-133-Rev 01 (February 20, 2009)
36.	Diclofenac Sodium	Dombivali Unit	-	R1-CEP 2002-022-Rev 01 (February 20, 2009)
37.	Trandolapril	Gurgaon Unit	-	R0-CEP 2007-287-Rev 00 (June 21, 2010)
38.	DKT-III	Medak Unit 1	24070 (September 13, 2010)	-

Sr. No.	Product/ Drug	Unit where the product/drug is manufactured	US FDA Acknowledgment and Dossier no. (Date on which filed)	EDQM Acknowledgment of application for Cos. (Date on which certificate of suitability issued)
39.	ATS-8	Medak Unit 1	24069 (January 03, 2011)	-

For DMFs submitted before June 30, 2007, a DMF is considered overdue for update when there has been no Annual Update submitted since that date. In order to ensure that DMFs are current, FDA is in the process of sending "Overdue Notification Letters" (ONLs) to DMF holders for DMF that are overdue for update. The Guidelines for Drug Master Files recommends that DMF holders update their DMF annually. If a DMF holder does not respond to this letter within 90 days, the DMF will be considered Closed by the FDA.

Additionally we have applied for the Certificate of Suitability from EDQM for two of our products, namely (a) Ramipril and (b) Amlodipine Besilate. We have received acknowledgement of receipt dated March 16, 2009 and June 9, 2009 respectively for these applications and are awaiting the Certificate of Suitability.

4. GENERAL AND CORPORATE APPROVALS

1. Registration Certificate of Establishment bearing number L007876/COMMERCIAL II/ WARD L dated July 08, 1999 has been issued to our Company by the Inspector under the Bombay Shops and Establishment Act, 1948 under the Bombay Shops and Establishments Act, 1948 in respect of registering our Company as the commercial establishment engaged in the business of trading chemicals. The same is valid until December 31, 2011.

2. Certificate of recognition as a trading house bearing number 03/16/ZC-0065/100415 dated April 15, 2010 has been issued to our Company by the Zonal Joint Director General of Foreign Trade, Government of India, Ministry of Commerce and Industry in accordance with the provisions of the Foreign Trade Policy, 2009-2014. The same is valid until March 31, 2014.

3. Acknowledgement bearing number 3021/SIA/IMO/2009 dated November 24, 2009 has been issued to our Company in respect of our manufacturing unit at Plot number 3-72, Medak by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Public Relation and Complaint Section, Secretariat of Industrial Assistance, Government of India in respect of acknowledging manufacture of various products (i.e. Lamivudine, Zidovudine, Efavirenz, Rabeprazole Sodium, Citalophram Hydrobromide, Stavudine, Nevirapine, Pantoprazole Sodium, Citirizine Dihydrochloride, Escitalopram Oxcalate, Atorvastatin Calcuim, Levocetrizine Dihydrochloride, 4-Ethyl-2,3-Dioxo Piperazine-1-Carbonyl Chloride, Ethyl(R)-4-Cyno-3-Hydroxy Butyrate and [3-[1-Tert-Butyl(Dymethyl) Silvyl) Oxethyl]-4-Oxo Azetidion-2-Y1] Acetate) within the premises.

4. Acknowledgement bearing number 1138/SIA/IMO/2009 dated May 6, 2009 has been issued to our Company in respect of our manufacturing unit at Plot number E-64/80/81/82, Tarapur, Boisar by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Secretariat of Industrial Assistance, Government of India in respect of acknowledging manufacture of various products (i.e. Bromhexine HCL, Metoclopramide HCL, Gemcitabine HCL, Capecitabine, Docetaxel and Paclitaxel) within the premises.

5. Acknowledgement bearing number 2572/SIA/IMO/2007 dated September 7, 2007 has been issued to our Company in respect of our manufacturing unit at Plot number G-4, Badlapur by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Secretariat of Industrial Assistance, Government of India in respect of acknowledging manufacture of various products (i.e. NFHDA, Amlodipine Besylate, Clopidogrel Bisulphate, 1-Cyclohexane Diacetic Acid Monomethylester, 2-Methyl-3 Fluorophenyl) Propionyl Chloride, 2-Thiopene Acetyl Chloride, MKT-2) within the premises.

6. Acknowledgement bearing number 2588/IIM/PROD/2009 dated September 16, 2009 has been issued to our Company in respect of our manufacturing unit at Survey number 323, Medak by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Secretariat of Industrial Assistance, Government of India in respect of acknowledging commencement of commercial production of various products (i.e. CMIC Chloride, DIMIC Chloride, FCMIC Chloride PMIC Chloride, 4-Flouro-X-2-Methyl-1Oxo-Propyl R-Oxo-N-B Diphenyl Benzene Butanamide, 4-R-Cis-1, 1-Dimethyl-6-Caynomethyl-2, 2-

Dimethyl-1, 3-Dioxane-4-Acetate, 4R-Cis-1, 1-Dimethylethyl-6-2-Amiomethyl-2, 2-Dimethyl-1, 3-Dioxene-4-Acetate, 4R-Cis-1, 1-Dimethyl-Ethyl-6-(2)(2-(4-Flourophenyl)-5-(1-Methyl-Ethyl)-3-Phenyl4(Phenylamino)Carbonyl)1H-Pyrrol-1-YL)Ethyl)2, 2-Dimethyl-1, 3-Dixoan-4--Acetate Methyl) within the premises.

7. Acknowledgement bearing number 255/SIA/IMO/2009 dated January 30, 2009 has been issued to our Company in respect of our manufacturing unit at C-21/22, Dombivli by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Secretariat of Industrial Assistance, Government of India in respect of acknowledging commencement of commercial production of various products (i.e. Ibuprofen IP/ JP/ BP/ EP/ USP, Nitrofurantoin IP/BP/USP, Ramipril BP/USP/EP/IP, Meloxicam BP/EP/USP, Cetrizine Dihydrochloride EP/IP/BP, Prilocaine BP/USP/EP, Diclofenac Potassium BP/EP, Piroxicam JP/IP/BP/EP/USP, Mefenamic Acid IP/BP/EP/USP, S (+) Ibuprufen (Dexibuprofen), Naproxen BP/EP/USP, Prilocaine Hydrochloride BP/USP/EP, Diclofenac Sodium IP/JP/EP/BP, Aceclofenac BP/EP/IP Entacapone, Pramipexole Dihydrochloride Monohydrate, Citalopram Hydrobromide EP/USP, Isadripine BP/USP/EP, Lacidipine BP, Imiquimod, S (+) Citalopram Oxalate and Loratidine USP) within the premises.

8. Acknowledgement bearing number Acknowledgement bearing number 699/SIA/IMO/2010 dated March 04, 2010 has been issued to our Company in respect of our manufacturing unit at G-6, Taloja by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Secretariat of Industrial Assistance, Government of India in respect of acknowledging commencement of commercial production of various products (i.e. 4-AA (3R, 4R)-4-Acetoxy-3-[(R) – (Tbutyldimethylsilyloxy) Ethyl] – 2-Azetidinone] 4-Methyl -1- (1-Naphthalen 1 YlL Ethyl) 6-Nitro-4-Phenyl 1,2,3,4-Tetrahydro- Quinoline,,Pyridine 2-Carboxylic Acid 92- Cyanophenyl Amide, Ethyl-5-Methylhex-5-Enoate and BC (Methyl (3S)-3-Amino 3 (2,4,6-Triflurophenyl-Butanoate L-Tartrate Salt) within the premises.

9. Acknowledgement bearing number 3174/SIA/IMO/2007 dated November 2, 2007 has been issued to our Company in respect of our manufacturing unit at Siddipet, Medak by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Secretariat of Industrial Assistance, Government of India in respect of acknowledging commencement of commercial production of various products (i.e. 3(2-Clorophenyl-5-Methyl Isoxazole-4-Carbonyl Chloride, 3-2-Chloro-b-Chlorophenyl-8-Methyl Isoxazole-4-Carbonyl Chloride, and 3(F-6,6-Dichlorophenyl)-5-Methyleisoxazole Carbonyl Chloride) within the premises.

10. Acknowledgement bearing number 2504/SIA/IMO/2001 dated November 2, 2001 has been issued to our Company in respect of our manufacturing unit at Siddipet, Medak by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Secretariat of Industrial Assistance, Government of India in respect of acknowledging commencement of commercial production of various products (i.e. Tri Methyl Phosphite, Ammonium Chloride and Phosphorous Tri Chloride) within the premises.

11. Acknowledgement bearing number 6145/SIA/IMO/2006 dated December 19, 2006 has been issued to our Company in respect of our manufacturing unit at Pathreri, Gurgaon by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Secretariat of Industrial Assistance, Government of India in respect of acknowledging commencement of commercial production of various products (i.e. Clopidogrel Bisulphate, Atorvastatin Calcium, Fluconazole, Gabafetchin, Fexofenadine Hydrochloride, Climepiride, Ambroxol Hydrochloride, Penidopril Ersumine, Perindopril Tert-Butlamine, Efavirenz, Cetrizine Dihydrochloride, Ritonavir and Trandopril) within the premises.

Licenses under Tax/Excise Laws:

1. Our Company has been issued Permanent Account Number (PAN) AACCM0306Q by the Income Tax Department.

2. The Following are the Central Excise Registration Numbers for each unit issued by the Assistant Commissioner of Central Excise under Rule 9 of the Central Excise Rules, 2002. The same are valid until cancellation:

Sr. No.	Registration No.	Date	Unit
1.	AACCM0306QXM001	April 1, 2004	Gundlamachnur (Medak Unit 1)
2.	AACCM0306QXM010	August 13, 2008	Mitappally, Siddipet (Medak Unit 2)
3.	AACCM0306QXM014	March 13, 2009	Gaddapotharam (Medak Unit 3)

Sr. No.	Registration No.	Date	Unit
4.	AACCM0306QXM003	June 12, 2007	T-84/85/86, Boisar (Tarapur Unit 1)
5.	AACCM0306QXM012	December 15, 2008	E-64/80/81/82, Tarapur (Tarapur Unit 2)
6.	AACCM0306QXM005	December 24, 2004	Pathreri, Bilaspur (Gurgaon Unit)
7.	AACCM0306QXM004	January 13, 2006	G-4/5, Kharvai (Badlapur Unit)
8.	AACCM0306QXM009	March 4, 2008	G-6, Taloja (Taloja Unit)
9.	AACCM0306QXM013	January 5, 2009	C-21/22, Sagaon (Dombivli Unit)
10.	AACCM0306QXM011	September 17, 2008	C-424, Turbhe (Mahape RnD)

3. VAT Certificate of Registration bearing TIN 27650248541 V dated April 1, 2006 has been issued to our Company in respect of our Registered Office and further for Ten (10) additional places of business including for unit at Plot Number T-69, MIDC, Boisar, Palghar, District- Thane-401506 and Mahape, Badlapur, Dombivli, Taloja G-6 and both Tarapur units by the Registration Officer, Sales Tax Department, Maharashtra under Section 16 of the Maharashtra Value Added Tax Act, 2002 and Rule 9 of the rules made thereunder, for the purposes of registration as a dealer. The same is valid from April 1, 2006 until cancellation.

4. VAT and Central Sales Tax Registration Certificate bearing TIN 28130235803 dated June 15, 2009 has been issued to our Company in respect of our manufacturing unit at Survey number 323, Gundlamachnoor, Hathnoora Mandal, District Medak, Andhra Pradesh and further for our manufacturing units located at Mittapally Village, Siddipet Mandal, Medak and 3-72, Survey number 10A, Gaddapothram (V), Pochampad Project, Hyderabad and for godown located at 8-2-120/86/10/2, MCH number 389, Road number 14, Sainath, Banjara Hills, Hyderabad, Rangareddy by the Commercial Tax Officer, Large Taxpayer Unit, Nizamabad Division, Commercial Tax Department, Andhra Pradesh under Section 18 (1)(a) of the Andhra Pradesh Value Added Tax Act, 2005 and Rules 10(a) and 12 of the rules made thereunder. The same is valid from April 1, 2005 until cancellation.

5. Taxpayers Identification Number 06911821551 has been allotted to our Company in respect of our manufacturing unit at Village Patheri, Bilaspur, Tauru Road, District- Gurgaon *vide* certificate dated December 09, 1995 by the Assessing Authority under Section 11 of the Haryana Value Added Tax Act, 2003 and Rule 11 of the rules made thereunder. The same is valid from December 30, 2000 until cancellation.

6. Central Sales Tax Registration certificate allotting TIN 27650248541 C dated April 1, 2006 has been issued to our Company in respect of it Registered Office and 14 other places of business including the units at Gundlamachnoor, Gurgaon, Badlapur, Mahape, Taloja G-6, Dombivli and both units at Tarapur by the Registering Officer, Sales Tax Department, Maharashtra under Section 7(1)/(2) of the Central Sales Tax Act, 1956 and Rule 5(1) of the Central Sales Tax (Registration and Turnover) Rules, 1957 granting registration as dealer for resale of chemical, bulk drugs and intermediates in the course of inter-state trade. The same is valid from April 1, 2006 until cancellation.

7. Certificate of Enrolment bearing number 99920032592P dated November 10, 2009 has been issued to our Company by the Profession Tax Officer (13), Mumbai under Section 5(2) or 5(2A) of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975. The same is valid from April 1, 1997 until cancellation.

8. Our Importer- Exporter Code ("IEC") being 0397048921 has been issued on September 29, 1997 to our Company by the Foreign Trade Development Officer, Ministry of Commerce and Industry, Government of India for our Registered Office and manufacturing units and other branch offices located at Plot number T-86, Tarapur Industrial Area, Tarapur, District Thane-401506; Factory Survey number 323, Gundlamachnoor Village, Hathnoora Mandal, Medak, District Hyderabad, Andhra Pradesh-502296; Factory G-4, Kharvai, MIDC, Badlapur, District Thane, Maharashtra-421503; Factory of Vitalife Laboratories, Patheri, Bilaspur, Tauru Road, Gurgaon, Haryana-122001; Plot number V-8, MIDC, Taloja District Raigad, Maharashtra-410208; Plot number W-45 (C), MIDC, Anandnagar, Additional Ambernath Industrial Area, Thane Maharashtra 421506; Unit Z, 2 and 3, Rajlaxmi Commercial Complex, Kalher Village Bhiwandi, District Thane, Maharashtra-421302; Plot number SCO 64-65, Sector 8-C, First Floor, Madhya Marg, Sector Chandigarh-160009; Plot number 21, MIDC, Village Navade, Taloja, Taloja Audiogievasahat, Raigad Maharashtra-410208; Plot number SI 91, Industrial Area, Phase II, Ramdarbar, Chandigarh-160009; Shreenath Plaza Complex, 18, Ground Floor, National Highway 8, POR, Vadodara, Gujarat-381248; 25-35/3/B, Plot number 5, Ramachandra Reddy Nagar, R.C. Puram, H.E. Medak, Andhra Pradesh-500032; Plot number B-25, Ranoli Commercial Complex, National Highway 8, Ranolil Vadodara, Gujarat-391350; MIDC Area, Plot

number G-6, CETP Road, Navada, Panvel, Taloja, Raigad-410208; Husnabad Road, Mittapally, Siddipet Mandal, Palmakula, Medak, Andhra Pradesh-502375; Plot number E-64/80/81/82, MIDC, Tarapur, Tarapur Industrial Area, Thane, Maharashtra-401506; Super Container Private Limited Building, Pot number C-424, MIDC Industrial Area, Navi Mumbai, Maharashtra-400705; Plot number C-21/22, MIDC, Phase-II, Dombivli (East), Sagaon, Manpada, Thane, Maharashtra-421203; Factory of Vitalife Laboratories, Bhoda Kalan Farukh nagar, Bhora Kalan, Gurgaon, Haryana-122413 and 3-72, Survey number 10 I.D.A., Gaddapotharam, Village Pochampad Project, Hyderabad Urban, Andhra Pradesh-503219. The same is valid until cancellation.

Labour Licenses:

1. License bearing number MH/PE/APP/44019/Enq.I/01-I/1919/1007 dated September 9, 1999 has been issued to our Company for our Registered Office by the Regional Provident Fund Commissioner, Maharashtra and Goa under Section 1(3)(b) of the Employees Provident Funds and Miscellaneous Provision Act, 1952 and the scheme framed thereunder, allotting code number MH/44019 in respect of all properties of our Company situated in Maharashtra including Tarapur Unit 1 and 2, the Badlapur Unit, Taloja G6 Unit, Corporate R&D Centre, the Dombivli Unit and our Registered Office. The same is valid from June 1, 1999 until cancellation.

2. Letter bearing number AP/HY/32243/Enf./IV/2XVI/91/1226 dated January 6, 1998 has been issued to our Company in respect of our manufacturing unit at Gundlamachnoor Village, Hathnoora Mandal, Medak by the Regional Provident Fund Commissioner, Andhra Pradesh under the Employees Provident Funds and Miscellaneous Provision Act, 1952 and the scheme framed thereunder, allotting code number AP/HY/32243 to the said manufacturing unit. The same is valid from September 22, 1997 until cancellation. The authority was intimated of change of name to Arch Pharmalabs *vide* letter dated March 19, 2004.

3. Letter bearing number AP/SRO/SDP/32243/Enf/2008 dated September 15, 2008 has been issued to our Company for our manufacturing unit at Village Mittapally, Siddipet by the Assistant Provident Fund Commissioner and Officer-In-Charge, Employees Provident Fund Organisation, Andhra Pradesh under Section 1(3) of the Employees Provident Funds and Miscellaneous Provision Act, 1952 and the scheme framed thereunder, allotting code number AP/59031 to the said manufacturing unit. The same is valid from August 1, 2008 until cancellation.

4. Letter bearing number AP/HY/51843/ZX/ENF/2006/18 dated April 6, 2006 has been issued to our Company in respect of our manufacturing unit at Gaddapotharam, Jinnaram Mandal,, Hyderabad by the Assistant Provident Fund Commissioner, Andhra Pradesh, Hyderabad under Section 1(3) of the Employees Provident Funds and Miscellaneous Provision Act, 1952 and the scheme framed thereunder, allotting code number AP/HY/51843 to the said manufacturing unit. The same is valid from October 22, 2005 until cancellation**.** The concerned authority has been intimated of change of name *vide* letter bearing dated April 14, 2009.

5. Letter bearing number Comp./Cov./HR/GGN./II/26811/1231/1531 dated February 24, 2005 has been issued to our Company in respect of our manufacturing unit at Village Pathreri, Bilaspur, Thauru Road, District Gurgaon, Haryana by the Assistant Regional Provident Fund Commissioner, Gurgaon, Haryana under Section 1(4) of the Employees Provident Funds and Miscellaneous Provision Act, 1952 and the scheme framed thereunder, allotting code number HR/GGN/II/26811 to the said manufacturing unit. The same is valid from January 1, 2005 until cancellation.

6. Letter bearing number B/Cov./RM/1718 dated September 24, 2002 has been issued to our Company for our Registered Office by the Director, Regional Office Maharashtra, Employees State Insurance Corporation under Section 2(12) of the Employees State Insurance Act, 1948, allotting code number 35-2484-34. The same is with effect from January 01, 2002 and is valid until cancellation.

5. FACTORY RELATED APPROVALS

I. "Medak Unit 1"- Licenses for Our manufacturing unit at Survey number 323, Gundlamachnur Village, Hathnoora Mandal, District Medak -502296, Andhra Pradesh:

1. License to work a factory bearing number 43876 dated November 17, 2000 has been issued to our Company in respect of our manufacturing unit at Survey number 323, Medak by the Director of Factories, Andhra Pradesh, Hyderabad under the Factories Act, 1948 and the rules formulated thereunder. The same is valid until cancellation. The same has been amended for change of name from

"Merven Drug Products Limited" to "Arch Pharmalabs Limited" and further amended to maximum installed motive power of 4250 H.P. and for employing a maximum number of 385 workers only.

2. Certificate of Stability dated October 20, 2010 has been issued to our Company for our manufacturing unit at Survey number 323, Medak by the Structural Engineer, Siri Consultants, Hyderabad. The same is valid till October 19, 2015.

3. The following Certificates of verification have been issued to our Company by the District Inspector, Legal Metrology (Weights and Measures) Sangareddy under the provisions of the Andhra Pradesh Standards of Weights and Measures Act, 1985 and the rules therein:

Sr. No.	Certificate Number	Date of Issue	Validity
1.	044500	November 10, 2010	November 9, 2011
2.	586390	March 28, 2010	March 27, 2011
3.	521496	September 11, 2009	September 10, 2011
4.	521497	September 11, 2009	September 10, 2011
5.	309361	Ju;ly 28, 2010	July 27, 2011

4. Certificate of Registration dated October 18, 2005 has been issued to our Company for our manufacturing unit at Survey number 323, Medak by the Superintendent (Central Tax, Service Tax Range), Hyderabad-I Commissionerate under Section 69 of the Finance Act, 1994 read with the Service Tax Rules, 1994 in respect of allotting service tax code being AACCM0306QST002. The same is valid until cancellation.

5. Consent to operate and Authorisation Order bearing number APPCB/PTN/PTN/242/HO/CFO/2011-2762 dated January 22, 2011 has been issued to our Company in respect of our manufacturing unit at Survey number 323, Medak by the Member Secretary, Andhra Pradesh Pollution Control Board under Section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974 and under Section 21 of Air (Prevention and Control of Pollution) Act, 1981, alomgwith amendments thereto, for the purposes of granting consent and authorisation to operate the industrial plant to prescribe the discharge the effluents from the outlets and the quantity of emissions per hour from the chimneys. The same is also Authorisation under the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 1989 and Amended Rules, 2003. The same is valid until July 31, 2012.

6. Letter bearing number 52-24464-34(52-24464-34) dated June 14, 2005 has been issued to our Company for our manufacturing unit at Survey number 323, Gundlamachonoor-502296, Hathnoor (Mandal), Medak District by the Deputy Director, Employees State Insurance Corporation, Andhra Pradesh, Hyderabad under Section 2(12) and 1(5) of the Employees State Insurance Act, 1948, allotting code number 52-24464-34. The same is with effect from May 1, 2005 and is valid until cancellation.

7. Certificate of Registration bearing number A/83/CR-96 dated December 16, 2006 has been issued to our Company for our manufacturing unit at Survey number 323, Medak by the Registering and Licensing Officer, Medak under Section 7(2) of the Contract Labour (Regulation and Abolition) Act, 1970 for the purpose of employment of 200 contract labourers to be obtained from contractors for raw material handling, packing, loading, unloading and house-keeping. The same is valid until cancellation.

8. The following Licenses have been issued by the Licencing Officer under Section 12 (1) of the Contract Labour (Regulation and Abolition) Act, 1970 in respect of our manufacturing unit at Gundlamachnoor, Medak:

Sr. No	License Number	Date of issue	Licensee	Number of Workers	Purpose	Validity
1.	B/815/L-08	June 25, 2008	B. Padma Contractor	20	Maintenance	June 24, 2011
2.	A/697/L	August 31, 2005	Balaji Security Force	15	Security Services	August 30, 2011
3.	A/698/L	August 31, 2005	Barava Raj Contractors	10	Loading and Unloading	August 30, 2011

Sr. No	License Number	Date of issue	Licensee	Number of Workers	Purpose	Validity
4.	A/662/L	April 28, 2004	R. Ramachandra Reddy Contractor	15	Loading and Unloading	August 27, 2011
5.	A/542/L	June 17, 2002	Sri Electrical & Engineering Works	30	Electrical Works, Maintenance, Loading and Unloading	June 16, 2011

9. License to sell, stock, or exhibit (or offer) for sale, or distribute by wholesale drugs specified in Schedules C and C(1) [excluding those specified in Schedule X] bearing number 3/MK/AP/2008/W dated January 9, 2008 has been issued to our Company in respect of our manufacturing unit at Gundlamachnoor, Medak by the Sales Licensing and Enforcement Authorities, Medak District, Headquarter Sangareddy under the provisions of the Drugs and Cosmetics Act, 1940 and Rule 61(2) of the Drugs and Cosmetics Rules, 1945. The same is valid from January 9, 2008 until January 8, 2013.

10. License to sell, stock, or exhibit (or offer) for sale, or distribute by wholesale drugs other than those specified in Schedules C and C(1) and X bearing number 3/MK/AP/2008/W dated January 09, 2008 has been issued to our Company in respect of our manufacturing unit at Gundlamachnoor, Medak by the Sales Licensing and Enforcement Authorities, Medak District, Headquarter Sangareddy under the provisions of the Drugs and Cosmetics Act, 1940 and Rule 61(1) of the Drugs and Cosmetics Rules, 1945. The same is valid from January 9, 2008 till January 8, 2013.

11. License to import and store petroleum in an installation bearing number P/HQ/AP/15/1101(P4562) dated October 15, 1996 has been issued to our Company for our manufacturing unit at Survey number 323, Medak by the Chief Controller of Explosives under the provisions of the Petroleum Act, 1934 and the rules formulated there under for the importation and storage of 370 kilo litres of Petroleum Class A in bulk and 20 kilo litres of Petroleum Class B in bulk at the factory of our Company in Medak. The same has been periodically renewed and is currently valid till December 31, 2011.

12. License to store compressed gas in pressure vessel or vessels bearing number S/HO/AP/03/365 (S22829) dated June 26, 2007 has been issued to our Company for our manufacturing unit at Survey number 323, Gundalamachnur, Medak by the Chief Controller of Explosives under the provisions of the Indian Explosives Act, 1884 and Rules 49 and 50 of the rules formulated there under for the storage of Liquid Nitrogen in pressure vessel. The same is valid until March 31, 2011. The same has been amended *vide* letter dated March 9, 2010 adding more capacity.

13. Solvent License bearing number 60 dated February 3, 2005 has been issued to our Company for our manufacturing unit at Survey number 323, Medak by the Collector and District Magistrate, Medak at Sangareddy under the provisions of the Solvent Order, 2000 in respect of storage of Solvent n-Hexane at a capacity of 30 kilo litres within the factory premises. The same has been periodically renewed and is presently valid until December 31, 2011.

14. Certificate of Registration bearing number QAIC/IN/086-A dated January 5, 2011 has been issued to our Company for our manufacturing unit at Survey number 323, Medak by the Governing Board of Q.A. International Certification Limited certifying that the management system at the said unit is in accordance with the requirements under ISO 9001: 2008 certification for manufacture and supply of Specialty Chemicals for Pharmaceuticals and other Specialist Uses are fulfilled by our Company. The same is valid till November 24, 2011.

15. Certificate of Registration bearing number QAIC/IN/334-A dated August 19, 2010 has been issued to our Company for our manufacturing unit at Survey number 323, Medak by the Governing Board of Q.A. International Certification Limited certifying that the management system at the said unit is in accordance with the requirements under ISO 14001: 2004 certification for manufacture and supply of Specialty Chemicals for pharmaceuticals and other specialist uses are fulfilled by our Company. The same is valid until May 16, 2011.

16. Certificate of Registration bearing number QAIC/IN/335-A dated August 19, 2010 has been issued to our Company for our manufacturing unit at Survey number 323, Medak by the Governing Board of

Q.A. International Certification Limited certifying that the management system at the said unit is in accordance with the requirements under OHSAS 18001: 2007 certification for manufacture and supply of Specialty Chemicals for pharmaceuticals and other specialist uses are fulfilled by our Company. The same is valid until May 16, 2011.

17. Agreement dated July 01, 2010 entered into by and between Hyderabad Waste Management Project, a unit of Ramky Enviro Engineers Limited and Our Company for the purposes of treating, storing and disposing hazardous wastes generated within the premises of our Company. The same is valid until March 31, 2011.

18. License bearing number CEIG/TS/HV/MDK-135/2005/D.No.1542 dated May 12, 2005 has been issued to our Company for our manufacturing unit at Survey number 323, Medak by the Chief Electrical Inspector to Government of Andhra Pradesh in respect of according statutory approval under Rule 63(3) of Indian Electricity Rules, 1956 for certain equipments of high voltage electrical installation for energisation within the premises.

19. Letter bearing number DEE/OP/MDK/Comml/F.No./D.No.600/09 dated December 31, 2009 has been issued to our Company for our manufacturing unit at Survey number 323, Medak by the Divisional Engineer Electrical, Central Power Distribution Company of Andhra Pradesh Limited in respect of intimating that the High Tension Agreement accepted and concluded on December 31, 2009 for extension of 11 KV dedicated supply to additional 110 KVA CMD to over and above existing 1490 KVA making a total CMD of 1600 KVA under capital works has been transmitted to our Company.

20. Agreement for supply of electricity at High Tension dated December 31, 2009 executed between our Company Central Power Distribution Company in respect of supplying electric power for a maximum load not exceeding 1600 KVA. The same is valid till December 31, 2011.

21. Certificate bearing number Rc.No.115/SRD/2009 dated March 3, 2010 has been issued to our Company for our manufacturing unit at Survey number 323, Medak by the Station Fire Officer, Fire and Emergency Services Department, Government of Andhra Pradesh in respect of certifying that the fire fighting equipments within the premises is good working condition. The same is valid till August 2, 2011.

22. Letter dated July 18, 2009 has been addressed to the Village Secretary/Sarpanch, Gundlamachnoor Village, Medak by our Company for our manufacturing unit at Survey number 323, Medak in respect of payment towards house tax for the year 2009-10 *vide* treasury challan no. 4086.

23. No Objection Certificate bearing number Lr.No.C/1316/2005 dated May 26, 2005 has been issued by the Mandal Revenue Officer, Hathnoora in respect of certifying that on the basis of the MR I-II report, stating that our Company is in possession of the patta land Survey number 322/A and 322/E and two bore wells and the Issuing Authority has no objection to draw the water from the bore well for greeneries since there are no agricultural bore wells in the surrounding area.

24. Certificate for use of boiler bearing number AP-3943 dated June 9, 2010 has been issued to our Company in respect of our manufacturing unit at Survey number 323, Medak by the Director of Boilers, Medak, Andhra Pradesh, Andhra Pradesh Boiler Inspection Department, under the provision of Section 7/8 of the Indian Boilers Act, 1923 and the regulations formulated thereunder. The same has been periodically renewed and is presently valid till June 1, 2011.

25. Certificate for use of boiler bearing number AP-2749 dated May 19, 2010 has been issued to our Company in respect of our manufacturing unit at Survey number 323, Medak by the Director of Boilers, Medak, Andhra Pradesh, Andhra Pradesh Boiler Inspection Department, under the provision of Section 7/8 of the Indian Boilers Act, 1923 and the regulations formulated thereunder. The same has been periodically renewed and is presently valid till May 1, 2011.

II. "Medak Unit 2" - Licenses for Our manufacturing unit at Survey number 280, Mittapally Village, Siddipet-502375, District Medak, Andhra Pradesh:

1. License to work a factory bearing number 43879 dated November 17, 2000 has been issued to our Company in respect of our manufacturing unit at Mittapally Village, Siddipet by the Director of

Factories, Andhra Pradesh, Hyderabad under the Factories Act, 1948 and the rules formulated thereunder. The same is valid until cancellation. The same has been amended on by way of letter bearing number MAH/16716/2008 dated August 17, 2009 in respect of increasing the maximum number of workers employed from 100 to 150 and for change in the factory name from "Arch Fine Chemicals Limited" to "Arch Pharmalabs Limited".

2. Certificate of Calibration bearing number CL-073-02/2010 dated February 11, 2010 has been issued to our Company by Cal Labs Private Limited in respect of our manufacturing unit at Mittapally, Siddipet approving the Calibration of Pressure Gauge bearing serial number M-06/J/0401.

3. The following Certificates of verification have been issued to our Company by the District Inspector, Legal Metrology (Weights and Measures) Sangareddy under the provisions of the Andhra Pradesh Standards of Weights and Measures Act, 1985 and the rules therein:

Sr. No.	Certificate Number	Date of Issue	Validity
1.	0004382	September 24, 2009	September 23, 2011
2.	044193	September 22, 2010	September 21, 2011

4. Certificate of Stability dated March 3, 2009 has been issued to our Company for our manufacturing unit at Mittapally, Siddipet, Medak for the manufacturing of Bulk Drug Intermediates by Sunshine Builders, the Municipal Licensed Engineer. The same is valid till March 2, 2014.

5. Certificate of Registration dated September 17, 2008 has been issued to our Company for our manufacturing unit at Mittapally Village, Medak by the Superintendent of Service Tax, Hyderabad under Section 69 of the Finance Act, 1994 read with the Service Tax Rules, 1994 in respect of allotting service tax code being AACCM0306QST006. The same is valid until cancellation.

6. Consent and Authorisation to Operate Order bearing number APPCB/PTN/PTN/HO/CFO/2010-472 dated May 18, 2010 has been issued to our Company (Formerly Watsol Organics Limited) in respect of our manufacturing unit at Survey number 280, Mittapally Village, Siddipet by the Member Secretary, Andhra Pradesh Pollution Control Board under Section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974 and under Section 21 of Air (Prevention and Control of Pollution) Act, 1981 for the purposes of granting consent and authorisation to operate the industrial plant to discharge the effluents from the outlets and the quantity of emissions per hour from the chimneys. The same is also Authorisation under Rule 5 of the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 1989 and Amended Rules, 2003. The same is valid until December 30, 2012.

7. Certificate of Registration bearing number B/396/C.R. dated February 17, 2010 has been issued to our Company for our manufacturing unit at Mittapally Village, Siddipet by the Registering Officer, Medak under Section 7(2) Contract Labour (Regulation and Abolition) Act, 1970 and rules made there under for the purpose of employment of 100 contract labourers for loading, unloading and stacking, to be obtained from Contractors. The same is valid until cancellation.

8. The following Licenses have been issued by the Licensing Officer, Contract Labour Act, Patcheru under Section 12(1) of the Contract Labour (Regulation and Abolition) Act, 1970 in respect of our manufacturing unit at Mittapally village, Siddipet, Medak:

Sr. No.	License Number	Date of issue	Licensee	Number of Workers	Purpose	Validity
1.	B/1022/DCL-SRD-M-1928	December 31, 2004	Madhavi Enterprises	75	Loading and Unloading	December 31, 2011
2.	B/1102/DCL-SRD-M-2221	January 25, 2007	K. Hanmantha Reddy	30	Loading, Unloading and Packing	January 18, 2012

9. Letter bearing number 52-00-032850-000-0305 dated March 8, 2010 has been issued to our Company for our manufacturing unit at Survey number 280, Mittapally Village, Siddipet-502375, Medak, District by the Assistant Director, Employees State Insurance Corporation, Hyderabad under Section 2(12) of

the Employees State Insurance Act, 1948, allotting code number 52-00-032850-000-0305. The same is with effect from February 1, 2010 and is valid until cancellation.

10. License to store compressed gas in pressure vessel or vessels bearing number S/HQ/AP/03/635 (S33047) dated April 6, 2010 has been issued to our Company in respect of our manufacturing unit at Mittapally Village, Siddipet, Medak District by the Chief Controller of Explosives, Hyderabad under the provisions of the Indian Explosives Act, 1884 and Rules 49 and 50 of the Explosives Rules made there under is valid only for the storage of compressed gas Liquid Oxygen in pressure vessel, which was approved *vide* plan number S/HQ/AP/03/635 dated April 6, 2010. The same is valid until March 31, 2012.

11. License bearing number P/HQ/AP/15/1067(P4528) has been issued to our Company by the Deputy Chief Controller of Explosives, Petroleum and Explosives Safety Organisation, Ministry of Commerce and Industry in respect of our manufacturing unit at Mittapally, Siddipet for the importation of 285 K.L. Petroleum of class A, B and C as per the Petroleum Act, 1934. This License is valid till December 31, 2012. Our Company has applied for change of name *vide* application dated December 7, 2010.

12. Certificate of Registration bearing number QAIC/IN/624-A dated October 11, 2010 has been issued to our Company for our manufacturing unit at Mittapally Village, Siddipet by the Governing Board of Q.A. International Certification Limited certifying that the management system at the said unit is in accordance with the requirements under ISO 9001: 2008 certification for manufacture and supply of Organo Phosphorous Chemicals, API Intermediates are fulfilled by our Company. The same is valid until September 2, 2011.

13. Certificate of Membership dated April 1, 2010 has been issued to our Company by Hyderabad Waste Management Project in respect of our manufacturing unit at Mittapally, Siddipet, Medak, allotting membership code MDKXXXA010. The same is valid until March 31, 2011.

14. Agreement dated February 5, 2009 entered into by and between Hyderabad Waste Management Project, a unit of Ramky Enviro Engineers Limited and Our Company for the purposes of treating, storing and disposing hazardous wastes generated within the premises of our Company.

15. Letter bearing number Lr.No. SE/OP/MDK/ADE/Comml/HT/D.No.434/05 dated May 21, 2005 has been issued to our Company for our manufacturing unit at Mittapally Village, Siddipet by the Superintending Engineer, Central Power Distribution Company of Andhra Pradesh Limited, Operation Circle, Medak in respect of enclosing High Tension Agreement executed on May 16, 2005 for extension of supply to 425 KVA additional CMD totalling to 745 KVA CMD. The Superintending Engineer, Central Power Distribution Company of Andhra Pradesh Limited, Operation Circle, Medak *vide* its letter bearing number SE/OP/MDK/SAO/HT/D.No. 896 dated January 1, 2009 has permitted change of name from Watsol Organics Limited to Arch Pharmalabs Limited.

16. High Tension Agreement dated May 16, 2005 executed between our Company and Transmission Corporation of Andhra Pradesh Limited for extension of supply of 425 KVA additional CMD totalling to 745 KVA CMD within the premises. The Superintending Engineer, Central Power Distribution Company of Andhra Pradesh Limited, Operation Circle, Medak *vide* its letter bearing number SE/OP/MDK/SAO/HT/D.No. 896 dated January 1, 2009 has permitted change of name from Watsol Organics Limited to Arch Pharmalabs Limited.

17. Consent bearing number POPVT/H/R/Avista/Medak D, No. 925/2005 dated September 16, 2005 has been issued to our Company for our manufacturing unit at Mittapally, Medak by the Deputy Chief Electrical Inspector, Hyderabad (Rural) under the provisions of Electricity Act, 1956 and Rule 63 of the rules framed therein in respect of installation of High Voltage Electricity Connection within its premises.

18. Certificate for use of boiler bearing number AP-4172 dated June 2, 2010 has been issued to our Company in respect of our manufacturing unit at Mittapally Village, Siddipet by the Director of Boilers, Andhra Pradesh Boiler Inspection Department, Andhra Pradesh, Hyderabad under the provision of Section 8 of the Indian Boilers Act, 1923 and the regulations formulated thereunder. The same has been periodically renewed and is presently valid till June 1, 2011.

19. Letter bearing number 448/A1/2010 dated September 13, 2010 has been issued to our Company for our manufacturing unit at Mittapally Village, Siddipet by the Station Fire Officer, Medak intimating that the fire fighting equipments provided by the management at various hazardous points have been found satisfactory and in working condition by the Issuing Authority. The same is valid until September 13, 2011.

20. Letter bearing number ARCH/FAC/GP/2009-10 dated September 12, 2009 has been addressed to the Executive Officer, Grama Panchayat, Medak by our Company for our manufacturing unit at Mittapally Village, Siddipet in respect of payment made towards house tax and library tax for the year 2009-10 *vide* Treasury Challan No. 8973.

21. Letter bearing number Lr.No.260/T/SWC/08-09 dated November 5, 2008 has been issued to our Company for our manufacturing unit at Mittapally Village, Siddipet by the Deputy Director, Ground Water Department, Government of Andhra Pradesh in respect of enclosing report on ground water investigations conducted within the premises by the Issuing Authority. The report acknowledges our daily water requirement as 199.4 KL per day and gives consent to dig a bore well.

22. Certificate evidencing payment of fee to Gram Panchayat bearing number 5 dated August 12, 2008 has been issued to our Company in respect of our manufacturing unit at Siddipet, Medak by the Executive Officer, Gram Panchayat Office, Mitapally, Siddipet. The same is valid till March 31, 2011.

23. Certificate bearing number Cr. No.A1/390/2010/Methanol dated February 2, 2011 issued by the Superintendent, State Excise and Prohibition, Medak in respect of our manufacturing unit at Mittappally, Siddipet for possession and usage of Methanol.

Licenses applied for renewal:

1. License to store compressed gas in cylinders bearing number G/SC/AP/06/195 (G3723) dated July 06, 2007 has been issued to our Company for our manufacturing unit at Siddipet, Medak by Deputy Chief Controller of Explosives, Hyderabad Sub Circle, Hyderabad under the provisions of the Indian Explosives Act, 1884 and Rules 50, 51 and 54 of the Explosives Rules made there under is valid only for the possession of cylinders filled with compressed gas, which was approved *vide* plan number G/SC/AP/06/195 dated July 13, 1995. The same was valid till September 30, 2010. Our Company has applied for renewal of this License *vide* letter dated September 16, 2010.

2. Certificate for use of boiler bearing number AP-2777 dated November 26, 2009 has been issued to our Company in respect our manufacturing unit at Mittapally Village, Siddipet by the Director of Boilers, Andhra Pradesh Boiler Inspection Department, Andhra Pradesh, Hyderabad under the provision of Section 7/8 of the Indian Boilers Act, 1923 and the regulations formulated thereunder. The same has been periodically renewed and was valid till November 1, 2010. Letter bearing number Lr. No. F1/6970/2009 dated April 25, 2009 has been issued to our Company by the Director of Boilers, Andhra Pradesh, Hyderabad noting change of ownership of boiler number AP/2777 in favour of our Company. Our Company has applied for renewal *vide* letter dated October 12, 2010.

III. "Medak Unit 3"- Licenses issued to our Company for our manufacturing unit at Survey number 10, Plot number 3-72, Gaddapotharam, Jinnaram, Medak District, Andhra Pradesh:

1. License to work a factory bearing number 44370 dated April 25, 2007 has been issued to our Company in respect of our manufacturing unit at Survey number 10, Plot number 3-72, Gaddapotharam by the Director of Factories, Andhra Pradesh, Hyderabad under the Factories Act, 1948 and the rules formulated thereunder. The same is valid until cancellation. The name of the licensee has been changed from "Sibra Pharmaceuticals Limited" to "Arch Pharmalabs Limited" *vide* amendment dated October 16, 2009, wherein the maximum number of employees was also increased from 100 workers to 250 workers.

2. Certificate of Stability dated August 10, 2009 has been issued to our Company in respect of our manufacturing unit at Survey number 10, Plot number 3-72, Gaddapotharam by Chief Structural Consultant, Siri Consultants approving the unit as compliant with IS Standards. The same is valid until August 9, 2014.

3. Certificates of Calibration bearing numbers APW&MIC/APLL/01-45 and 48-53 dated October 1, 2010 and October 2, 2010 respectively have been issued to our Company by AP Weighing & Measuring Instrument Corporation in respect of our manufacturing unit at Gaddapotharam, Medak approving the Calibration of weighing scales and standard test weights till October 1, 2011 and January 1, 2012 respectively.

4. Certificate of Registration dated March 30, 2009 has been issued to our Company for our manufacturing unit at Survey number 10, Plot number 3-72, Gaddapotharam by the Service Tax Commissionerate, Hyderabad under Section 69 of the Finance Act, 1994 read with the Service Tax Rules, 1994 in respect of allotting service tax code being AACCM0306QST010. The same is valid until cancellation.

5. Consent and Authorisation to Operate Order bearing number APPCB/PTN/BLM/18/HO/2008-785 dated June 10, 2008 has been issued to our Company in respect of our manufacturing unit at Plot number 3-72, Medak by the Member Secretary, Andhra Pradesh Pollution Control Board under Section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974 and under Section 21 of Air (Prevention and Control of Pollution) Act, 1981 for the purposes of granting consent and authorisation to operate a facility for collection, reception, storage, transport and disposal of hazardous wastes as mentioned therein.The same is also Authorisation under Rule 5 of the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 1989 and Amended Rules, 2003. *Vide* an order bearing number APPCB/HWM/MDK-II/175/2007-118/- dated July 30, 2008 issued to our Company in respect of our manufacturing unit at Plot number 3-72, Medak by the Member Secretary, Andhra Pradesh Pollution Control Board, the Pollution Control Board has amended the consent and authorization order for handling hazardous wastes with disposal option and hazardous wastes with recycling option. Thereafter, order bearing number APPCB/PTN/BLM/18/HO/CFO/2009-1885 dated November 09, 2009 has issued to our Company in respect of the name change to Arch Pharmalabs Limited. The same is valid until March 31, 2011**.**

6. Certificate of Registration bearing number B/409/C.R. dated November 27, 2009 has been issued to our Company for our manufacturing unit at Plot number 3-72, IDA, Medak by the Registering Officer and Deputy Commissioner of Labour, Sanga Reddy, Medak District, Andhra Pradesh under Section 7(2) Contract Labour (Regulation and Abolition) Act, 1970 and Rule 18(1) of the rules made there under for the purpose of employment of 290 contract labourers for maintenance, housekeeping, assistance to chemists, cleaning, material movement, boiler assistance and security, to be obtained from Balaji Sree Enterprises, A. Gopal Reddy Contractor, Sri Balaji Enterprises, Shree Laxmi Venkateswara Bolier and Labour Contractors and Expert Industrial Security Private Limited. The same is valid until cancellation.

7. License bearing number 52-25613-34 dated April 24, 2006 has been issued to our Company for our manufacturing unit at Plot number 3-72, Survey number 10, I.D.A., Gaddapotharam, Jinnaram (Mandal), Medak District by the Director, Regional Office Andhra Pradesh, Employees State Insurance Corporation under Section 2(12) of the Employees State Insurance Act, 1948, allotting code number 52-25613-34 to the said manufacturing unit. The same is with effect from October 22, 2005 and is valid until cancellation. The concerned authority was intimated of change of name by way of letter dated July 23, 2009.

8. The following Licenses have been issued by the Licensing Officer under Section 12 (1) of the Contract Labour (Regulation and Abolition) Act, 1970 in respect of our manufacturing unit at Gundlamachnoor, Medak:

Sr. No.	License Number	Date of issue	Licensee	Number of Workers	Purpose	Validity
1.	B/1576/DCL-SRD	December 16, 2009	Expert Industrial Security Private Limited	9	Security Services	December 14, 2011
2.	B/1577/DCL-SRD	December 16, 2009	Sri Laxmi Venkateshwara Boiler and Labour Contractors	6	Loading and Unloading	December 14, 2011
3.	B/1578/DCL-SRD	December 16, 2009	Sri Balaji Enterprises	15	Maintenance and Material Movement	December 14, 2011

Sr. No.	License Number	Date of issue	Licensee	Number of Workers	Purpose	Validity
4.	B/1579/DCL-SRD	December 16, 2009	Balaji Sree Enterprises	15	Housekeeping	December 14, 2011
5.	B/1580/DCL-SRD	December 16, 2009	A. Gopal Reddy Contractors	20	Cleaning	December 14, 2011

9. Approval bearing number 14580/M2A/2009 dated December 16, 2009 has been issued to our Company for our manufacturing unit at Plot number 3-72, Medak by the Joint Director and Licensing Authority, Drugs Control Administration, Government of Andhra Pradesh in respect of permitting to use neutral code number DRUGS/AP/44/2005 for printing the same on the labels and cartons of drugs/cosmetics intended for export purpose subject to the provisions containing in Rule 94 of the Drugs and Cosmetics Rules, 1945.

10. Good Manufacturing Practices Certificate bearing number 11168/M2A/2010 dated May 24, 2010 has been issued to our Company for our manufacturing unit at Survey number 10, Plot 3-72, Gaddapootharam, Medak by the Joint Director and Licensing Authority, Drugs Control Administration, certifying that (i) our Company holds drug manufacturing license bearing number 44/MD/AP/2005/B/CC granted on February 25, 2009; and that (ii) our Company manufactures drugs by observing good manufacturing practices as per the rules of Schedule 'M' to the Drugs and Cosmetics Rules, 1945. This Certificate is valid till May 23, 2011.

11. Certificate of Membership dated March 5, 2009 has been issued to our Company by Hyderabad Waste Management Project in respect of our manufacturing unit at Plot number 3-72, Medak, allotting membership code MDKGADA004.

12. Agreement dated April 7, 2010 entered into by and between Hyderabad Waste Management Project, a unit of Ramky Enviro Engineers Limited and Our Company for the purposes of treating, storing and disposing hazardous wastes generated within the premises of our Company. The same is valid until March 31, 2011.

13. Agreement dated December 16, 2009 has been entered into by and between Pattancheru Enviro-Tech Limited and our Company in respect of our manufacturing unit at Plot number 3-72, Medak for the purposes of treating the liquid industrial wastes generated by our Company in Common Effluent Treatment Plant of Pattancheru Enviro-Tech Limited.

14. Letter bearing number SE/OP/MDK/SAO/HT/D.No.473/2009 dated August 3, 2009 has been issued to our Company for our manufacturing unit at Plot number 3-72, Medak by the Superintending Engineer, Operation Circle, Central Power Distribution Company of Andhra Pradesh Limited, Medak in respect of taking note of change of name of our Company from "Sibra Pharmaceuticals Limited" to "Arch Pharmalabs Limited" subject to certain conditions mentioned therein.

15. Letter bearing number DEE/OP/MDK/Comml/F.No:/D.No: 465/2009 dated November 6, 2009 has been issued to our Company for our manufacturing unit at Plot number 3-72, Medak by the Divisional Engineer Electrical, Operation Circle, Central Power Distribution Company of Andhra Pradesh Limited, Medak in respect of conversion of supply from 11 KV to 33 KV of High Tension supply, additional CMD of 1001 KVA with additional connected load of 3000 HP to over and above existing 500 KVA with total connected load of 1000 HP, thus making total CMD of 1501 KVA and total connected load of 4000 HP.

16. Agreement for Supply of Electricity at High Tension dated November 6, 2009 entered into by and between our Company and Central Power Distribution Company of Andhra Pradesh Limited wherein Power Distribution Company to supply electricity at specified 33 KV voltage of supply as per tariffs for the purpose of manufacturing bulk drugs. Furthermore Company has agreed to take electric power for a maximum load not exceeding 1501 KVA. The same is valid until November 6, 2011.

17. Certificate for use of boiler bearing number AP-3915 dated November 30, 2010 has been issued to our Company in respect of our manufacturing unit at Plot number 3-72, Medak by the Director of Boilers, Andhra Pradesh Boiler Inspection Department, Andhra Pradesh, Hyderabad under the provision of

Section 7/8 of the Indian Boilers Act, 1923 and the regulations formulated thereunder. The same has been periodically renewed and is presently valid till November 1, 2011.

18. Order bearing number D2/1452/2005/Methanol dated January 2, 2006 has been issued to our Company in respect of our manufacturing unit at Plot number 3-72, Medak by the Prohibition and Excise Superintendent, Sangareddy intimating that the licensee has been registered in the Medak District *vide* Registration bearing number 29/2005-06 to trade the Methanol in pursuance of the instructions issued by the Commissioner of Prohibition and Excise subject to certain conditions. The authority took note of change of name *vide* order bearing number D2/242/2009/Methanol dated October 26, 2009.

19. Order bearing number Cr. No. 2868/2010/CPE/B1 dated March 30, 2010 has been issued to our Company in respect of our manufacturing unit at Plot number 3-72, Medak by the Commissioner of Prohibition and Excise renewing RS III License for storage of 48,000 bls of Ethanol/ AA PA. The same is valid till March 31, 2011.

20. Certificate bearing number 314/SFO/JDM/10 dated March 8, 2010 has been issued to our Company in respect of our manufacturing unit at Plot number 3-72, Medak certifying that the fire-fighting equipment is in good condition. The same is valid till March, 2011.

21. Receipt number 762 dated August 16, 2010 has been issued to our Company in respect of our manufacturing unit at Gaddapootharam for payment of house tax of ₹2,43,205 (Two Lakh, Fourty Three Thousand, Two Hundred and Five only) for the year 2009-10.

Licenses applied for renewal:

1. License to manufacture for sale (or for distribution) of drugs other than those specified in Schedules C, C(1) and X bearing number 44/MD/AP/2005/B/CC dated December 21, 2005 has been issued to our Company in respect of our manufacturing unit at Plot number 3-72, Medak by the Director, Drugs Control Administration, Government of Andhra Pradesh, Hyderabad under the provisions of the Drugs and Cosmetics Act, 1940 and Rule 70 of the Drugs and Cosmetics Rules, 1945. The same is valid from February 25, 2009 until December 20, 2010. The same has undergone constant change to add and remove products and is currently valid in respect of 45 different products. Our Company has applied for renewal of this license *vide* letter dated November 19, 2010 and is currently awaiting renewal. The license is currently valid until further orders are passed by the licensing authority in this regard.

2. License to Import and Store Petroleum in Installation bearing number P/HQ/AP/15/3301 (P129337) dated October 7, 2004 has been issued to our Company in respect of the manufacturing unit at Plot number 3-72, Medak by the Chief Controller of Explosives under the provisions of the Petroleum Act, 1934 and the rules formulated there under in respect to the importation of 225 kilo litres of Petroleum Class "A" in bulk and 15 kilo litres of Petroleum Class "B" in bulk within the premises. The same was valid until December 31, 2010. Applied for renewal of the same *vide* letter dated November 29, 2010 and are currently awaiting renewal.

3. License bearing number 9737/M2A/2009 dated August 28, 2009 has been issued to our Company in respect of the manufacturing unit at Plot number 3-72, Medak by the Joint Director and Licensing Authority, Drugs Control Administration, Government of Andhra Pradesh in respect of taking note of change of name of our Company in the World Health Organisation Good Manufacturing Practice (WHO GMP) Certificate and list of products (i.e. Lamivudine, Zidovudine, Citalopram Hydrobromide USP and Escitalopram Oxalate) approved under WHO GMP Certification Scheme for export purpose. The License was valid till September 24, 2010. Our Company has applied for renewal of this License by way of letter dated March 6, 2010 and renewal is currently pending.

IV. "Tarapur Unit 1" - Licenses for our manufacturing unit at Plot number T-84/85/86, MIDC, Tarapur, Boisar-401506, Maharashtra:

1. License to work a factory bearing number 080070 dated April 27, 2004 has been issued to our Company in respect of our manufacturing unit at Plot number T-86, Tarapur by the Director of Industrial Safety and Health, Mumbai, Maharashtra under the Factories Act, 1948 and the rules formulated thereunder. The same is valid till December 31, 2011. The same has been amended dated

April 27, 2004 for maximum installed motive power of 100 H.P. and for employing a maximum number of 20 workers only.

2. Certificate of Stability dated April 21, 2008 has been issued to our Company for our manufacturing unit at Plot number T-84/85/86, Thane for the manufacturing process PLN/114/VAM/2007/2776 dated August 17, 2007 by Rajesh D Patil, Structural Engineer, Raj Associates, Palghar (West). The same is valid till April 20, 2013.

3. Certificate of Registration dated February 25, 2005 has been issued to our Company for our manufacturing unit at T-86, Boisar, Thane by the Superintendent (Service Tax), Division VI, Mumbai under Section 69 of the Finance Act, 1994 read with the Service Tax Rules, 1994 in respect of allotting service tax code being AACCM0306QST001. The same is valid until cancellation.

4. Consent to operate (red) bearing number BO/RO-TN/PCI-I/1384-07/RA/CC-107 dated June 3, 2009 has been issue d to our Company for our manufacturing unit at Plot number T-84/85/86, Boisar by the Member Secretary and Principal Scientific Officer, Maharashtra Pollution Control Board, Mumbai under Section 26 of the Water (Prevention and Control of Pollution) Act, 1974 and under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for the manufacture of various products and by-products. The same is also Authorisation under Rule 5 of the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 1989 and Amended Rules, 2003. The same is valid until October 31, 2012.

5. Certificate bearing number KD/RC/90/2009/Z-6 dated January 28, 2009 for Renewal of License to Manufacture for Sale of Drugs Other Than Those Specified in Schedule X bearing number (28) KD-389 dated January 2, 2004 has been issued to our Company in respect of our manufacturing unit at T-85/86, Boisar, Tarapur by the Joint Commissioner (Kalyan Division), Food and Drug Administration, Maharashtra State, Thane under the Drugs and Cosmetics Rules, 1945 for the purpose of manufacturing, sale and testing of drugs other than those specified in Schedule C, C(1) and X or drugs specified in schedule C and C(1) excluding those specified in schedule X to the Drugs and Cosmetics Rules, 1945, as enumerated in the said certificate. The same has been renewed from January 2, 2009 and is valid until January 1, 2014.

6. Enrolment and membership certificate has been issued to our Company in respect of our manufacturing unit at Plot number T-85/86, Boisar by the Chief Operating Officer, Mumbai Waste Management Limited in respecting of allotting membership code being MWML-HzW-TAR-1142 for the purposes of utilizing Common Hazardous Waste Treatment Storage Disposal Facility to dispose hazardous waste safely and securely. The same is valid until March 31, 2014.

7. Letter dated December 29, 2003 has been issued to our Company in respect of sanction of 114 KVA power for its unit at T-85/86, Boisar by the Maharashtra Electricity Board.

8. Letter bearing number SE/VC/TECH/PLG/CONS/A-9/2055 dated April 27, 2004 has been issued to our Company in respect of our manufacturing unit at Plot number T-85/86, Boisar by the Superintending Engineer (VC), Maharashtra State Electricity Board, Vasai Circle, Vasai in respect of releasing permanent power supply to the extent of 121 KW connected load and for the contract demand of 114 KVA in respect of high tension power supply.

9. Letter bearing number APL/TR/MSEB/2005/017 dated April 13, 2005 has been addressed to the Superintendent Engineer, Vasai Circle by our Company in respect of intimating that our Company is no longer SSI Unit and now it falls under Medium Scale Industry category.

10. Final No-Objection Certificate bearing number MIDC/FIRE/FINAL-NOC/1712 dated October 06, 2010 has been issued to our Company in respect of our manufacturing unit at Plot number T-84, Boisar by the Fire Officer, Maharashtra Industrial Development Corporation, Tarapur under the provisions of the Maharashtra Fire Prevention and Life Safety Measures Act, 2006 in respect of renewal of the Final No-Objection Certificate for the fire fighting arrangements The same has been renewed for further period until September 30, 2011.

11. Challan bearing number 18 dated May 3, 2009 has been issued to our Company for our manufacturing unit at Plot number T-84/85/86, Tarapur by the Grampanchayat Salvad, Palghar, Thane confirming

payment of a sum of ₹12,335 (Twelve Thousand, Three Hundred and Thirty Five) by our Company towards property tax for the year 2009-10.

12. Certificate of Registration bearing number QAIC/IN/087-A dated January 5, 2011 has been issued to our Company for our manufacturing unit at T-84/85/86, Tarapur by the Governing Board of Q.A. International Certification Limited certifying that the management system at the said unit is in accordance with the requirements under ISO 9001: 2008 certification for manufacture and supply of Specialty Chemicals for pharmaceuticals and other specialist uses by our Company. The same is valid until November 9, 2011.

13. Certificate of verification bearing number 0082162 dated December 17, 2009 has been issued to our Company for our manufacturing unit at Plot number T-84/85/86, Thane by the Inspector, Weights and Measures, Palghar under the provisions of the Standards of Weights and Measures (Enforcement) Act, 1985 and the rules therein. The same is valid until December 27, 2011.

V. "Tarapur Unit 2" - Licenses for Our Oncology Division at Plot number E-64/80/81/82, Tarapur Industrial Area, MIDC Salvad, Thane District-401506, Maharashtra:

1. License to work a factory bearing number 096899 (Earlier number 086607) dated April 2, 2008 has been issued to our Company in respect our Oncology Division at Plot number E-64/80/81/82, Boisar, Tarapur by the Director of Industrial Safety and Health, Mumbai, Maharashtra under the Factories Act, 1948 and the rules formulated thereunder. The same has been amended for change of name from "M/s Benzochem Life Science Private Limited" to "Arch Pharmalabs Limited" dated December 14, 2004 and further amended to maximum installed motive power of 2000 H.P. The same is valid till December 31, 2013.

2. The following Certificates of verification have been issued to our Company by the District Inspector, Legal Metrology (Weights and Measures) Palghar under the provisions of the Maharashtra Standards of Weights and Measures Act, 1985 and the rules therein:

Sr. No.	Certificate Number	Date of Issue	Validity
1.	0167560	September 14, 2010	September 14, 2011

3. Certificate of Registration dated February 10, 2009 has been issued to our Company for our Oncology Division at Plot number E-64/80/81/82, Boisar, Tarapur by the Superintendent (Service Tax), Division VI, Mumbai under Section 69 of the Finance Act, 1994 read with the Service Tax Rules, 1994 in respect of allotting service tax code being AACCM0306QST007. The same is valid until cancellation.

4. Consent to operate (red) bearing number BO/RO-TN/PCI-I/1235-07/A/CC-222 dated July 20, 2007 has been issued to our Company for our Oncology Division at Plot number E-81, Tarapur by the Member Secretary and Principal Scientific Officer, Maharashtra Pollution Control Board, Mumbai under Section 26 of the Water (Prevention and Control of Pollution) Act, 1974 and under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for the manufacture of various products with the condition that only two products shall be manufactured at a time. The same is also Authorisation under Rule 5 of the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 1989 and Amended Rules, 2003. The same is valid until March 31, 2012. The relevant authority took note of change of name *vide* order bearing number BO/MPCB/WPAE/RO-Thane/A/CC-136 dated May 7, 2010.

5. License to manufacture for sale (or for distribution) of drugs other than those specified in Schedules C, C (1) and X bearing number KD-686 dated March 26, 2009 has been issued to our Company in respect of our Oncology Division at Plot number E-64/80/81/82, Tarapur by the Joint Commissioner (Kalyan Division), Thane, Food and Drug Administration, M.S. Thane under the provisions of the Drugs and Cosmetics Act, 1940 and Rule 70 of the Drugs and Cosmetics Rules, 1945. The same is valid from March 26, 2009 until March 25, 2014.

6. Good Manufacturing Practices Certificate bearing number GMP/275/125/2010/Z-6 dated February 10, 2010 has been issued to our Company for our Oncology Division at Plot number E-64/80/81/82, Tarapur by the Joint Commissioner, (K.D), Food and Drug Administration, Maharashtra State Thane certifying that (i) our Company holds drug manufacturing license bearing number KD-686 granted on

March 26, 2009 under the provisions of the Drugs and Cosmetics Act, 1940 and the rules made thereunder; and that (ii) our Company manufactures drugs by observing good manufacturing practices as per the rules of Schedule 'M' to the Drugs and Cosmetics Rules, 1945. The license bearing number KD-686 is valid until March 25, 2014. The certificate has been issued for purpose of local sales and exports.

7. Good Manufacturing Practices Certificate bearing number GMP/47/09/Z-6 dated June 20, 2009 has been issued to our Company for our Oncology Division at Plot number E-64/80/81/82, Tarapur by the Joint Commissioner, (K.D), Food and Drug Administration, Maharashtra State Thane certifying that (i) our Company holds drug manufacturing license bearing number KD-686 granted on March 26, 2009 under the provisions of the Drugs and Cosmetics Act, 1940 and the rules made thereunder; and that (ii) our Company manufactures drugs by observing good manufacturing practices as per the rules of Schedule 'M' to the Drugs and Cosmetics Rules, 1945. The license bearing number KD-686 is valid until March 25, 2014. The certificate has been issued for purpose of local sales and exports.

8. Certificate bearing number MWML-HzW-Tar-1138 has been issued to our Company registering our Oncology Division at E-81, Boisar as a member of the MIDC, Taloja for safe and secure disposal of waste. The membership has been extended up to March 31, 2011 *vide* letter dated April 23, 2010.

9. Letter bearing number SE/VC/Tech/PLG/Con./04597 dated August 10, 2007 has been issued to our Company in respect of our Oncology Division at Plot number E-64/81, Boisar by the Superintending Engineer (VC), Maharashtra State Electricity Board, Vasai Circle, Vasai in respect of releasing additional power supply of 338 KW connected load in addition to the existing 150 KW and the additional contract demand of 338 KVA in addition to the existing 116 KVA in respect of high tension power supply.

10. Certificate of Registration of Consumer bearing number Palghar/88/2007 dated October 26, 2007 has been issued our Company in respect of our Oncology Division at Plot number E-81, Boisar by the District Supply Office, Thane, (Headquarter Jawhar) under clauses 2(1)(d), 2(1)(g), 2(i), 2(3), 2(4), 2(5), 2(6), 2(7) and 2(8) of the Maharashtra Solvent, Raffinate and Slop (Licensing) Order, 2007, registering our Company as consumer of solvent. The same is valid until October 25, 2012. The authority has been intimated of change of name *vide* letter dated April 29, 2009.

11. Challan bearing number 13 dated February 21, 2008 has been issued to Benzochem Life Sciences for our Oncology Division at Plot number E-64/80/81/82, Boisar, Tarapur by the Grampanchayat Salvad, Palghar, Thane confirming payment of a sum of Rs 20,138 (Twenty Thousand, One Hundred and Thirty Eight) by our Company. The authority was intimated of change of name *vide* letter dated October 23, 2010.

12. Challan bearing number 14 dated February 21, 2008 has been issued to Palasar Chemicals for our Oncology Division at Plot number E-64/80/81/82, Boisar, Tarapur by the Grampanchayat Salvad, Palghar, Thane confirming payment of a sum of Rs 13,378 (Thirteen Thousand, Three Hundred and Thirty Eight) by our Company. The authority was intimated of change of name *vide* letter dated October 23, 2010.

13. Challan bearing number 15 dated February 21, 2008 has been issued to Gayathri Laboratories for our Oncology Division at Plot number E-64/80/81/82, Boisar, Tarapur by the Grampanchayat Salvad, Palghar, Thane confirming payment of a sum of Rs 51,400 (Fifty One Thousand and Four Hundred) by our Company. The authority was intimated of change of name *vide* letter dated October 23, 2010.

VI. "Gurgaon Unit" - Licenses issued to our Company for our manufacturing unit at Village Pathreri, Bilaspur, Tauru Road, District Gurgaon-122001, Haryana:

1. Certificate of Stability dated March 26, 2008 has been issued to our Company for our manufacturing unit at Village Pathreri, Gurgaon by Chief Inspector of Factories, Gurgaon, Haryana under the Factories Act, 1948 and Rule 4 of the Maharashtra Factories Rules, 1963 in respect of manufacturing of bulk drugs and speciality chemicals. The same is valid till March 25, 2013.

2. The following Certificates of verification have been issued to our Company by the District Inspector, Legal Metrology (Weights and Measures), Gurgaon under the provisions of the Standards of Weights and Measures (Enforcement) Act, 1985 and the rules therein:

Sr. No.	Certificate Number	Date of Issue	Validity
1.	00001	December 29, 2008	January 1, 2014
2.	22	June 1, 2010	June 1, 2011
3.	23	June 1, 2010	June 1, 2011
4.	24	June 1, 2010	June 1, 2011

3. Certificate of Registration bearing number D-III/ST/R-III/TIC/27/2005/5072 dated June 04, 2008 has been issued to our Company for our manufacturing unit at Pathreri, Gurgaon by the Service Tax Commissionerate, Gurgaon under Section 69 of the Finance Act, 1994 read with the Service Tax Rules, 1994 in respect of allotting service tax code being AACCM0306QST005. The same is valid until cancellation.

4. Certificate of Registration bearing number TU-IV/2484/2010 dated April 16, 2010 has been issued to our Company for our manufacturing unit at Pathreri, Gurgaon by the Scientist- G, Ministry of Science and Technology, Department of Scientific and Industrial Research, Government of India in respect of registration of the unit as research institution other than a hospital for the purpose of availing customs or central excise duty exemption in terms of the Government Notification number 24/2007-Customs dated March 1, 2007 and Central Excise Duty exemption in terms of Government Notification number 16/2007-Central Excise dated March 01, 2007 as amended from time to time. The same is valid until March 31, 2015.

5. Consent to operate a facility for collection, reception, treatment, storage, transportation and disposal of hazardous wastes under the Environment (Protection) Act, 1986 and the rules thereunder bearing number HSPCB/2010/1124 dated October 30, 2010 has been granted to our Company by the Scientist for Chairman, Haryana State Pollution Control Board in respect of our manufacturing unit at Village Pathreri, Bilaspur. The same is valid till March 31, 2011.

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6. Consent to operate (red) and an authorization under Hazaradous Waste Management Rules bearing number HSPCB/2009/1165 dated October 20, 2009 has been issued to our Company for our manufacturing unit at Gurgaon by the Scientist for Chairman, Haryana State Pollution Control Board, Panchkula, under Section 26 of the Water (Prevention and Control of Pollution) Act, 1974 and under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and is valid till March 31, 2011.

7. Letter bearing number H/13-46611-0910-M01/1353 dated July 16, 2009 has been issued to our Company for our manufacturing unit at Village Pathreri, Bilaspur, Tauru Road, Gurgaon, Haryana by the Joint Director, Sub-Regional Office Employees State Insurance Corporation, Gurgaon under Section 2(12) of the Employees State Insurance Act, 1948, allotting code number 13-46611-0910. The same is with effect from July 16, 2009 and is valid until cancellation.

8. License to manufacture for sale (or for distribution) of drugs other than those specified in Schedules C, C (1) and X bearing number 930-OSP (H) dated March 15, 2005 has been issued to our Company in respect of our manufacturing unit at Pathreri, Gurgaon by the State Drugs Controller and Licensing Authority, Directorate of General Health Services, Haryana under the provisions of the Drugs and Cosmetics Act, 1940 and Rule 70 of the Drugs and Cosmetics Rules, 1945. The same has been renewed *vide* letter dated April 22, 2010 and is valid from January 1, 2010 until December 31, 2014.

9. License to manufacture for sale (or for distribution) of drugs other than those specified in Schedules C, C (1) and X bearing number 581-B (H) dated March 15, 2005 has been issued to our Company in respect of our manufacturing unit at Pathreri, Gurgaon by the State Drugs Controller and Licensing Authority, Directorate of General Health Services, Haryana under the provisions of the Drugs and Cosmetics Act, 1940 and Rule 70 of the Drugs and Cosmetics Rules, 1945. The same has been renewed *vide* letter dated April 22, 2010 and is valid from January 1, 2005 until December 31, 2014.

10. Approval bearing number 4/103-1DI-2005/2631 dated April 28, 2005 has been issued to our Company for our manufacturing unit at Plot number Pathreri, Gurgaon by the State Drugs Controller, Controlling and Licensing Authority, Directorate General Health Services, Haryana in respect of permitting to use

neutral code numbers HR-Drugs-930 OSP (II) and HR-Drugs-581- B (II) for printing the same on the labels and cartons of drugs/cosmetics intended for export purpose subject to the provisions containing in Rule 94(1) of the Drugs and Cosmetics Rules, 1945.

11. Letter dated April 16, 2010 has been issued to our Company in respect of our manufacturing unit at Gurgaon by the Compliance Officer, International Compliance Team, Department of Health and Human Services, Food and Drug Administration, USA in respect of certifying that the API facility at the premises is acceptable to the Issuing Authority pursuant to the review of the Establishment Inspection Report (EIR) submitted by our Company.

12. License to Import and Store Petroleum in Installation bearing number P/HQ/HN/15/765 (P15903) dated January 15, 2002 has been issued to our Company in respect of the manufacturing unit at Pathreri, Gurgaon by the Chief Controller of Explosives under the provisions of the Petroleum Act, 1934 and the rules formulated there under in respect to the importation of 490 kilo litres of Petroleum Class "A" in bulk; 15 kilo litres of Petroleum Class "A", otherwise than in bulk; 20 kilo litres of Petroleum Class "B" in bulk and 40 kilo litres of Petroleum Class "C" in bulk within the premises. The same is valid until December 31, 2011.

13. License bearing number S/HO/HN/03/116 (S5101) dated May 18, 2010 regarding storage of compressed gas has been issued to our Company in respect of our manufacturing unit at Pathreri, Gurgaon by the Joint Chief Controller of Explosives for Chief Controller of Explosives in respect of renewal of the License bearing number S/HO/HN/03/116 (S5101) till March 31, 2012.

14. Approval letter bearing number A/G/NC/HN/06/684 (G23211) dated December 11, 2007 has been issued to our Company for our manufacturing unit at Village Pathreri, Bilaspur by the Deputy Controller of Explosives, for Joint Chief Controller of Explosives, North Circle, Faridabad under Gas Cylinder Rules, 2004 in respect of storage of Ammonia, Air, Argon, Carbon Dioxide, Hydrogen, Oxygen, gas cylinders within the premises, subject to stipulated conditions mentioned therein.

15. License to store compressed gas in a pressure vessel bearing number S/HO/HN/03/270 (S36384) dated June 13, 2008 has been issued to our Company for our manufacturing unit at Pathreri, Gurgaon Unit in accordance with the Indian Explosives Act, 1884 and the rules thereunder. The License is valid till March 31, 2011.

16. Certificate for use of boiler bearing number SM-30C/10-54/49 dated February 25, 2010 has been issued to our Company in respect of the manufacturing unit at Village Pathreri, Bilaspur by the Chief Inspector of Boilers, Haryana Boiler Inspection Department under the provision of Section 7/8 of the Indian Boilers Act, 1923 and the regulations formulated thereunder. The same has been periodically renewed and is presently valid till February 9, 2012.

17. Certificate bearing number VER-PI/DF-ARCH-001 dated April 17, 2009 has been issued to our Company for our manufacturing unit at Village Pathreri, Gurgaon by the Vice President, United States Pharmacopeia Verification Programs certifying that our quality system provides adequate assurance that the Pharmaceutical Ingredient Clopidogrel Bisulfate meets the applicable monograph requirements as set forth in the current edition of the United States Pharmacopeia National Formulary or such other criteria deemed suitable by the Issuing Authority. The same is valid until April 17, 2012.

18. License Agreement dated May 2, 2008 between the United States Pharmacopeial Convention and our Company for grant of a nonexclusive License in connection with the marketing of goods. The agreement valid till May 2, 2011.

19. No Objection Certificate (under 15 meter height) bearing number F.S. 2009/1135 dated November 17, 2009 has been issued to our Company for our manufacturing unit at Pathreri, Gurgaon by Fire Station Officer, Municipal Corporation, Gurgaon in respect of intimating that pursuant to satisfactory fire safety arrangements has been made by our Company as per requirements of the Issuing Authority, no-objection has been granted towards running of the factory from fire safety point of view with the condition of keeping trained staff and fire fighting system tested during inspection to be available in good working condition. The same is valid until December 8, 2011.

20. Certificate of Registration bearing number 8045 dated May 6, 2010 has been issued to our Company by Moody International Certification Limited certifying that the Occupational Health and Safety Management System of our Company has been assessed and registered against the requirements of BS OHSAS 18001:2007 for the development, manufacture and supply of bulk drugs and intermediate and specialty chemicals. The same is valid until May 5, 2013.

21. Certificate of Registration bearing number IDL-0627.07 dated January 4, 2009 has been issued to our Company for our manufacturing unit at Village Pathreri, Gurgaon by Moody International Certification Limited certifying that the Quality Management System of our Company has been assessed and found compliant with the requirements of ISO 9001:2008 for the development, manufacture and supply of bulk drugs and intermediate and specialty chemicals. The same has been periodically renewed and is currently valid till January 3, 2012.

22. Certificate of Registration bearing number 8045 dated May 6, 2010 has been issued to our Company for our manufacturing unit at Village Pathreri, Gurgaon by Moody International Certification Limited certifying that the Environmental Management System of our Company has been assessed and registered against the requirements of ISO 14001:2004 for the development, manufacture and supply of bulk drugs and intermediate and specialty chemicals. The same is valid until May 5, 2013.

23. Letter bearing number 4/103-3 Drugs-I-2010/2848 dated May 13, 2010 has been issued to our Company for our manufacturing unit at Pathreri, Gurgaon by the Controlling and Licensing Authority, Directorate of General Health Services, Haryana under the Drugs and Cosmetics Rules, 1945 in respect of granting GMP Certificate. The same has been renewed *vide* letter bearing number 4/103-3Drug-1-10/5189 dated September 8, 2010 till December 31, 2014.

24. Letter bearing number 4/103-3 Drugs-I-2010/5328 dated September 14, 2010 has been issued to our Company for our manufacturing unit at Pathreri, Gurgaon by the Controlling and Licensing Authority, Directorate of General Health Services, Haryana in respect of extending the validity of WHO GMP Certificate till June 13, 2012 due to certain compliances carried out by the unit.

25. Membership certificate bearing number CHV006 dated September 9, 2009 has been issued to our Company by Director, Gujarat Enviro Protection and Infrastructure (Haryana) Private Limited in respect of certifying that our Company is a valid member of Gujarat Enviro Protection and Infrastructure (Haryana) Private Limited for integrated common hazardous waste management facility. The same is valid until September 8, 2014.

26. Agreement dated January 4, 2010 between Gujarat Enviro Protection and Infrastructure (Haryana) Private Limited and our Company for disposing of hazardous waste generated by our Company by setting up an Integrated Common Hazardous Waste Treatment, Storage and Disposal Facility (TSDF). The Agreement is valid till our Company continues to have authorisation or till the membership of HEMS, the parent company behind the other party, expires.

27. Letter bearing number HTI/105/May/GG12/2009 dated February 27, 2009 has been issued to our Company for our manufacturing unit at Village Pathreri, Bilaspur by the Executive Engineer, Electrical Inspectorate, Gurgaon, Haryana intimating that the inspection of installed equipment bearing number (1600 + 200) ICAMT/R/ (1010+750+500+2x200) 1cmgenset/MPR within the premises has been carried out by the Issuing Authority and the same has been found to be complying with the relevant provision of Indian Electricity Rules, 1956.

28. Letter bearing number 7124 dated February 27, 2008 has been issued to our Company for our manufacturing unit at Village Pathreri, Gurgaon by the S.D.O. Haryana State Electricity Distribution Company Limited, Tauru in respect of approving extension of power supply of 4,800 KW from the existing 1,600 KW connected load and for the contract demand of 3,800 KVA from the existing 1,250 KVA in respect of high tension power supply.

29. Application Brochure for HT Connection bearing number 383/002097 dated September 13, 2007 has been submitted by our Company to Dakshin Haryana Bijli Vitran in respect of our manufacturing unit at Pathreri, Gurgaon to avail of a 3,200KW/2,550 KVA connection at 11KV Voltage.

30. License dated May 10, 2006 has been issued to our Company for our manufacturing unit at Village

Pathreri, Bilaspur by the District Food and Supplies Controller, Gurgaon under the provisions of the Solvent Raffinate Slop (Acquisition, Sale, Storage and Prevention of use in Automobiles) Order, 2000 in respect of manufacture of Atovastatin Calcium (bulk drug) within the premises. The same is valid until March 31, 2011.

31. Approval bearing number 21-4(45)/NWR/CGWA/06-1010 dated December 21, 2006 has been issued to our Company by the Member Secretary, Central Ground Water Authority, Ministry of Water Resources for ground water abstraction in respect of proposed pharmaceutical unit at Partheri, Bilaspur subject to certain conditions. The same had expired on December 20, 2008. Our Company has undertaken analysis thereafter, which has been acknowledged *vide* report bearing number SN10/024610 dated October 26, 2010.

32. License dated August 04, 2003 has been issued to our Company for our manufacturing unit at Pathreri, Gurgaon by the Excise and Taxation Commissioner, Haryana in respect of manufacture of products containing alcohol, opium, Indian hemp and other narcotic drugs. The same has been periodically renewed and is currently valid till December 31, 2011.

33. Certificate of Registration bearing number CLA/RG-994/HR/9/GGN/9 dated January 21, 2011 has been issued to our Company for our manufacturing unit at Pathreri, Gurgaon by the Additional Labour Commissioner and Registering Officer, Gurgaon, Haryana under Section 7(2) Contract Labour (Regulation and Abolition) Act, 1970 and Rule 18(1) of the rules made there under for the purpose of employment of 330 contract labourers for loading and unloading, cleaning, sweeping and security services to be obtained from Mr. Sant Singh and Mr. Anil Yadav. The same is valid until December 31, 2013.

Applied for the following licenses:

1. License to work a factory bearing number GGN/V-127/6617 has been issued to our Company in respect of our manufacturing unit at Pathreri, Gurgaon by the Chief Inspector of Factories, Haryana under the Factories Act, 1948 and the rules formulated thereunder. The same is valid until December 31, 2010. Our Company has applied for renewal of the same, *vide* application dated November 30, 2010 till December 31, 2015.

2. License bearing number CLA/CID-310/DLC-I/RC-994/DLG/204/231/2556 dated April 15, 2010 has been issued to Sant Singh by the Deputy Labour Commissioner and Licensing Officer, Gurgaon, Government of Haryana under Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970 for the employment of 180 labourers at the manufacturing unit of our Company at Gurgaon for the purposes of loading, unloading, cleaning and sweeping. The same was valid until December 31, 2010. Our Company has applied for renewal of the same *vide* letter dated January 3, 2011 and is currently awaiting renewal.

VII. "Badlapur Unit"- Licenses for our manufacturing unit at Plot number G-3, G-4 and G-5, Kharvai MIDC, Badlapur (East), Kulgaon, District Thane-421503, Maharashtra:

1. License to work a factory bearing number 096552 (Earlier License number 078684) dated March 4, 2010 has been issued to our Company in respect of our manufacturing unit at Plot number G-4, Badlapur by the Director of Industrial Safety and Health, Mumbai, Maharashtra under the Factories Act, 1948 and the rules formulated thereunder. The same is valid till December 31, 2014. The same has been amended for change of name from "Starazo Pharmachem Private Limited" to "Arch Pharmalabs Limited" dated March 4, 2010 and further amended to maximum installed motive power of 200 H.P. and for employing a maximum number of 150 workers only.

2. The following Certificates of verification have been issued to our Company by the District Inspector, Legal Metrology (Weights and Measures), Panvel under the provisions of the Standards of Weights and Measures (Enforcement) Act, 1985 and the rules therein:

Sr. No.	Certificate Number	Date of Issue	Validity
1.	123670	November 30, 2010	November 30, 2011
2.	123671	November 30, 2010	November 30, 2011
3.	123672	November 30, 2010	November 30, 2011
4.	123673	November 30, 2010	November 30, 2011

3. Certificate of Stability bearing number AB/2010/3 dated April 10, 2010 has been issued to our Company for our manufacturing unit at Plot numberG-4, Badlapur by the Consulting Structural Engineer, Rajesh Thakare and Associates, Dombivli under the Factories Act, 1948 and Rule 3A of the Maharashtra Factories Rules, 1963 in respect of manufacturing of drugs intermediates and fine chemicals. The same is valid till April 9, 2015.

4. Certificate of Registration dated October 12, 2009 has been issued to our Company for our manufacturing unit at Plot number G-4, Badlapur by the Superintendent (Service Tax), Division V, Mumbai under Section 69 of the Finance Act, 1994 read with the Service Tax Rules, 1994 in respect of allotting service tax code being AACCM0306QST011. The same is valid until cancellation.

5. Consent to operate (red) bearing number BO/RO Kalyan/PCI-I/EIC-1869-08/R/CC-118 dated June 05, 2009 has been issued to our Company for our manufacturing unit at Plot number G-4, Badlapur by the Member Secretary and Principal Scientific Officer, Maharashtra Pollution Control Board, Mumbai under Section 26 of the Water (Prevention and Control of Pollution) Act, 1974 and under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for the manufacture of various products and by-products. The same is also Authorisation under Rule 5 of the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 1989 and Amended Rules, 2003. The same is valid until August 31, 2013.

6. Letter bearing number VINITHA-2/TASHA/1208/2010 dated August 27, 2010 has been issued to our Company in respect of our manufacturing unit at Plot number G-4, Badlapur by the Electrical Inspector, Inspection Department No. 2, Thane, approving drawings for 625 KVA Generator Set Assembly. This approval is valid till August 24, 2012.

7. Letter bearing number T/Cov./2 (9)/T-546/35-2484-34/Amb/2008 dated July 17, 2008 has been issued to our Company for our manufacturing unit at G-4, Kharvai, MIDC, Badlapur (East), District Thane-421503 by the Joint Director, Sub-Regional Office, Thane, Employees State Insurance Corporation under Section 2(9) of the Employees State Insurance Act, 1948, allotting code number 35-2484-34/Ambernath. The same is with effect from February 24, 2005 and is valid until cancellation.

8. License bearing number ACL/KYN/CLA/LC-392/06 dated February 24, 2006 has been issued to our Company in respect of our manufacturing unit at Plot number G-4, Badlapur by the Registering and Licensing Officer, Kalyan under Section 12 (2) of the Contract Labour (Abolition and Regulation) Act, 1970 in respect of employing 50 Contract Labourers. The certificate has been periodically renewed and was valid till December 31, 2011.

9. License to manufacture for sale or for distribution of drugs other than those specified in Schedules C, C(1) and X bearing number KD-412 dated August 31, 2005 has been issued to our Company in respect of our manufacturing unit at Plot number G-4, Badlapur by the Joint Commissioner, (Kalyan Division), Food and Drug Administration, Maharashtra State, Thane under the provisions of the Drugs and Cosmetics Act, 1940 and Rule 73 and 83 of the Drugs and Cosmetics Rules, 1945. The same is has been periodically renewed and is currently valid till August 30, 2015.

10. License to import and store petroleum in an installation bearing number P/HQ/MH/15/5587 (P132103) dated September 16, 2005 has been issued to our Company in respect of our manufacturing unit at Plot number G-4 and G-5, Badlapur by the Chief Controller of Explosives under the provisions of the Petroleum Act, 1934 and the rules formulated thereunder for the importation and storage of 68 kilo litres of Petroleum Class A in bulk. The same has been renewed on December 1, 2009 and is valid until December 31, 2012.

11. Final No-Objection Certificate bearing number MIDC/Fire/Renv-NOC/1701 dated October 1, 2010 has been issued to our Company in respect of our manufacturing unit at Plot number G-4 and G-5, Badlapur by the Divisional Fire Officer, Maharashtra Industrial Development Corporation, Mumbai under the provisions of the Maharashtra Fire Prevention and Life Safety Measures Act, 2006 for the proposed construction on the premises, pursuant to finding of the fire fighting arrangements in a satisfactory conditions by the Issuing Authority. The same is valid until September 14, 2011.

12. Enrolment and membership certificate has been issued to our Company by the Managing Director, Mumbai Waste Management Limited in respect of allotting membership code being MWML-HzW-AMB-1441 for the purposes of utilizing Common Hazardous Waste Treatment Storage Disposal Facility to dispose hazardous waste safely and securely. The same is valid until March 31, 2014.

13. Letter bearing number SE/KC-II/Tech/HT/03748 dated October 8, 2009 has been issued to our Company in respect of our manufacturing unit at Plot number G-4, Badlapur by the Superintending Engineer (KC), Maharashtra State Electricity Board, Kalyan Circle-II, Kalyan in respect of releasing permanent power supply to the extent of 1,234.5 KW connected load (inclusive of 648 KW existing load and 586.5 KW additional load) and for the contract demand of 600 KVA (inclusive of 370 KVA existing contract demand and 230 KVA additional contract demand) in respect of high tension power supply.

14. Agreement dated October 7, 2009 between Maharashtra State Electricity Board and our Company in respect our manufacturing unit at Plot number G-4, Badlapur for supply of 600 KVA electricity. The same is valid till October 6, 2011.

15. Certificate for use of boiler bearing number MR/13847 dated August 11, 2009 has been issued to our company in respect of our manufacturing unit at Plot number G-4, Badlapur by the Director of Boilers, Directorate of Steam Boiler Department, Maharashtra under the provision of Section 7/8 of the Indian Boilers Act, 1923 and the regulations formulated thereunder. The same has been periodically renewed and is presently valid till August 8, 2011.

16. Receipt number 009616 has been issued to our Company in respect of our manufacturing unit at G-4, Kharvai, Badlapur for payment of house tax of ₹25,307 (Twenty Five Thousand, Three Hundred and Seven) for the year 2010-11.

17. Receipt number 009617 has been issued to our Company in respect of our manufacturing unit at G-4, Kharvai, Badlapur for payment of house tax of ₹63,553 (Sixty Three Thousand, Five Hundred and Thirty Three) for the year 2010-11.

18. Receipt number 009618 has been issued to our Company in respect of our manufacturing unit at G-4, Kharvai, Badlapur for payment of house tax of ₹31,260 (Thirty One Thousand, Two Hundred and Sixty) for the year 2010-11.

19. Receipt number 009619 has been issued to our Company in respect of our manufacturing unit at G-4, Kharvai, Badlapur for payment of house tax of ₹13,600 (Thirteen Thousand and Six Hundred) for the year 2010-11.

Licenses applied for:

1. Good Manufacturing Practices Certificate bearing number GMP Cert./389-09/3 dated March 16, 2009 has been issued to our Company for our manufacturing unit at Plot number G-4, Badlapur by the Joint Commissioner, Kalyan Division, Food and Drug Administration, Maharashtra State Thane certifying that (i) our Company holds drug manufacturing license bearing number KD-594 granted on January 17, 2006 and KD-412 granted on August 31, 2005 under the provisions of the Drugs and Cosmetics Act, 1940 and the rules made thereunder; and that (ii) our Company manufactures drugs by observing good manufacturing practices as per the rules of Schedule 'M' to the Drugs and Cosmetics Rules, 1945. The license bearing number KD-594 was valid until January 16, 2011 and KD-412 is valid until August 30, 2015. The certificate has been issued for purpose of local sales and exports. Our Company has applied for renewal of KD-412 *vide* letter dated December 9, 2010 and is currently awaiting renewal.

2. License to manufacture for sale (or for distribution) of drugs other than those specified in Schedules C, C (1) and X bearing number KD-594 dated January 20, 2006 has been issued to our Company in respect of our manufacturing unit at Plot number G-4, Badlapur by the Joint Commissioner, (Kalyan Division), Food and Drugs Administration, Maharashtra State, Thane under the provisions of the Drugs and Cosmetics Act, 1940 and Rule 70 of the Drugs and Cosmetics Rules, 1945. The same was valid till January 16, 2011. Our Company has applied for renewal of this license *vide* letter dated December 9, 2010 and is currently awaiting renewal.

3. Certificate of Registration of Consumer bearing number CONSUMER/133/2007 dated December 19, 2009 has been issued to our Company in respect of our manufacturing unit at Plot number G-4, Badlapur by the Controller of Rationing and Director of Civil Supplies, Mumbai under clauses 2(1)(d), 2(1)(g), 2(i), 2(3), 2(4), 2(5), 2(6), 2(7) and 2(8) of the Maharashtra Solvent, Raffinate and Slop (Licensing) Order, 2007, registering our Company as consumer of solvent. The same is valid until December 18, 2010. Our Company has applied for renewal *vide* letter dated November 10, 2010 and is currently awaiting renewal.

4. Certificate of Registration bearing number QAIC/IN/088-A dated February 3, 2010 has been issued to our Company for our manufacturing unit at Plot number G-4, Badlapur by the Governing Board of Q.A. International Certification Limited certifying that the management system at the said unit is in accordance with the requirements under ISO 9001: 2008 certification for manufacture and supply of Specialty Chemicals for pharmaceuticals and other specialist uses are fulfilled by our Company. The same was valid until January 26, 2011. Q.A. International Certification Limited has completed the ISO 9001:2008 audit of our Badlapur Unit and have recommended for continuation of certificate on January 22, 2011.

VIII. "Taloja Unit" - Licenses for our manufacturing unit at Plot number G-6, MIDC Taloja, Taloja Industrial Area, Village Navada, Taluka Panvel, District Raigad-410208, Maharashtra:

1. The following Certificates of verification have been issued to our Company by the District Inspector, Legal Metrology (Weights and Measures), Panvel under the provisions of the Standards of Weights and Measures (Enforcement) Act, 1985 and the rules therein.

Sr. No.	Certificate Number	Date of Issue	Validity
1.	0110851	September 4, 2010	September 4, 2011
2.	0110852	September 4, 2010	September 4, 2011

2. Certificate of Stability dated November 20, 2008 has been issued to our Company for our manufacturing unit at Plot number G-6, Taloja by Arun Bhakri Engineers under the Factories Act, 1948 and Rule 3A of the Maharashtra Factories Rules, 1963 in respect of chemicals. The same is valid for a period of 5 years and is presently valid till November 19, 2013.

3. Certificate dated March 13, 2009 has been issued to our Company for our manufacturing unit at Plot number G-6, Taloja by the Assistant Commissioner of Service Tax in respect of allotting service tax code being AACCM0306QST009. The same is valid until cancellation.

4. Letter from Chromato Lab Private Limited addressed to the Assistant Commissioner of Labour, New Panvel dated April 27, 2010 requesting issue of an NOC towards the acquisition of their unit and all employees at Plot number G-6, Taloja by our Company.

5. Letter from our Company addressed to the Assistant Commissioner of Labour, New Panvel dated April 9, 2010 requesting issue of an NOC towards the acquisition of the unit of Chromato Lab Private Limited at Plot number G-6, Taloja and all its employees by our Company.

6. License to manufacture for sale (or for distribution) of drugs other than those specified in Schedules C, C (1) and X bearing number KD-684 dated February 7, 2009 has been issued to our Company in respect of our manufacturing unit at Plot number G-6, Taloja by the Joint Commissioner, (Kalyan Division), Food and Drugs Administration, Maharashtra State, Thane under the provisions of the Drugs and Cosmetics Act, 1940 and Rule 70 of the Drugs and Cosmetics Rules, 1945. The same is valid from February 7, 2009 until February 6, 2014.

7. Letter bearing number A/P/WC/MH/16/723 (P243856) dated January 14, 2010 has been issued to our Company in respect of our manufacturing unit at Plot number G-6, Taloja by the Controller of Explosives for Joint Chief Controller of Explosives, West Circle, Mumbai, CBD Belapur, Navi Mumbai in respect of intimating that for the purposes of proposed storage of Petroleum Class A within the premises our Company needs to submit certain requisite documents specified therein.

8. Membership certificate has been issued to our Company in respect of our manufacturing unit at Plot number G-6, Taloja by the Chief Operating Officer, Mumbai Waste Management Limited in respecting of allotting membership code being MWML-HzW-TAL-2513 for the purposes of utilizing Common

Hazardous Waste Treatment Storage Disposal Facility to dispose hazardous waste safely and securely. The same is valid till March 31, 2014.

9. Agreement dated March 2008 entered into by and between Maharashtra State Electricity Board ("**Supplier**") and our Company wherein the Supplier has agreed to the supply of electrical energy to our Company in the form of three phase alternating current at a frequency of 50 cycles per second and a pressure of 22 KV Colts, subject to the tolerance limits permitted by the Indian Electricity Act, 1910. The same is valid until March 2015. Our Company has applied for change of name *vide* letter dated December 9, 2010.

10. Water supply application form has been submitted to Maharashtra Industrial Development in respect of our manufacturing unit at Plot number G-6, Taloja in respect of intimating to the Issuing Authority about usage of 27.50 C.U.M of water at initial stage and 11,093 C.U.M. on later stage within the premises under Water Supply Regulation, 1973. Our Company has applied for change of name *vide* letter dated December 9, 2010.

11. Final No-Objection Certificate bearing number MIDC/Fire/Renv-NOC/803 dated May 3, 2010 has been issued in respect of our manufacturing unit at Plot number G-6, Taloja by the Fire Station Officer, Maharashtra Industrial Development Corporation, Taloja under the provisions of the Maharashtra Fire Prevention and Life Safety Measures Act, 2006 pursuant to finding of the fire fighting arrangements in a satisfactory conditions by the Issuing Authority. The same is valid until April 5, 2011. Thereafter, a letter from Chromato Lab Private Limited to the Assistant Engineer, MSEDC, Panvel dated July 26, 2010 requesting fresh issue of NOC mentioning detailed distance of overhead HT from our solvent storage shed due to delay in License activities. The property was transferred to our Company *vide* order of the MIDC bearing number MIDC/ROMHP/TLJ/G-6/6190.

12. Certificate of Registration of Consumer bearing number 179/2010 dated January 15, 2010 has been issued to our Company in respect of our manufacturing unit at Plot number G-6, Taloja by the District Supply Office, Raigad-Alibag under clauses 2(1)(d), 2(1)(g), 2(i), 2(3), 2(4), 2(5), 2(6), 2(7) and 2(8) of the Maharashtra Solvent, Raffinate and Slop (Licensing) Order, 2007, registering our Company as consumer of solvent. The same is valid until January 14, 2015.

13. Challan bearing number 368 dated May 10, 2009 has been issued to our Company for our manufacturing unit at Plot number G-6, Taloja by the Gramsevak, Grampanchayat Navade, Panvel, Raigad under the Grampanchayat Act, 1958 stating that our Company has to pay them a sum of Rs 48,651 (Fourty Eight Thousand, Six Hundred and Fifty One) by May 25, 2009, failing which, a notice under Section 129 (2) of the Bombay Grampanchayat Act would be served upon them. Our Company paid the said amount on July 27, 2009. No notice has been served upon our Company till date.

14. Letter bearing number BO/WPAE (PCI-I)/TB/B-1123 dated December 10, 2009 has been issued to our Company for our manufacturing unit at Plot number G-6, Taloja by the Water Pollution Abatement Engineer (PCI-Division), Maharashtra Pollution Control Board intimating that pursuant to an application made by our Company for grant of renewal with amendment of consent, it has been noted by the Issuing Authority that there has been increase in pollution load. In respect of that our Company has to obtain Environmental Clearance from the State Government before commencement of the production or else certificate regarding no increase in pollution load shall be submitted by our Company from any recognized institutes, the names of which is specified therein. The said certificate is to be submitted to the Regional Office, Maharashtra Pollution Control Board, Navi Mumbai as well as to the Sub-Regional Office, Maharashtra Pollution Control Board, Taloja within period of fifteen days. Our Company has also received a Letter from the Head of Department of Chemical Engineering; Dr. Babasaheb Ambedkar Technological University bearing number DBATU/Chem/CW/APL/PVB dated July 17, 2010 providing expert opinion for seeking approval from the Maharashtra Pollution Control Board for addition of certain products.

15. License for installing DG Set (E2T/PA347/418) dated March 11, 2011 issued by the Assistant Electrical Inspector, Inspection Division, Raigad by our Company in respect of applying for the permission of Diesel Generator set having capacity of 160 KVA at our manufacturing unit at Plot number G-6, Taloja.

Licenses applied for renewal:

1. License to work a factory bearing number 092264 dated August 8, 2007 has been issued to our Company in respect of our manufacturing unit at Plot number G-6, Taloja by the Director of Industrial Safety and Health, Mumbai, Maharashtra under the Factories Act, 1948 and the rules formulated thereunder. The same is valid till December 31, 2010. The same has been amended for change of name from "Chromato Lab Private Limited" to "Arch Pharmalabs Limited" dated November 21, 2008 and further amended to maximum installed motive power of 500 H.P. and for employing a maximum number of 50 workers only. Our Company has applied for renewal of this License *vide* letter dated October 29, 2010.

2. Application dated June 19, 2009 has been addressed to the Sub-Regional Officer, Maharashtra Pollution Control Board, Raigad by our Company for our manufacturing unit at Plot number G-6, Taloja in respect of renewal for water and air consent to operate bearing number BO/RO-NM/PCI-I/1035-07/OA/CC-125 which expired on June 30, 2009 for period of five years.

3. Application dated March 22, 2010 has been addressed to the Commissioner of Police, CBD Belapur, Navi Mumbai by our Company in respect of our manufacturing unit at Plot number G-6, Taloja in respect of obtaining No-Objection Certificate together with site plan drawing duly endorsed with the seal of the Issuing Authority. As the same is to be submitted to the Licensing Authority (PESO) for grant of storage license as required under Rule 144 of the Petroleum Rules, 2002.

IX. "Dombivli Unit" - Licenses for our manufacturing unit at Plot number 21/22 and Plot number F-40, MIDC, Phase-II, Sagaon, Dombivli (East), Thane – 421 204, Maharashtra:

1. License to work a factory bearing number 084581 (Earlier License number 54829) dated January 16, 2009 has been issued to our Company in respect of our manufacturing unit at Plot No. C-21/22, Dombivli by the Director of Industrial Safety and Health, Mumbai, Maharashtra under the Factories Act, 1948 and the rules formulated thereunder. The same is valid till December 31, 2014. The same was amended on January 16, 2009 to note change of name from M/s Watson Pharma Private Limited to Arch Pharmalabs Limited and to authorised use of a maximum of installed motive power of 1,000 H.P. and for employing a maximum number of 500 workers only.

2. The following Certificates of verification have been issued to our Company by the District Inspector, Legal Metrology (Weights and Measures), Dombivli under the provisions of the Standards of Weights and Measures (Enforcement) Act, 1985 and the rules therein:

Sr. No.	Certificate Number	Date of Issue	Validity
1.	177714	September 15, 2010	September 15, 2011
2.	177715	September 15, 2010	September 15, 2011
3.	143489	December 9, 2010	December 9, 2010
4.	176374	October 25, 2010	October 25, 2011
5.	176375	October 25, 2010	October 25, 2011

3. Certificate of Registration dated February 17, 2009 has been issued to our Company for our manufacturing unit at Plot number C-21/22 and F-40, Dombivli by the Assistant Service Tax Commissionerate, Thane under Section 69 of the Finance Act, 1994 read with the Service Tax Rules, 1994 in respect of allotting service tax code being AACCM0306QST008. The same is valid until cancellation.

4. Consent to operate (red) bearing number BO/RO Kalyan/PCI-I/Amend/CC-147 dated May 21, 2010 has been issued to our Company for our manufacturing unit at Plot number 21/22, Dombivli by the Member Secretary and Principal Scientific Officer, Maharashtra Pollution Control Board, Mumbai under Section 26 of the Water (Prevention and Control of Pollution) Act, 1974 and under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for the manufacture of various products and by-products. The same is also Authorisation under Rule 5 of the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 1989 and Amended Rules, 2003. The same is valid until December 31, 2011.

5. Certificate bearing number B/Cov./2(9)/T-619/35-2484-34/Dom/2009 dated February 10, 2009 has been issued to our Company for its manufacturing unit at Plot number C-21/22, MIDC, Phase-II, Dombivli

(East), District Thane- 421 204 by the Joint Director, Sub-Regional Office Thane, Corporation under Section 2(9) of the Employees State Insurance Act, 1948, allotting code number 35-2484-34/Dombivli. The same is with effect from January 1, 2009 and is valid until cancellation.

6. Certificate of Registration bearing number ACL/KYN/CLA/RC/391/05 dated December 30, 2005 has been issued to our Company in respect of our manufacturing unit at Plot number C-21/22, Dombivli by the Registering and Licensing officer, Kalyan under the Section 12(1) of the Contract Labour (Regulation and Abolition) Act 1970. The certificate was amended *vide* certificate bearing number ACL/KYN/CLA/RC/2008 dated March 19, 2010 to add certain contractors. The same has been periodically renewed and is currently valid until December 28, 2011.

7. License bearing number ACL/KYN/LL-7/2/08 dated April 24, 2008 has been issued to Building Securities Services by the Office of the Licensing Officer under the Contract Labour (Regulation and Abolition) Act, 1970, Government of Maharashtra for the employment of 50 labourers at the manufacturing unit of our Company at Dombivli under Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970. The same is renewed on January 25, 2011 and is valid until December 31, 2011.

8. License bearing number ACL/KYN/LL-7/3/08 dated April 24, 2008 has been issued to B.S.P.S (India) Private Limited by the Office of the Licensing Officer under the Contract Labour (Regulation and Abolition) Act, 1970, Government of Maharashtra for the employment of 50 labourers at the manufacturing unit of our Company at Dombivli under Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970. The same is renewed on January 25, 2011 and is valid until December 31, 2011.

9. License to manufacture for sale (or for distribution) of drugs other than those specified in Schedules C, C (1) and X bearing number KD-159 dated January 14, 2009 has been issued to our Company in respect of our manufacturing unit at Plot number C-21/22 and F-40, Dombivli by the Joint Commissioner, (Kalyan Division), Food and Drugs Administration, Maharashtra State, Thane under the provisions of the Drugs and Cosmetics Act, 1940 and Rule 70 of the Drugs and Cosmetics Rules, 1945. The same is valid from January 1, 2009 until December 31, 2013.

10. Approval bearing number A/P/WC/MH/15/2768 (P226802) dated February 02, 2009 has been issued to our Company in respect of our manufacturing unit at Plot number C-21/22, Dombivli by the Controller of Explosives for Joint Chief Controller of Explosives, West Circle, Mumbai under Rule 140 of Petroleum Rules, 2004 in respect of storage of 30 KL of Petroleum Class "C" (Furnace Oil/LDO) within the premises.

11. Letter bearing number P/WC/MH/16/53 (P117377) dated December 14, 2009 has been issued to our Company in respect of our manufacturing unit at Plot number C-21/22, Dombivli by the Controller of Explosives for Joint Chief Controller of Explosives, West Circle, Mumbai in respect of extending the validity of License bearing number P/WC/MH/16/53(P117377) until December 31, 2012.

12. GMP Certificate of manufacturing facility bearing number MI-2009-CE-00872-3 dated April 30, 2010 has been issued to our Company for our for our manufacturing unit at Plot number C-21/22, Dombivli by the Office of Manufacturing Quality, Department of Health and Ageing, Therapeutic Goods Administration, Australian Government in respect of certifying that our Company complies with the ICH Good Manufacturing Practice Guide for Active Pharmaceuticals Ingredients. The same is valid until May 11, 2011.

13. Certificate of Registration bearing number QAIC/IN/716-A dated April 27, 2010 has been issued to our Company for our manufacturing unit at C-21/22 and F-40, Dombivli by the Governing Board of Q.A. International Certification Limited certifying that the management system at the said unit is in accordance with the requirements under ISO 9001: 2008 certification for manufacture and supply of Bulk Drugs (Active Pharmaceutical Ingredients) and Intermediates are fulfilled by our Company. The same is valid until April 26, 2011.

14. Good Manufacturing Practices Certificate bearing number GMP Cert./111-09/2 dated March 31, 2009 has been issued to our Company for our manufacturing unit at Plot number C-21/22, Dombivli by the Joint Commissioner, Kalyan Division, Food and Drug Administration, Maharashtra State Thane

certifying that (i) our Company holds drug manufacturing license bearing number KD-159 granted on January 14, 2009 under the provisions of the Drugs and Cosmetics Act, 1940 and the rules made thereunder; and that (ii) our Company manufactures drugs by observing good manufacturing practices as per the rules of Schedule 'M' to the Drugs and Cosmetics Rules, 1945. The license bearing number KD-159 is valid until December 31, 2013. The certificate has been issued for purpose of local sales and exports.

15. Free Sale Certificate bearing number Cat/FSC/22-2009/Z-2 dated August 4, 2009 has been issued to our Company for our manufacturing unit at Plot number C-21/22 and F-40, Dombivli by the Joint Commissioner, Kalyan Division, Food and Drug Administration, Maharashtra State, Thane certifying that (i) our Company holds drug manufacturing license bearing number KD-159 valid from January 1, 2009 and until December 31, 2013 issued by Food and Drugs Administration, Thane for the manufacture for sale or distribution of drugs under the provisions of Drugs and Cosmetics Act, 1940 and the rules made thereunder and that (ii) under the said license our Company is permitted to manufacture certain drugs as specified therein to be freely sold in the domestic market subject to the provisions of the Drugs and Cosmetics Act, 1940 and rules made thereunder and to export freely subject to the laws and regulations of the importing country.

16. Accreditation Certificate of foreign drug manufacturer bearing number AG12300137 dated July 2, 2009 has been issued to our Company for our manufacturing unit at Plot number C-21/22, Dombivli by the Ministry of Health, Labour and Welfare, Japan certifying our Company as certificated foreign drug manufacturer pursuant to Article 13-3 of the Pharmaceutical Affairs Act in respect of manufacture of non-sterile drugs. The same is valid until July 1, 2014.

17. Letter dated June 28, 2010 has been issued to our Company in respect of our manufacturing unit at Plot number C-21/22, Dombivli by the Compliance Officer, Foreign Inspection Team, Department of Health and Human Services, Food and Drug Administration, USA in respect of certifying that the API facility at the premises is acceptable to the Issuing Authority pursuant to the review of the Establishment Inspection Report (EIR) submitted by our Company.

18. Good Manufacturing Practices Certificate bearing number HMP/PT/253/2010 dated September 03, 2010 has been issued to our Company with respect to our manufacturing unit and C-21/22 and F-40, Dombivli certifying that the unit has Good Manufacturing Practices for Mefenamic Acid as per the European Economic Area in accordance with Article 111(4) of Directive 2001/83/EC in the French Health Code. The same is valid till February 20, 2013.

19. Enrolment and membership certificate has been issued to our Company for our manufacturing unit at Plot number 21/22, Dombivli by the Chief Operating Officer, Mumbai Waste Management Limited in respect of allotting membership code being MWML-HzW-DOM-172 for the purposes of utilizing Common Waste Treatment Storage Disposal Facility to dispose hazardous waste safely and securely. The same is valid until March 31, 2014.

20. Membership Certificate dated August 3, 2010 has been issued to our Company for our manufacturing unit at Plot number 21/22, Dombivli by the Director, Dombivli Common Effluent Treatment Plant in respect of certifying that our Company is bonafide member of the Dombivli Common Effluent Treatment Plant. The same is valid until March 31, 2012.

21. Letter bearing number Desk-5/352/90.91 dated July 25, 1990 has been issued to our Company in respect of our manufacturing unit at C-21, Dombivli by the Chief Engineer (Electrical), Public Works Department, Government of Maharashtra, Mumbai under Rule 4(i) of the Bombay Electricity Duty Rules, 1962 assigning registration number E/TH/290 (1) for the Diesel Industrial Generating set installed in the premises, having capacity of 200 KW. The same is subject to fulfillment of certain conditions one of which is the submission of annual inspection report of generator set conducted by Area Electrical Inspector and submission of quarterly returns in Form "B" to the office of Chief Engineer (Electrical) as well as Electrical Inspector as required under Rule 4(3) of the Bombay Electricity Duty Rules, 1962.

22. Letter bearing number Desk-5/384 dated July 17, 1998 has been issued to our Company in respect of our manufacturing unit at 21/22, Dombivli by the Chief Engineer (Electrical), Public Works Department, Government of Maharashtra, Mumbai under Rule 4(i) of the Bombay Electricity Duty Rules, 1962

assigning registration number E/TH/290 (III) for the Diesel Industrial Generating set installed in the premises, having capacity of 250 KVA.

23. Letter bearing number SE/KCK/LS-HT/31-2002/3776 dated August 19, 2002 has been issued to our Company in respect of our manufacturing unit at Plot number C-21/22, Dombivli by the Superintending Engineer (KC), Maharashtra State Electricity Board, Kalyan Circle, Kalyan in respect of releasing permanent additional power supply to the extent of 425 KW connected load (inclusive of 337 KW continuous load and 88 KW non continuous load) in addition to the 1152 KW existing connected load and for the additional contract demand of 188 KVA (inclusive of 164 KVA continuous supply and 24 KVA non continuous supply) in addition to the existing connected load of 517 KVA in respect of high tension power supply for the manufacturing of bulk drugs and pharmaceutical products.

24. Letter bearing number SE/KCK/Tech/LS-HT/31-2002/5763 dated December 27, 2002 has been issued to our Company in respect of our manufacturing unit at Plot number C-21/22, Dombivli by the Superintending Engineer (KC), Maharashtra State Electricity Board, Kalyan Circle, Kalyan in respect of releasing permanent additional power supply to the extent of 337 KW continuous connected load and 88 KW non continuous load in addition to the 417 KW existing continuous connected load and 735 KW non continuous connected load and for the additional contract demand of 164 KVA continuous supply and 24 KVA non continuous supply in addition to the existing connected load of 322 KVA continuous supply and 195 non continuous supply in respect of high tension power supply.

25. Letter dated January 1, 2009 from our Company to the Electrical Inspector, I.E. & L. Department, Thane intimating our acquisition of the Dombivli Unit from Watson Pharma Pvt Ltd.

26. Agreement dated October 07, 2009 between the Maharashtra State Electricity Distribution Company Limited and our Company for supply of electricity for the purpose of manufacture of Bulk Drugs at our Dombivli unit.

27. Order bearing number S-324/7951 dated May 30, 1997 has been issued to our Company in respect of our manufacturing unit at Plot number C-21/22, F-40, Dombivli by the Industry, Energy and Labour Department under the Mumbai Electricity (Special Powers) Act, 1946 in respect of increasing Electricity Supply to a total of 1152 Kilo Watt or 517 KVA.

28. Certificate of Registration of Consumer bearing number CONSUMER/127/2007 dated March 24, 2009 has been issued to our Company in respect of our manufacturing unit at Plot number C-21/22, Dombivli by the Controller of Rationing and Director of Civil Supplies, Mumbai under clauses 2(1)(d), 2(1)(g), 2(1)(i), 2(3), 2(4), 2(5), 2(6), 2(7) and 2(8) of the Maharashtra Solvent, Raffinate and Slop (Licensing) Order, 2007, registering our Company as consumer of solvent. The same is valid until March 23, 2012.

29. Water supply agreement form dated September 15, 2009 has been submitted to Maharashtra Industrial Development Corporation by our Company in respect of our manufacturing unit at Plot number F-40, Dombivli in respect of sanctioning 15 millimeters diagonal water meter within the premises under Water Supply Regulation, 1973.

30. Water supply agreement form dated September 15, 2009 has been submitted to Maharashtra Industrial Development Corporation by our Company in respect of our manufacturing unit at Plot number TS-21&22, Dombivli in respect of sanctioning 50 millimeters diagonal water meter within the premises under Water Supply Regulation, 1973.

31. Receipt number 1607 has been issued to our Company in respect of our manufacturing unit at C-21/22, Dombivli for payment of house tax of ₹91,704 (Ninety One Thousand, Seven Hundred and Four) for the year 2009-10.

32. Receipt number 1608 has been issued to our Company in respect of our manufacturing unit at F-40, Dombivli for payment of house tax of ₹10,930 (Ten Thousand, Nine Hundred and Thirty) for the year 2009-10.

Licenses applied for renewal:

1. Provisional No Objection Certificate bearing number MIDC/FIRE/208 dated September 30, 2002 has been issued to our Company in respect of the manufacturing unit at C-21/22, Dombivli by the Chief Fire Officer and Fire Advisor, MIDC, Mumbai in respect of the proposed constructions as specified in the application made by our Company dated September 02, 2002 subject to the conditions specified therein. The same is valid until September 29, 2003. Applied for renewal *vide* letter dated September 23, 2010.

X. "Mahape R&D"- Licenses for our Research and Development Centre-II at Plot number C-424, TTC Turbhe, MIDC Industrial Area, Navi Mumbai, Maharashtra:

Licenses we have:

1. Certificate of Stability bearing number MO/2009/36 dated December 11, 2009 has been issued to our Company for our Research and Development Centre at Plot number C-424, TTC Turbhe, Navi Mumbai for R&D Activity by RA Thakare, Consulting, Structural Engineer, Rajesh Thakare and Associates. The same is valid for a period of 5 years until December 10, 2014.

2. Certificate of Registration bearing number NMSC/CEG/08/03955 dated March 04, 2009 has been issued to our Company for our Research and Development Centre at Plot number C-424, TTC Turbhe, Navi Mumbai by the Deputy Commissioner (Cess), Navi Mumbai certifying compliance with Section 13 of the Cess Rules and also confirming registration as seller/trader from February 18, 2009.

3. Letter bearing number T/Cov./2 (9)/T-667/35-2484-34/2009 dated June 23, 2009 has been issued to our Research and Development Centre at Plot number C-424, Turbhe by the Joint Director, Sub-Regional Office, Thane, Employees State Insurance Corporation under Section 2(12) of the Employees State Insurance Act, 1948, allotting code number 35-2484-34/Kalwa. The same is with effect from December 1, 2008 and is valid until cancellation.

4. Certificate bearing number TTCWMA/2008 dated August 25, 2008 has been issued to our Company for our Research and Development Centre at Plot number C-424, Turbhe by the Site Manager, Trans Thane Creek Waste Management Association, Navi Mumbai in respect of allotting membership code being 1242 on August 12, 2008 for the purposes of admitting our Company as a member of Trans Thane Creek Common Hazardous Waste Treatment Storage Disposal Facility, Mhape. The same is valid till March 31, 2011.

5. License bearing number NMMC/SL/Zone-2/D-45/06 dated March 22, 2006 has been issued to our Company for our Research and Development Centre at Plot number C-424, Turbhe by the Deputy Municipal Commissioner, Navi Mumbai Municipal Corporation, Belapur in respect of operation of liquid chemicals under Section 376 and 383 of the Bombay Provincial Municipal Corporations Act, 1949. The same has been periodically renewed and is currently valid till March 31, 2011.

6. License bearing number NMMC/Wards/Zone-2/D-45/05 dated September 15, 2005 has been issued to our Company for our Research and Development Centre at Plot number C-424, Turbhe by the Deputy Municipal Commissioner, Navi Mumbai Municipal Corporation, Belapur in respect of operation of liquid chemicals under Section 376 and 383 of the Bombay Provincial Municipal Corporations Act, 1949. The same has been periodically renewed and is currently valid till March 31, 2011.

XI. "Corporate R&D"- Licenses for our Research and Development Centre-I at Plot number 21, MIDC Chemical Zone, Taloja Industrial Area, Village Navade, Taluka Panvel, District Raigad-401208, Maharashtra:

1. Certificate of Stability dated November 20, 2008 has been issued to our Company is respect of our Research and Development Centre at Plot number 21, Taloja, Raigad for the manufacturing process of Pharma Product and R&D Lab Activity by Arun Bhakri, Chartered Engineer. The same is valid for 5 years till November 19, 2013.

2. Certificate of Registration bearing number TU-IV/2484/2010 dated April 16, 2010 has been issued to our Company for our Research and Development Centre at Plot number 21, Taloja by the Scientist- G, Ministry of Science and Technology, Department of Scientific and Industrial Research, Government of India in respect of registration of the unit as research institution other than a hospital for the purpose of availing customs or central excise duty exemption in terms of the Government Notification number

24/2007-Customs dated March 01, 2007 and Central Excise Duty exemption in terms of Government Notification number 16/2007-Central Excise dated March 01, 2007 as amended from time to time. The same is valid until March 31, 2015.

3. Consent to operate (orange) bearing number RONM/NNB/Org./CC/C-106 dated February 16, 2010 has been issued to our Company for our Research and Development Centre at Plot number Plot number 21, Taloja by the Regional Officer, Navi Mumbai, Maharashtra Pollution Control Board under Section 26 of the Water (Prevention and Control of Pollution) Act, 1974 and under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for the purposes of research and development only. The same is also Authorisation under Rule 5 of the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 1989 and Amended Rules, 2003 for the research and development activity and unit shall not sale the products commercially. The same is valid until March 31, 2012.

4. Certificate bearing number TU/IV-RD/2484/2010 dated April 16, 2010 has been issued to our Company for our Research and Development Centre at Plot number 21, Taloja by the Scientist-G, Ministry of Science and Technology, Department of Scientific and Industrial Research, Government of India in respect of renewal of recognition of in-house Research and Development unit. The same is valid until March 31, 2015.

5. Membership certificate dated September 25, 2010 has been issued to our Company in respect of our Research and Development Centre at Plot number 21, Taloja by the Chief Operating Officer, Mumbai Waste Management Limited in respecting of allotting membership code being MWML-HzW-TAL-3027 for the purposes of utilizing Common Hazardous Waste Treatment Storage Disposal Facility to dispose hazardous waste safely and securely. The same is valid until cancelation.

6. INTELLECTUAL PROPERTY

Trademarks

1. Trademark (No. 652975) issued to our Company for the trademark "ARCH" issued under class 5 by the Registrar of Trademarks, Mumbai *vide* certificate dated August 14, 2007. This registration is valid for a period of 10 years from the date of application for registration.

Patents

Sr. No.	Product – Process/ Product Applied For	Applied to Indian Patent Office	USPTO	EPO	WIPO/PCT
1.	Perindopril – Preparation of Novel Crystalline ETA Form of Perindopril Erbumine	561/MUM/2005 (provisional)	Not Applied	Not Applied	PCT / IN06/00156 published as WO2007/017894A2
2.	Perindopril – Preparation of Novel Crystalline Form of Perindopril Erbumine Monohydrate	562/MUM/2005 (provisional)	Not Applied	Not Applied	PCT / IN06/00155 published as WO2007/017893A2
3.	Ciclesonide – A Green Chemistry Process For The Preparation Of Pregnadiene Esters"	1210/MUM/2005 (provisional)	Not Applied	Not Applied	PCT / IN06/00399 published as WO2007/054974A2
4.	Gemcitabine* – Novel Process for the Preparation of Gemcitabine Hydrochloride and Intermediates thereof	1362/MUM/2005	US2008/0167463A1 on July 10, 2008	EP App. No. 06809910.0 - Applied for but abandoned	PCT / IN06/00144 published as WO2007/049294A1

Sr. No.	Product – Process/ Product Applied For	Applied to Indian Patent Office	USPTO	EPO	WIPO/PCT
5.	Clopidogrel – Process for preparation of (+)Methyl (2-Chlorophenyl)-(6,7-Dihydro-4h-Thieno[3,2-C Pyrid-5-Yl)Acetate Bisulphate(Clopidogrel Bisulphate) With Enhanced Chiral Purity	IN213619 – ***Granted***	Not Applied	Not Applied	Not Applied
6.	Clopidogrel – A novel process for preparation of Clopidogrel Bisulfate Polymorphic Form I.	243/MUM/2007	Not Applied	Not Applied	PCT /IN2005/000287 published as WO2007/017886A1
7.	Duloxetine – Novel process for the preparation of Duloxetine and intermediates for use therin	162/MUM/2008 (provisional)	Not Applied	Not Applied	Published as WO2009/109992A1
8.	DKT III/ Atorvastatin - Novel process for the preparation of 4-Fluoro-A-[2-Methyl-1-Oxopropyl]-Γ-Oxo-N-B-Diphenylbenzenebutanamide and products therefrom	1152/MUM/2008 (provisional)	1.US2009/298907 2. Continuation Application No. 12/944,579 divided out of US Application No. 12/255,764	European Patent Application No. 08874473.5, *National phase entry in EP is made on Sept 29, 2010*	PCT/IN08/000616 published as WO2009/144736A1
9.	Atorvastatin Intermediate - An improved process for preparing High Purity Ethyl-R -4-Cyano-3-Hydroxy Butyric Acid Ester/Butyrate	1543/MUM/2008 (provisional)	Not Applied	Not Applied	Not Applied
10.	Montelukast (CeCl3 app) - Process for preparing Anhydrous Rare Earth Metal Halides	1977/MUM/2008 (provisional)	National phase entry in US. Ref. No. PCT/IN2008/000862-USNP	Not Applied	PCT/IN2008/000862 published as WO2010/032256
11.	Atorvastatin intermediate - An improved process for the preparation of 5-Hydroxy-3-Oxo Pentanoic Acid Derivatives (HK)	1975/MUM/2009	Not Applied	Not Applied	Not Applied
12.	4A - An efficient process for the preparation of Beta Lactams used as an Intermediate in the Synthesis of Carbapenem Antibiotics	2338/MUM/2009	Not Applied	Not Applied	Not Applied

Sr. No.	Product – Process/ Product Applied For	Applied to Indian Patent Office	USPTO	EPO	WIPO/PCT
13.	Imatinib Mesylate - An improved process for the preparation of Imatinib and salts thereof	2853/MUM/2009 (provisional)	Not Applied	Not Applied	PCT/IN2010/000752 published on November 18, 2010
14.	Clopidogrel – Process for the preparation of Clopidogrel Base or its Alcoholic solution/Suspension with improved stability	2857/MUM/2009 (provisional)	Not Applied	Not Applied	Not Applied
15.	Gemcitabine – A novel process for the preparation of Gemcitabine Hydrochloride Of Formula I	2931/MUM/2009 (provisional)	Not Applied	Not Applied	Not Applied
16.	Donepezil – Process for the preparation of Donepezil Intermediate	1423/MUM/2010	Not Applied	Not Applied	Not Applied
17.	Duloxetine – A novel process for the preparation of N-Methyl-O-Aryloxy Propanamine Derivatives and Pharmaceutically Acceptable Salts	1557/MUM/2010 (provisional)	N.A.	Not Applied	PCT/ IN2010/000771 (Not published)
18.	Ziprasidone - A short process for the preparation of Ziprasidone and Intermediates thereof	2270/MUM/2010	Not Applied	Not Applied	Not Applied
19.	Milnacipran - A new process for preparing Optically Pure Milnacipran and its Pharmaceutically Acceptable Salts	3054/MUM/2010	Not Applied	Not Applied	PCT/IN2010/000826 filed on 20/12/2010
20.	A Novel process for the preparation of 3-Benzyloxy Benzene Thiol	3268/MUM/2010	Not Applied	Not Applied	PCT/IN2011/000025 filed on 14/1/2011
21.	HCV inhibitors like Boceprevir - An improved process for the preparation of Racemic 6,6-Dimethyl-3-Azabicyclo-[3.1.0]-Hexane and its salts, a key Intermediate for HCV Inhibitors	2833/MUM/2010	Not Applied	Not Applied	Not Applied

Sr. No.	Product – Process/ Product Applied For	Applied to Indian Patent Office	USPTO	EPO	WIPO/PCT
22.	Milnacipran – Improved process for the preparation of Pharmaceutically acceptable salts of Milnacipran	124/MUM/2011	Not Applied	Not Applied	Not Applied
23.	Purification of Montelukast using a Simulated Moving Bed Technology	Not Applied	12/928198/ Application filed on 6 Dec 2010 (Prior permission from the Indian patent office is granted on 3rd December 2010, No.PCT/INT/form 25/2010 (5714/3/12/2010)	Not Applied	Not Applied

* Application was made to PMDA (Appl. No. JP-P355-06) for patenting the novel process for the preparation of Gemcitabine Hydrochloride and Intermediates thereof but the application was abandoned subsequently

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for this Issue

From our Company

The issue of Equity Shares has been authorized by the resolution of the Board of Directors at their meeting held on September 3, 2010, subject to the approval of the shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act and such other regulatory authority as may be necessary.

The Shareholders of our Company have authorised this Issue by a special resolution passed pursuant to Section 81(1A) of the Companies Act, passed at the Annual General Meeting of our Company held on September 29, 2010.

From the Selling Shareholders

The Offer for Sale has been authorised as follows:

- Offer for Sale of 3,212,905 Equity Shares authorized by ICICI Venture by its letter dated December 28, 2010 in its capacity as the investment manager for India Advantage Fund II, India Advantage Fund V and Rainbow Fund.
- Offer for Sale of 438,457 Equity Shares authorized by Dynamic India Fund - I by a resolution of its board dated December 27, 2010.
- Offer for Sale of 500,000 Equity Shares authorized by IIML Investors by its letter dated February 4, 2011 as investment manager for Leverage India Fund, a scheme of IL&FS Private Equity Trust, a trust established under the Indian Trusts Act.
- Offer for Sale of 2,021,245 Equity Shares authorized by Swisstech VCF by a resolution of its board dated December 20, 2010.

Our Company has obtained in principal listing approvals dated [•] & [•] from the BSE and the NSE respectively.

The Selling Shareholders have confirmed that they have held the Equity Shares proposed to be offered and sold in this Issue for more than one year prior to the date of date of this Draft Red Herring Prospectus and that the Selling Shareholders have not been prohibited from dealings in securities market and the Equity Shares offered and sold are free from any lien, encumbrance or third party rights.

Our Company has also applied to RBI *vide* its letter dated February 7, 2011 to approve the transfer of the Equity Shares by the Selling Shareholders in the Offer for Sale.

We have also obtained all necessary contractual approvals required for this Issue.

Prohibition by SEBI, RBI or governmental authorities

Our Company, our Directors, our Promoters, our Subsidiaries, our Promoter Group and/or Group Companies, such other companies in which our Promoters were or are also directors, promoters or persons in control, have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or the RBI or any other regulatory or governmental authority except as stated below.

Arch Investment Private Limited SEBI Regn. No: INB200969732	Arch Investment Private Limited, one of our Group Companies, is registered with SEBI as a Dealer with the OTCEI. SEBI *vide* its order dated August 12, 2009 had suspended the certificate of registration of Arch Investment Private Limited under Section 19 of SEBI Act for non payment of fees as prescribed under *Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992* for a period of 6 months or till the time the outstanding fee is paid. OTCEI *vide* its notice dated September 1, 2010 advised Arch Investment Private Limited to comply with SEBI/ OTCEI requirements with regard to the documents and outstanding dues. Arch Investment Private Limited replied to the said notice submitted the outstanding documents and fees. OTCEI thereafter imposed a penalty of ₹ 4,000, including processing fees on Arch Investment Private Limited *vide* its letter dated December 15, 2010 for changes in its

	shareholding pattern for which prior permission had not been taken from OTCEI. Arch Investment Private Limited has paid the said fees and penalty on November 16, 2010 and February 15, 2011 respectively. For further information please refer the chapter titled '***Outstanding Litigation and Material Developments***' beginning on page 302.

The listing of any securities of our Company has never been refused at any time by any of the stock exchanges in India However, upon applications being made by our Company, pursuant to the Scheme of Rehabilitation our Company made applications to BSE, HSE and MSE for the listing of 8,733,695 Equity Shares issued at the time of the Reverse Merger, BSE *vide* its letter dated April 23, 2004, communicated to our Company that the listing would be permitted only after our Company raises the non-promoter shareholding to above 25% and presented our Company with the following options: (i) Dilution of equity by the Promoters of our Company; or (ii) Fresh issue of Equity Shares by way of public issue, which would increase the public shareholding to at least 25% of the total shareholding. In the alternative, BSE also suggested that our Company may go for voluntary delisting of its securities from BSE by making an open offer to the existing shareholders of our Company.

Further, none of the Selling Shareholders have been prohibited from accessing the capital markets under any order or direction passed by SEBI or any other regulatory authority.

Except as stated below none of the Directors are associated in any manner with any entities, which are engaged in securities market related business and are registered with SEBI for the same.

Sr. No.	Name of Director	Nature of Relationship	Name of the Entity	Registration Number	Details
1.	Ajit Kamath	director	Arch Investment Private Limited	INB200969732	Registered as Dealer (member of OTCEI)
2.	Manoj Jain	director			

OTCEI had imposed a penalty of ₹ 4,000, including processing fees on Arch Investment Private Limited *vide* its letter dated December 15, 2010 for effecting changes in shareholding pattern for which prior permission had not been taken from OTCEI. Arch Investment Private Limited has paid the said penalty on February 15, 2011. For further information please refer the chapter titled '***Outstanding Litigation and Material Developments***' beginning on page 302.

Neither our Company, our Promoters nor the relatives of our Individual Promoters (as defined under the Companies Act), our Promoter Group and/or the Group Companies, have been identified as willful defaulters by RBI / government authorities and there are no violations of securities laws committed by any of them in the past and there are no such proceedings pending against them.

Further, none of the Selling Shareholders have been detained as willful defaulters by RBI or government authorities in India and there have been no violations of any Indian securities laws committed by any of them in the past and there are no such proceedings pending against them.

Eligibility for this Issue

Our Company is eligible for this Issue in accordance with Sub-Regulation (1) of Regulation 26 of the SEBI ICDR Regulations as explained under, with the eligibility criteria calculated in accordance with unconsolidated audited financial statements under Indian GAAP:

- Our Company has net tangible assets of at least ₹30 Million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Sub-Regulation (1)(a) of Regulation 26 of the SEBI ICDR Regulations;

- Our Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Sub-Regulation (1)(b) of Regulation 26 of the SEBI ICDR Regulations ;

- Our Company has a net worth of at least ₹10 Million in each of the three preceding full years (of twelve months each) and is compliant with Sub-Regulation (1)(c) of Regulation 26 of the SEBI ICDR Regulations;

- The aggregate of the proposed Issue size and all previous issues made in the same financial year in terms of size (i.e. offer through the offer document + firm allotment + promoter's contribution through the offer document) is

not expected to exceed five times the pre-Issue net worth of our Company as per the audited balance sheet of the last financial year and our Company is compliant with Sub-Regulation (1)(d) of Regulation 26 of the SEBI ICDR Regulations;

- Our Company has not changed its name in the last fiscal year.

In terms of the certificate issued by M/s Chaturvedi & Shah, Chartered Accountants and M/s Nayak & Rane, Chartered Accountants, our Joint Statutory Auditors dated March 15, 2011, our Company satisfies the aforementioned eligibility criteria (as derived from our Audit Report for the last five years ended FY 2010) as follows:

(₹ in Millions)

Particulars	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Net Assets	5,094.87	4,148.40	3,687.84	1,939.16	981.98
Less Intangible assets	248.90	148.82	151.88	97.28	-
Net Tangible Assets[1]	4,845.97	3,999.58	3,535.96	1,841.88	981.98
Monetary Assets[2]	501.35	408.30	960.32	495.52	78.40
Monetary Assets as a percentage of Net Tangible assets	10.35%	10.21%	27.16%	26.90%	7.98%
Distributable Profits[3]	544.90	283.20	196.95	289.01	156.02
Net Worth, as restated[4]	4,370.50	3,861.70	3,482.22	1,799.78	912.79

Source: Audited unconsolidated financial statements of our Company for the respective periods.

Notes

1. *Net tangible assets is defined as the sum of all fixed assets (including capital work in progress) investments, current assets less current liabilities and provisions, secured loans and unsecured loans, excluding 'intangible assets', as defined in accounting standard 26 as notified by Companies (Accounting Standard) Rules, 2006.*
2. *Monetary Assets include cash on hand and bank balances and Liquid Investments*
3. *The Distributable profits of the Company is as per Section 205 of the Companies Act, 1956 and has been calculated from the audited financial statements of the respective year before making adjustments for restatement of financial statements.*
4. *Net worth is defined as the aggregate of paid up share capital, share premium account and reserves and surplus (excluding revaluation reserve) as reduced by the aggregate of miscellaneous expenditure (to the extent not adjusted or not written off) and the debit balance of the profit and loss account.*

Further, in accordance with Sub-Regulation (4) of Regulation 26 of the SEBI ICDR Regulations, our Company shall ensure that the number of prospective allottees i.e. persons to whom the Equity Shares will be allotted in this Issue shall not be less than 1,000, failing which the entire application money shall be refunded forthwith by our Company and the Selling Shareholders.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI.

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO THE 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 MANAGERS, INDIA INFOLINE LIMITED AND ENAM SECURITIES PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED, IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, INDIA INFOLINE LIMITED AND ENAM SECURITIES PRIVATE

LIMITED HAVE FURNISHED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI), A DUE DILIGENCE CERTIFICATE DATED MARCH 23, 2011 WHICH READS AS FOLLOWS:

"WE, THE BOOK RUNNING LEAD MANAGERS TO THE ABOVE MENTIONED FORTHCOMING ISSUE, STATE AND CONFIRM AS FOLLOWS:

(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE ISSUE.

(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS 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 RELATED 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 REGISTRATIONS ARE VALID.

(4) WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. – <u>NOTED FOR COMPLIANCE</u>

(5) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, SHALL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

(6) WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED 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 REGULATION 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 AS AMENDED 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 ISSUER ALONG WITH THE PROCEEDS OF THE 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. - NOTED FOR COMPLIANCE

(10) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE EQUITY SHARES IN DEMAT OR PHYSICAL MODE. – NOT APPLICABLE AS THE ISSUE SIZE IS MORE THAN ₹100 MILLION, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, THE ALLOTMENT WILL BE MADE ONLY IN DEMAT FORM.

(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, AS AMENDED, 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 EQUITY SHARES OF THE ISSUER, 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 OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE. - COMPLIED AND NOTED FOR COMPLIANCE

(14) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER'S 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

ISSUER AND THE SELLING SHAREHOLDERS FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

All legal requirements pertaining to this Issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Mumbai, at Maharashtra, in terms of Sections 56, 60 and 60B of the Companies Act. All legal requirements pertaining to this Issue will be complied with at the time of registration of the Prospectus with the RoC in terms of Sections 56, 60 and 60B of the Companies Act.

DISCLAIMER STATEMENT FROM OUR COMPANY, THE SELLING SHAREHOLDERS AND THE BOOK RUNNING LEAD MANAGERS

Our Company, our Directors, the Selling Shareholders and the Book Running Lead Managers accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisement or any other material issued by or at our instance and that anyone placing reliance on any other source of information, including our website, www.archpharmalabs.com, would be doing so at his or her own risk**.**

The BRLMs accept no responsibility, save to the limited extent as provided in the Issue Agreement entered into between the BRLMs, our Company and the Selling Shareholders and the Underwriting Agreement to be entered into between the Underwriters, our Company and the Selling Shareholders.

All information shall be made available by our Company, the Selling Shareholders and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers, etc.

Neither the Company, Directors, the Selling Shareholders, the BRLMs nor any member of the Syndicate is liable for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

The BRLMs and their respective associates and affiliates may engage in transactions with, and perform services for, our Company, affiliates or associates or third parties in the ordinary course of business and have engaged, or may in future engage, in the provision of financial services for which they have received, and may in future receive, compensation.

Caution

Investors who bid in this Issue will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholders and the BRLMs and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company 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 approvals to acquire Equity Shares of our Company. Our Company, the Selling Shareholders and the BRLMs 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 made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in equity shares, Indian Mutual Funds registered with the SEBI, Indian financial institutions, commercial banks and regional rural banks, co-operative banks (subject to RBI permission), trusts (registered under Societies Registration Act, 1860, or any other trust law and are authorized under their constitution to hold and invest in equity shares) public financial institutions as specified in Section 4A of the Companies Act, VCFs, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of ₹250 Million, pension funds with minimum corpus of ₹250 Million and the National Investment Fund, permitted non-residents including eligible NRIs and FIIs as defined under the Indian Laws and other eligible foreign investors (i.e., FVCIs, multilateral and bilateral development financial institutions) provided that they are eligible under all applicable laws and regulations to hold Equity Shares of our Company. This Draft Red

Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to equity shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about and to observe any such restrictions.

Any disputes arising out of this Issue will be subject to the jurisdiction of courts in Mumbai, India only. No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with SEBI for its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States and may not be offered, sold within the Unites States or to, or for the account of benefit of, "US 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 and applicable State Securities Laws. Accordingly the Equity Shares will be offered and sold only outside the United States in compliance with Regulation S under the Securities Act in offshore transactions and the applicable laws of the Jurisdiction where those offers and sales occur.

Further, each Bidder where required agrees, that such Bidder will not sell or transfer any Equity Shares or create any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable laws and legislations in each jurisdiction, including India.

Each purchaser, by its acceptance of the Draft Red Herring Prospectus and of the Equity Shares issued pursuant to this Issue, will be deemed to have acknowledged, represented to and agreed with our Company, the Selling Shareholders and the BRLMs that it has received a copy of the Draft Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is authorized to consummate the purchase of the Equity Shares issued pursuant to this Issue in compliance with all applicable laws and regulations;

2. the purchaser acknowledges that the Equity Shares issued pursuant to this Issue have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

3. the purchaser is purchasing the Equity Shares issued pursuant to this Issue in an offshore transaction meeting the requirements of Regulation S under the Securities Act;

4. the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares issued pursuant to this Issue, was located outside the United States and is not a U.S. person at the time the buy order for such Equity Shares was originated and continues to be located outside the United States and not a U.S. person and has not purchased such Equity Shares for the account or benefit of any person in the United Sates or who is a U.S. person or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any person in the United States or to a U.S. person;

5. the purchaser is not an affiliate of our Company or a person acting on behalf of an affiliate;

6. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only in accordance with Regulation S under the Securities Act or any transaction exempt from the registration requirements of the Securities Act, in each case in accordance with any

applicable securities laws of any state of the United States or any other jurisdiction;

7. the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless our Company determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

   THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION COMPLYING WITH REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

8. our Company will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; and

9. the purchaser acknowledges that our Company, the Selling Shareholders, the BRLMs and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Each person in a Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State) who receives any communication in respect of, or who acquires any Equity Shares under, the offers contemplated in the Draft Red Herring Prospectus will be deemed to have represented, warranted and agreed to and with each BRLM, our Company and the Selling Shareholders that:

1. it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

2. in the case of any Equity Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Equity Shares acquired by it in the placement have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the BRLMs has been given to the offer or resale; or (ii) where Equity Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Equity Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any of the Equity Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe to the Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Disclaimer Clause of the Bombay Stock Exchange Limited

As required, a copy of the Draft Red Herring Prospectus has been submitted to BSE. The disclaimer clause as intimated by BSE to our Company, post scrutiny of the Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

Disclaimer Clause of the National Stock Exchange of India Limited

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. The disclaimer clause as intimated by NSE to our Company, post scrutiny of the Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

Disclaimer clause of IPO Grading Agencies

[•]

Filing

A copy of the Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at SEBI Bhavan, Plot No. C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

A copy of the Red Herring Prospectus, along with documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies at Registrar of Companies, Maharashtra Everest, 100 Marine Drive, Mumbai 400 002, at least 3 (three) days before the Bid / Issue Opening Date. A copy of the Prospectus would also be filed with the Corporate Finance Department of SEBI and the RoC at their respective addresses upon closure of this Issue and on finalization of the Issue Price.

Listing

The Equity Shares issued though this Draft Red Herring Prospectus are proposed to be listed on the BSE and the NSE. Initial listing applications shall be made to the BSE and the NSE for permission to list the Equity Shares. The [•] shall be the Designated Stock Exchange with which the basis of allotment will be finalized for the QIB (including Anchor Investor) portion, Non- Institutional portion, Retail portion and Employee portion. In case the permission for listing of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, our Company and the Selling Shareholders shall forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight (8) days after the day from which the Company and the Selling Shareholders becomes liable to repay it or within 70 days from the Bid/ Issue Closing Date, whichever is earlier, then our Company and the Selling Shareholders and every director of our Company who is an officer in default shall, on and from expiry of eight (8) days, be jointly and severally liable to repay that money with interest, at 15% per annum on the application monies as prescribed under Section 73 of the Companies Act and the rules framed thereunder.

Our Company and the Selling Shareholders shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading of the Equity Shares of our Company at the Stock Exchanges mentioned above are taken within twelve (12) Working Days of Bid/Issue Closing Date.

Consents

The written consents of the Selling Shareholders, our Promoters, our Directors, our Company Secretary and Compliance Officer, our Auditors, the legal advisors, the Book Running Lead Managers, the Syndicate Members*, the Registrar to the Issue, the Underwriters*, Escrow Collection Bank(s)*, Refund Bank*, IPO Grading Agency and the Bankers to our Company to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the RoC as required under Section 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus with SEBI.

**The aforesaid will be appointed prior to filing of the Red Herring Prospectus with the RoC and their consents as above would be obtained prior to the filing of the Red Herring Prospectus with the RoC.*

M/s Chaturvedi & Shah and M/s Nayak & Rane, Chartered Accountants, our Joint Statutory Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of date of this Draft Red Herring Prospectus.

They have given their written consent to the inclusion of the statement of tax benefits accruing to our Company and its members in the form and context in which it appears in this Draft Red Herring Prospectus and that the consent has not been withdrawn such consent up to the date of this Draft Red Herring Prospectus.

ICRA and CARE, the IPO Grading Agency engaged by us for the purpose of IPO Grading have given their consent as experts, pursuant to their letter dated [•] for the inclusion of their report in the form and content in which it will appear in the Red Herring Prospectus and such consent and report has not been withdrawn up to the date of this Draft Red Herring Prospectus.

Expert Opinion

Except the statement of tax benefits, report of our Auditors dated March 15, 2011 and the report issued in respect of the IPO grading of this Issue (a copy of which shall be annexted to the RHP in Annexure A) annexed herewith and except as stated elsewhere in the Draft Red Herring Prospectus, our Company has not obtained any expert opinions.

Expenses of this Issue

The expenses of the Issue includes, among others, underwriting and management fees, selling commission, legal fees, stamp duty, printing and distribution expenses, statutory advertisement expenses and listing fees. Other than listing fees which will be paid by our Company, all expenses with respect to the Issue shall be shared between the Selling Shareholders and our Company in proportion to the Equity Shares contributed to the Issue[#]. The total expenses of this Issue are estimated to be approximately ₹[•] Million. The break-up of the estimated Issue Expenses are as follows:

(*₹ in Millions*)

Particulars	Amounts*	As a % of Total Issue expenses	As a % of Total Issue size
Issue management fees (Lead Management, Underwriting and the Selling Commission include commission payable for collecting ASBA forms and submitting to the SCSBs)	[•]	[•]	[•]
Fees payable to SCSBs for processing ASBA forms procured by Syndicate members/ sub-syndicate members and submitted to SCSBs	[•]	[•]	[•]
Advertisement & Marketing Expenses	[•]	[•]	[•]
Printing, Stationery & Distribution Expenses	[•]	[•]	[•]
IPO Grading Expenses	[•]	[•]	[•]
Others (including Legal Advisors Fee, Auditors Fee, Registrars Fee, SCSB commission, Regulatory Fees including filing fees paid to SEBI and Stock Exchanges)	[•]	[•]	[•]
Total estimated Issue expenses	[•]	[•]	[•]

* *would be incorporated post finalization of Issue Price*

[#] *Other than listing fees which will be paid by our Company, all expenses with respect to this Issue will be shared between our Company and the Selling Shareholders who have offered their Equity Shares for sale on a pro-rata basis, in the ratio of the Equity Shares issued by our Company in the Fresh Issue and the Equity Shares being sold by the Selling Shareholders in the Offer for Sale.*

Details of Fees Payable

Fees payable to the Book Running Lead Managers

The total fees payable to the Book Running Lead Managers will be as per the Engagement Letter dated October 7, 2010 and as stated in the Issue Agreement dated March 22, 2011 signed & executed between our Company, the Selling Shareholders and the Book Running Lead Managers, a copy of which is available for inspection at our Registered Office from 10:00 am to 4:00 pm during the Bid/ Issue Period.

Underwriting Commission, Brokerage and Selling Commission

The selling commission for this Issue will be as set out in the Syndicate Agreement to be entered into between our Company, the Selling Shareholders, Syndicate Members and the BRLMs. The underwriting commission shall be paid as set out in the Underwriting Agreement to be entered into between our Company, the Selling Shareholders and the

Underwriters, based on the Issue Price and amount underwritten in the manner mentioned in the Prospectus. Payment of underwriting commission, brokerage and selling commission would be in accordance with applicable laws.

No sum has been paid or will be payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares of our Company.

Fees payable to the Registrar to the Issue

The total fees payable to the Registrar to the Issue for processing of application, data entry, printing of Allocation Advise/ CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Agreement dated March 11, 2011 signed and executed between our Company, the Selling Shareholders and the Registrar to the Issue, a copy of which is available for inspection at our Registered Office from 10:00 AM to 4:00 PM during the Bid/Issue Period.

The Registrar to the Issue will also be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to make refund orders or allotment advice by registered post/speed post/under certificate of posting

Fees Payable to Others

The total fees payable to the Legal Advisors, Auditor, Credit Rating Agency & Advertiser etc. will be as per the terms of their respective engagement letters.

Previous public or rights issues

We have not made any previous rights and/or public issues during the last five years.

Previous issue of Equity Shares otherwise than for cash

Except as stated below we have not issued any Equity Shares for consideration other than cash:

Date of Issue/ Allotment of the Equity Shares	Name of the Allottee	No. of Equity Shares	Face Value (in ₹)	Nature of allotment	Benefit accruing to our Company
December 8, 2003	To the then existing shareholders of ACPL including our Promoters	4,828,695	10	Issued pursuant to Reverse Merger of ACPL with our Company in the exchange ratio of 3:5 w.e.f. April 1, 2002 pursuant to Scheme of Rehabilitation	Issued pursuant to the Scheme of Rehabilitation

Please refer to the chapter titled ***'History and Certain Corporate Matters***' beginning on page 129, for details of shares issued otherwise than for cash.

Commission or brokerage on previous issues

Except for brokerage at the rate of 1.5% paid on the value of equity shares allotted and underwriting commission at the rate of 2.5% of the issue price of the equity shares offered, which was paid as part of issue expenses for our Company's initial public offering prior to delisting, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares of our Company since our inception.

Particulars in regard to our Company and other listed companies under the same management within the meaning of Section 370(1) (b) of the Companies Act which made any capital issue during the last three years.

Our Company

We have not made any previous rights and/or public issues during the last three years.

Listed Group Companies/ Subsidiaries/ Associate companies

There are no listed companies under the same management within the meaning of Section 370(1)(b) of the Companies Act that made any capital issue during the last three years.

Promises *vis-a-vis* Objects

Neither us nor any of our Group Companies, associates and subsidiaries of our Company or companies under the same management within the meaning of Section 370(1)(b) of the Companies Act have made any public issue in the last ten (10) years and that they have not made any capital issue during the last three (3) years.

Option to Subscribe

Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

Outstanding debentures or bond issues

Save and except as stated hereinbelow and in the chapters titled "***History and Certain Corporate Matters***" and "***Financial Indebtedness***" beginning on pages 129 and 294, respectively, we do not have any outstanding debentures or bonds as on the date of this Draft Red Herring Prospectus.

Issued and Paid-up value (in ₹)	Date of Allotment	Date of Redemption	Rate of Interest (%)	Date of payment of Interest
1,000,000	March 20, 2007	March 7, 2012	11.50% to be reset at the end of every year	Monthly – Commencing from March 31, 2007 and on Redemption

Outstanding Preference Shares

As on the date of this Draft Red Herring Prospectus, our Company does not have any outstanding preference shares.

Stock Market Data

Our Company is currently an "Unlisted Issuer" in terms of the SEBI ICDR Regulations, and this being the "Initial Public Offering" in terms of the SEBI ICDR Regulations, no stock market data is available for the Equity Shares of our Company.

Disposal of Investor Grievances by our Company and Investor Grievances Redressal System

Our Company or the Registrar to the Issue or the SCSB in case of ASBA Bidders shall redress routine investor grievances. We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be ten (10) Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Our Company has also constituted a Shareholders', Share Transfers and Investors' Grievance Committee to review and redress the shareholders and investor grievances such as transfer of Equity Shares, non-recovery of balance payments, declared dividends, approve subdivision, consolidation, transfer and issue of duplicate shares. For further details, please refer chapter titled '***Our Management***' beginning on page 148.

The composition of the Shareholders, Share Transfers and Investors' Grievance Committee is as follows:

Name of the Director	Designation in the Committee	Nature of Directorship
Dr. Shantilal Jain	Chairman	Additional Director, Independent
Ramakant Nayak	Member	Additional Director, Independent
Ajit Kamath	Member	Chairman and Managing Director, Executive

For further details, please refer to the chapter titled "***Our Management***" beginning on page 148 of this Draft Red Herring Prospectus.

Investors can contact the Compliance Officer or the BRLMs or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.

The agreement between the Registrar to the Issue, the Selling Shareholders and our Company entered into on March 11, 2011 provides for retention of records with the Registrar to this Issue for a period of at least three years from the last date of dispatch of the letters of allotment, demat credit and making refunds as per the modes disclosed to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application, Depository Participant and the bank branch or collection center where the application was submitted and they may be contacted in case of any Issue related problems at the following address:

Link Intime India Private Limited

C- 13 Pannalal Silk Mills Compound
LBS Marg, Bhandup (West),
Mumbai 400 078.
Tel: +91 22 2596 0320
Tel (tollfree): 1-800-220320
Fax: +91 22 2596 0329
Email: archpharma.ipo@linkintime.co.in
Investor Grievance mail: archpharma.ipo@linkintime.co.in
Website: www.linkintime.co.in
Contact Person: Chetan Shinde
Registration Number: INR000004058

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the ASBA Bid-cum-Application Form was submitted by the ASBA Bidders. The Registrar shall act as a nodal agency for redressing complaints of ASBA and non-ASBA investors including providing guidance to ASBA investors regarding approaching the SCSB concerned.

For information about Investor Grievances in relation to Avon, please refer to chapter titled "***History and Certain Corporate Matters***" beginning on page 129.

We have appointed Vikas Kedia, Company Secretary of our Company as the Compliance Officer for this Issue and he may be contacted in case of any Issue related problems at the following address:

Vikas Kedia

'H' Wing, 4th Floor
Tex Center, Off Saki Vihar Road
Chandivali, Andheri (East)
Mumbai 400 072
Tel.: + 91 22 2847 0588
Fax: +91 22 2847 1234
Email: vikas.kedia@archpharmalabs.com

Investor complaints received and disposed off during the three years preceding the date of this Draft Red Herring Prospectus

Sr. No.	Year	Complaints received	Complaints resolved	Complaints pending
1.	Year ended March 31, 2008	367	367	Nil
2.	Year ended March 31, 2009	174	174	Nil
3.	Year ended March 31, 2010	159	159	Nil

There are no pending investor complaints as on February 28, 2011.

Changes in the Auditors during last three years and reasons thereof

Except as stated below, there have been no changes in our auditors in three years prior to the date of this Draft Red Herring Prospectus:

Name of the Auditor	Date of Appointment/ Resignation	Nature of appointment	Reason for change
Walker Chandiok & Co.	June 20, 2009	Appointment as Joint Statutory Auditor#	Appointment as Joint Statutory Auditor
Walker Chandiok & Co.	November 30, 2009	Resignation as Joint Statutory Auditor	Resignation as Joint Statutory Auditor
M/s Chaturvedi & Shah	February 22, 2010	Appointment as Joint Statutory Auditor#	Appointment as Joint Statutory Auditor

#*along with M/s Nayak & Rane.*

Capitalisation of reserves or profits during the last five years

Save and except as stated in chapter titled '***Capital Structure'***, beginning on page 28 our Company has not capitalized its reserves or profits at any time during the last five (5) financial years.

Revaluation of assets during the last five years

Our Company has not revalued its assets for a period of five (5) years prior to the date of this Draft Red Herring Prospectus.

SECTION VII – ISSUE RELATED INFORMATION

ISSUE STRUCTURE

Public Issue of [•] Equity Shares of face value of ₹10 each for cash at a price of ₹[•] per Equity Share (including share premium of ₹[•] per Equity Share) aggregating to ₹[•] Million, consisting of a Fresh Issue of [•] Equity Shares by our Company aggregating upto ₹1,350 Million and an Offer for Sale of 6,172,607 Equity Shares by the Selling Shareholders aggregating to ₹[•] Million. This Issue comprises of a Net Issue of [•] Equity Shares of ₹10 each to the public and an Employee Reservation Portion of upto 200,000 Equity Shares of ₹10 each for subscription by Eligible Employees on a competitive basis. This Issue will constitute upto [•] % of the fully diluted post Issue paid-up capital of our Company and the Net Issue will constitute [•] % of the fully diluted post Issue paid-up capital of our Company.

This is an Issue atleast 25% of the post-Issue capital in accordance with Rule 19(2)(b)(i) of the Securities Contracts Regulations Rules, 1957, as amended ("***SCRR***").

Particulars	Employee Reservation Portion	Qualified Institutional Bidders	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares[1]	Upto [•] Equity Shares	Not more than [•] Equity Shares	Not less than [•] Equity Shares	Not less than [•] Equity Shares
Percentage of the Issue Size available for Allocation/ Allotment	[•] % of Issue size available for Allotment/ allocation The Employee Reservation Portion will comprise [•] % of our Company's Post-Issue Equity Share Capital	Not more than 50% of Net Issue shall be allocated to QIB Bidders. However, not less than 5% of the QIB Portion (excluding Anchor Investor Portion, if any) shall be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the 5% reservation in the QIB Portion (excluding the Anchor Investor Portion, if any) will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund reservation will be available to QIBs[2]. Upto 30% of the QIB Portion may be available for allocation to Anchor Investors and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds[3].	Not less than 15% of the Net Issue or the Net Issue less allocation to QIB Bidders and Retail Individual Bidder shall be available for allocation	Not less than 35% of the Net Issue or the Net Issue less allocation to QIB Bidders and Retail Individual Bidder shall be available for allocation
Basis of allocation, if respective	Proportionate	Proportionate as follows: (a) [•] Equity Shares	Proportionate	Proportionate

Particulars	Employee Reservation Portion	Qualified Institutional Bidders	Non-Institutional Bidders	Retail Individual Bidders
category is oversubscribed		aggregating to ₹[•] Million, constituting 5% of the QIB Portion (excluding the Anchor Investor Portion, if any), shall be available for allocation on a proportionate basis to Mutual Funds; (b) [•] Equity Shares aggregating to ₹[•] Million, shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above		
Minimum Bid	[•] Equity Shares	Such number of Equity Shares in multiple of [•] Equity Shares, such that the Bid Amount exceeds ₹200,000	Such number of Equity Shares in multiple of [•] Equity Shares, such that the Bid Amount exceeds ₹200,000	[•] Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of [•] so as to ensure that the Maximum Bid Amount by each Eligible Employee does not exceed ₹200,000	Such number of Equity Shares in multiple of [•] Equity Shares, such that Bid does not exceed the Net Issue size subject to regulations as applicable to the Bidder	Such number of Equity Shares in multiple of [•] Equity Shares, such that Bid does not exceed the size of the Net Issue subject to regulations as applicable to the Bidder	Such number of Equity Shares in multiple of [•] Equity Shares, so as to ensure that the Bid Amount does not exceed ₹200,000
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form
Bid Lot	[•] Equity Shares and in multiples of [•] Equity Shares, thereafter.	[•] Equity Shares and in multiples of [•] Equity Shares, thereafter.	[•] Equity Shares and in multiples of [•] Equity Shares, thereafter.	[•] Equity Shares and in multiples of [•] Equity Shares, thereafter.
Allotment Lot	[•] Equity Shares and in multiples of one Equity Shares, thereafter.	[•] Equity Shares and in multiples of one Equity Shares, thereafter.	[•] Equity Shares and in multiples of one Equity Shares, thereafter.	[•] Equity Shares and in multiples of one Equity Shares, thereafter.
Trading Lot / Market Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply[4]	Eligible Employees: Other than Promoter or Immediate relative of the Promoter (any spouse of that person, any parent or any brother, sister or child of that person of the spouse)	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investor and sub-accounts registered with SEBI (other than subaccounts being	Resident Indian Individuals, HUF (in the name of Karta), companies, corporate bodies, Eligible NRIs, sub accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals, Scientific Institutions Societies and Trusts	Resident Indian Individuals, HUF (in the name of Karta), Eligible NRIs applying for Equity Shares such that the Bid Amount per Retail Individual Bidder does not exceed ₹200,000 in value.

Particulars	Employee Reservation Portion	Qualified Institutional Bidders	Non-Institutional Bidders	Retail Individual Bidders
	Eligible employees would include: (a) A permanent and full time employee of our Company or our Subsidiary as on the date of filing of the Red Herring Prospectus with the RoC and based, working and present in India as on the date of submission of the Bid-cum-Application Form and would continue to be in employment of the Company and/ or the Subsidiaries until the submission of the Bid-cum-application form. (b) A director of our Company, whether a whole time director, part time director or otherwise, as on the date of filing of the Red Herring Prospectus with the RoC and based and present in India as on the date of submission of the Bid-cum-Application Form and would continue to be in employment of the Company and/ or the Subsidiaries until the submission of the Bid-cum-application form and would continue to be a Director of the Company and/ or the Subsidiaries until the submission of the Bid-cum-application form. The above do not include employees of Corporate Promoters	foreign corporate or foreign individuals), 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, (subject to applicable laws) with minimum corpus of ₹250 Million and pension funds with minimum corpus of ₹250 Million in accordance with applicable law, 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 the Department of Posts, India and insurance funds set up and managed by the army, navy and air force of the Union of India.		

Particulars	Employee Reservation Portion	Qualified Institutional Bidders	Non-Institutional Bidders	Retail Individual Bidders
	and Group Companies			
Terms of Payment[5]	Full Bid Amount applicable to Eligible Employees at the time of submission of Bid-cum-Application Form to the Syndicate Members or the ASBA Bid-cum-Application Form.	Full Bid Amount applicable to QIB Bidders (except for Anchor investors, if any) at the time of submission of Bid-cum-Application Form to the Member of Syndicate or the ASBA Bid-cum-Application Form.	Full Bid Amount applicable to Non-institutional Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate or the ASBA Bid-cum-Application Form.	Full Bid Amount applicable to Retail Individual Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate or the ASBA Bid-cum-Application Form.

[1] *Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in QIBs, Non-Institutional, Retail Individual and Employee Reservation categories 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 Selling Shareholders, the BRLMs and the Designated Stock Exchange and in accordance with applicable laws, rules, regulations and guidelines. Any unsubscribed portion in any reserved category shall be added to the Net Issue to the public. On receipt of minimum subscription and in case of under-subscription in the Net Issue, the entire subscription amount would first be adjusted towards the Fresh Issue, before adjustment towards the Offer for Sale.*

[2] *If the aggregate demand by Mutual Funds is less than [•] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion (excluding the Anchor Investor Portion, if any) and be allocated proportionately to the QIB Bidders in proportion to their Bids.*

Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in the QIB Portion, the Non-Institutional Portion or the Retail Portion, would be allowed to be met with spill-over from other category or a combination of categories, at the discretion of the Company, in consultation with the Selling Shareholders, the BRLMs and the Designated Stock Exchange.

[3] *This Issue is being made under Sub-Regulation (1) of Regulation 26 of the SEBI ICDR Regulations and through a Book Building Process wherein not more than 50% of the Net Issue will be available for allocation on a proportionate basis to QIBs. Our Company in consultation with the Selling Shareholders and the BRLMs may allocate up to 30% of the QIB Portion to Anchor Investors. At least one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Price. Allocation to Anchor Investors shall be on a discretionary basis subject to minimum number of two, where the allocation under the Anchor Investor Portion is less than ₹ 2,500 Million and five where the allocation is more than ₹ 2,500 Million. An Anchor Investor shall make a minimum Bid of such number of Equity Shares that the Bid Amount is at least ₹100 Million.*

[4] *In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.*

[5] *In case of ASBA Bidders, submission of ASBA Bid-cum-Application Form to the SCSBs. The SCSBs shall be authorised to block such funds in the bank account of the ASBA Bidder that are specified in the ASBA Bid-cum-Application Form.*

Employee Discount

A discount of ₹[•], to the Issue Price determined pursuant to completion of the Book Building Process shall be offered to Eligible Employees.

Eligible Employees bidding at a price within the Price Band have to make payment based on their highest bid price option. Eligible Employees bidding at Cut-Off Price have to ensure payment at the upper end of the Price Band.

Eligible Employees should note that discount is not offered on Bid Price but on Issue Price. Hence they should not

deduct the employee discount while submitting the Bid-cum Application Form. The excess amount paid on application would be refunded to such Bidders after Allotment along with other refund, if any.

Bid/Issue Program

BID/ISSUE OPENS ON: [•], 2011 FOR ALL BIDDERS	**BID/ISSUE CLOSES ON: [•], 2011 FOR QIB BIDDERS#**
	BID/ISSUE CLOSES ON: [•], 2011 FOR NON-INSTITUTIONAL, RETAIL INDIVIDUAL BIDDERS AND ELIGIBLE EMPLOYEES

**Our Company may consider participation by Anchor Investors in terms of the SEBI ICDR Regulations. The Anchor Investor Bid/Issue Period shall be one Working Day prior to the Bid/ Issue Opening Date. The number of Equity Shares allocated to each Anchor Investor shall be made available in the public domain by the BRLMs, before the Bid/ Issue Opening Date by intimating the same to the Stock Exchanges.*

 # The Company may close the Bid/Issue Period for QIBs one working day prior to the Bid/Issue Closing Date. Accordingly, QIB Investors will not be allowed to withdraw their bids after QIB Bid/Issue Closing Date.

Bids and any revision in Bids shall be accepted only between **10.00 a.m. and 5.00 p.m. (Indian Standard Time)** during the Bid/Issue Period as mentioned above at the bidding centers mentioned on 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:**

For QIB Bidders

- Bids (excluding the ASBA Bidders) shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 4.00 pm (Indian Standard Time). Our Company may consider closing the Bid / Issue Closing period for the QIB Bidders by one Working Day prior to the Bid / Issue Closing Date.

For Non-Institutional Bidders

- Bids (excluding the ASBA Bidders) shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 4.00 pm (Indian Standard Time).

For Retail Individual Investors

- Bids (excluding the ASBA Bidders) shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 5.00 pm (Indian Standard Time) which may be extended upto such time subject to permission from BSE and NSE.

For Eligible Employees (under Employee Reservation Portion)

- Bids (excluding the ASBA Bidders) shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 4.00 pm (Indian Standard Time) which may be extended upto such time subject to permission from BSE and NSE.

Due to limitation of the time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one Working Day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event large number of applications on Bid/ Issue Closing date, as is typically experienced in public offerings, which may lead to some Bids not getting uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids not uploaded in the book would be rejected. If such Bids are not uploaded, our Company, the Selling Shareholders, BRLMs, Syndicate Members and the SCSBs will not be responsible. Bids will be accepted only on Working Days. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

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

Investors please note that as per letter no. List/smd/sm/2006 dated July 3, 2006 and letter no. NSE/IPO/25101-6 dated July 6, 2006 issued by BSE and NSE respectively, Bids and any revision in Bids shall not be accepted on Saturdays and Holidays as declared by the Stock Exchanges.

Our Company in consultation with the Selling Shareholders and the BRLMs reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI ICDR Regulations provided that the revised cap of the price band should not be more than 20% of the revised floor of the band i.e. revised cap of the Price Band shall be less than or equal to 120% of the revised floor of the price band. The Floor Price can be revised up or down to a maximum of 20% of the original Floor Price and shall be advertised at least one day before the Bid /Issue Opening Date. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [•] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of ₹5,000 to ₹7,000.

In case of revision of the Price Band, the Issue Period will be extended for atleast three (3) additional Working Days after revision of the Price Band subject to the total Bid /Issue Period not exceeding ten (10) Working Days. Any revision in the Price Band and the revised Bid/Issue, if applicable, will be widely disseminated by notification to the BSE and the NSE and the SCSBs, by issuing a press release and also by indicating the changes on the web sites of the BRLMs and at the terminals of the Syndicate.

Withdrawal of this Issue

Our Company, in consultation with the Selling Shareholders and the BRLMs and in accordance with the SEBI ICDR Regulations, reserves the right not to proceed with this Issue at any time after the Bid/Issue Opening Date but before the Allotment, without assigning any reason thereof. In such an event our Company shall issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two Working Days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. The BRLMs, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one Working Day from the day of receipt of such notification. Our Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

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

In the event of withdrawal of this Issue anytime after the Bid/Issue Opening Date, our Company will forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight (8) days after our Company become liable to repay it, i.e. from the date of withdrawal, then our Company, on and from the expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15% per annum on application money.

In the event that our Company decides not to proceed with this Issue after Bid/ Issue Closing Date and thereafter determines that it will proceed with an initial public offering of its Equity Shares, our Company shall file a fresh draft red herring prospectus with SEBI.

Allotment Advice, Refund Orders or Instructions to SCSBs

Our Company and the Selling Shareholders shall credit the Equity Shares to the valid beneficiary account with its Depository Participants within two (2) Working Days from the date of the Allotment to all successful Allotees including ASBA Bidders, which in any event shall not exceed twelve (12) Working Days of the Bid/Issue Closing Date.

Applicants residing at the centers where clearing houses are managed by the RBI, will get refunds through NECS except where applicant is otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS. In case of applicants who receive refunds through NECS, direct credit or RTGS, the refund instructions will be given to the clearing system prior to twelve (12) Working Days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode prior to twelve (12) Working Days of 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. For all other Bidders who have not updated their bank particulars along with the nine-digit MICR code, the refund orders shall be dispatched prior to twelve (12) Working Day from the Bid/Issue Closing Date through speed through speed post/registered post, or Direct Credit, National Electronic Fund Transfer ("**NEFT**"), Real Time

Gross Settlement ("**RTGS**") or National Electronic Clearing Service ("**NECS**") at the sole or First Bidder's sole risk prior to twelve (12) Working Days of the Bid Closing Date. In case of other applicants, our Company and the Selling Shareholders shall ensure dispatch of refund orders, if any, of value up to ₹1,500, by "Under Certificate of Posting", and shall dispatch refund orders equal to or above ₹1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk prior to twelve (12) Working Days from the Bid/Issue Closing Date.

In case of ASBA Bidders, the Registrar to the Issue shall instruct the SCSBs to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA for withdrawn, rejected or unsuccessful or partially successful ASBAs prior to twelve (12) Working Days from the Bid/Issue Closing Date.

Interest in case of delay in dispatch of Allotment Letters/ Refund Orders or Instructions to SCSBs

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI ICDR Regulations, our Company and Selling Shareholders undertake that:

- Allotment shall be made only in dematerialised form prior to twelve (12) Working Days from the Bid/Issue Closing Date;
- Dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or NECS, shall be done prior to twelve (12) Working Days from the Bid/Issue Closing Date;
- Instructions to SCSBs to unblock the funds in the relevant ASBA Account for withdrawn rejected or unsuccessful Bids shall be made prior to twelve (12) Working Days from the Bid/Issue Closing Date; and
- Our Company and the Selling Shareholders shall, in accordance with Regulation 18 of the SEBI ICDR Regulations, pay interest at 15% p.a. if the allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or NECS, the refund instructions have not been given to the clearing system in the disclosed manner prior to the fifteen (15) days from the Bid/Issue Closing Date or eight (8) days after the day our Company and Selling Shareholders become liable to repay, which ever is earlier, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer or if instructions to SCSBs to unblock funds in the ASBA Accounts are not given prior to the fifteen (15) days from the Bid/Issue Closing Date or eight (8) days after the day our Company and Selling Shareholders become liable to repay, which ever is earlier.

Our Company and the Selling Shareholders will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue. Save and except refunds affected through the electronic mode i.e. NECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on any one or more of the Escrow Collection Banks/ Refund Banker(s) and payable at par at places where Bids are received. Refunds will be made through any of the modes as described in the Red Herring Prospectus and Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders. However, charges levied by the Refund Bank for electronic payments such as NECS, direct credit, RTGS or NEFT would be borne by our Company.

Any expense incurred by our Company on behalf of the Selling Shareholders with regard to refunds, interest for delays, etc. for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholders to our Company, in proportion to the Equity Shares contributed by the Selling Shareholders to the Issue.

In case of ASBA Bidders, the SCSBs will unblock funds in the ASBA Account to the extent of the refund to be made based on instructions received from the Registrar to the Issue.

TERMS OF THE ISSUE

Principal Terms & Conditions of this Issue

The Equity Shares being offered are subject to the provisions of the Companies Act, the SCRR, the Memorandum and Articles of Association of our Company, conditions of RBI approval, if any, the terms of this Draft Red Herring Prospectus, Red Herring Prospectus, the Prospectus, Bid-cum-Application Form, ASBA Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("**CAN**") and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of this Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to this Issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC, FIPB and / or other authorities, as in force on the date of this Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the other existing Equity Shares of our Company including in respect of the rights to receive dividends. The Allotees of the Equity Shares in this Issue shall be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of Allotment.

For further details, please refer to chapter titled "***Main Provisions of the Articles of Association***" on page 411.

Dividend on the Equity Shares forming part of the Offer for Sale

As per the SEBI ICDR Regulations, for the Offer for Sale portion, the dividend for the entire year, if any, shall be payable to the transferees.

Sharing of Expenses

Other than listing fees which will be paid by our Company, all expenses with respect to this Issue will be shared between our Company and the Selling Shareholders who have offered their Equity Shares for sale on a pro-rata basis, in the ratio of the Equity Shares issued by our Company in the Fresh Issue and the Equity Shares being sold by the Selling Shareholders in the Offer for Sale.

Mode of payment of dividend

We shall declare and pay dividend to our shareholders as per the provisions of the Companies Act, and as recommended by our Board of Directors at their discretion, and approved by our Shareholders and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition of our Company.

Face Value and Price Band/ Issue Price

The Equity Shares with a Face Value of ₹10 each are being issued in terms of this Draft Red Herring Prospectus at a Price Band of ₹[•] to ₹[•] per Equity Share. At any given point of time there shall be only one denomination of Equity Shares, subject to applicable laws. The cost of the offer for sale shall be borne by the Selling Shareholders.

The face value of the Equity Shares is ₹10 each and the Floor Price is [•] times of the face value and the Cap Price is [•] times of the face value.

Compliance with SEBI ICDR Regulations

Our Company and the Selling Shareholders, to the extent applicable, shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

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 of Equity Shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the Listing Agreements executed with the Stock Exchanges, and the Memorandum and Articles of Association of our Company.

For a detailed description of the main provisions of the Articles of Association such as those dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and / or consolidation / splitting, please refer to the chapter titled "***Main provisions of the Articles of Association***" beginning on page 411.

Market Lot and Trading Lot

Under Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. In terms of existing SEBI ICDR Regulations, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of the Equity Shares is in dematerialized mode, the tradable lot is one Equity Share.

Allocation and allotment of Equity Shares through this Issue will be done only in electronic form, in multiple of one Equity Share to the successful Bidders, subject to a minimum allotment of [•] Equity Shares. For details of allocation and allotment, please refer to the chapter titled "***Issue Procedure***" beginning on page 373.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint–tenants with benefits of survivorship.

Promoter and Promoter Group Participating in this Issue

Our Promoters, Group Companies and the member of our Promoter Group will not participate in this Issue.

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 transferred, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in this manner prescribed. A fresh nomination can only be made on the prescribed form available on request at our Company's Registered / Corporate Office or to our Registrar and Transfer Agent.

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:

1. to register himself or herself as the holder of the Equity Shares; or
2. to make such allotment of the Equity Shares, as the deceased holder could have made.

Further, our 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 this Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the

applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

Period of operation of subscription list of this Issue

BID/ISSUE OPENS ON	**[•], 2011**	**FOR ALL BIDDERS***
BID/ISSUE CLOSES ON	**[•], 2011**	**FOR QIBs#**
	[•], 2011	**FOR RETAIL AND NON-INSTITUTIONAL BIDDERS (INCLUDING ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION)**

**Our Company in consultation with the Selling Shareholders and the BRLMs may consider participation by Anchor Investors in terms of the SEBI ICDR Regulations. The Anchor Investor Bid/Issue Period shall be one Working Day prior to the Bid/ Issue Opening Date. The number of Equity Shares allocated to each Anchor Investor and the Anchor Investor Price shall be made available in the public domain by the BRLMs, before the Bid Opening Date by intimating the same to the Stock Exchanges.*
#Our Company may consider closing the Bid/ Issue Period for QIBs one working day prior to the Bid/ Issue Closing Date.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Fresh Issue including devolvement of the Underwriters within 60 days from the date of Bid/ Issue Closing Date, our Company and Selling Shareholders shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company and Selling Shareholders becomes liable to pay the amount, our Company shall pay interest as prescribed under Section 73 of the Companies Act. ***It is to be understood that the requirements for minimum subscription is not applicable to the Offer for Sale.***

On receipt of minimum subscription i.e. 90% of the Fresh Issue and in case of under-subscription in the Issue, the entire subscription amount would first be adjusted towards the Fresh Issue and thereafter towards the Offer for Sale. In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. Any expense incurred by our Company on behalf of the Selling Shareholders with regard to refunds, interest for delays, etc. for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholders to our Company to the extent agreed between them.

Further, in terms of Sub-Regulation (4) of Regulation 26 of the SEBI ICDR Regulations, our Company and the Selling Shareholders shall ensure that the number of prospective Allotees to whom the Equity Shares will be allotted will not be less than 1,000. If the number of Allotees in the proposed Issue is less than 1,000 Allotees, our Company and the Selling Shareholders shall forthwith refund the entire subscription amount received.

Arrangement for Disposal of Odd Lots.

The Equity Shares will be traded in dematerialized form only and therefore the marketable lot is one (1) Equity Share. Hence, there is no possibility of any odd lots.

Application by Eligible NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI

It is to be understood that there is no reservation for Eligible NRIs or FIIs registered with SEBI or FVCIs registered with SEBI. Such Eligible NRIs, FIIs registered with SEBI or FVCIs registered with SEBI will be treated on the same basis with other categories for the purpose of Allocation.

As per the extant policy of the Government of India, OCBs cannot participate in this Issue.

Under the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exists a general permission for the NRIs, FIIs and foreign venture capital investors registered with SEBI to invest in shares of Indian companies by way of subscription in an IPO. However, such investments would be subject to other investment restrictions under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, RBI and/or SEBI ICDR Regulations as may be applicable to such investors.

The allotment of the Equity Shares to Non-Residents shall be subject to the conditions, if any, as may be prescribed by the Government of India/RBI while granting such approvals.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts / authorities in Mumbai, Maharashtra, India.

Restriction on Transfer and Transmission of Equity Shares

Except for lock-in as detailed in "***Details Promoters Contribution and Lock-in***" on page 40-41 in the chapter "***Capital Structure***" beginning on page 28 and except as provided in the Articles of Association, there are no restrictions on transfers of Equity Shares. There are no restrictions on transfers of debentures except as provided in the Articles of Association. There are no restrictions on transmission of Equity Shares and on their consolidation/ splitting except as provided in the Articles of Association. For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, please refer to chapter titled "***Main Provisions of the Articles of Association***" beginning on page 411.

Option to receive Equity Shares in Dematerialized Form

Investors should note that Allotment of Equity Shares to all successful Bidders will only be in the dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. Our Company, the Selling Shareholders and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company, the Selling Shareholders and the BRLMs are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft 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.

ISSUE PROCEDURE

This Chapter applies to all Bidders. Please note that all Bidders (except the Anchor Investors) can participate in this Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all Bidders (other than ASBA Bidders) are required to make payment of the full Bid Amount with the Bid-cum-Application Form. In case of ASBA Bidders, an amount equivalent to the full Bid Amount will be blocked by the SCSB.

Please note that the information stated/ covered in this section may not be complete and / or accurate and as such would be subject to modification/ change. Our Company, the Selling Shareholders, and the BRLMs would not be liable for any amendment, modification or change in applicable law, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids do not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or as specified in the Red Herring Prospectus and the Prospectus.

*In respect of QIBs that apply in Anchor Investor Portion, the Issue Procedure set out below should be read with, and is qualified by, the paragraphs below relating to Anchor Investors, including without limitation, the section on "**Bids by Anchor Investors**" on page 378.*

It may be noted that as per circular dated Oct 12, 2010 by SEBI, the Syndicate has been permitted to procure ASBA Bid-cum-Application Forms from the ASBA Bidders and submit the same to the SCCBs. The said SEBI Circular further states that the implementation of this circular would require some modification in existing processes and systems and such modifications shall be communicated in due course. We shall incorporate disclosures to this effect in the Red Herring Prospectus/ Prospectus to be filed for the Issue, once the requisite modifications to existing processes and systems are communicated or otherwise suggested by SEBI.

It may also be noted that pursuant to the SEBI press release (PR No.24/2011) dated February 7, 2011, ASBA facility has been made mandatory for non-retail investors (i.e. Qualified Institutional Buyers and Non-Institutional Investors) from May 1, 2011. We shall incorporate disclosures to this effect in the Red Herring Prospectus/ Prospectus to be filed for the Issue, once an amendment to the SEBI ICDR Regulations incorporating the said change is notified by SEBI.

Book Building Procedure

This is an Issue atleast 25% of the post-Issue capital in accordance with Rule 19(2)(b)(i) of the Securities Contracts Regulations Rules, 1957, as amended ("***SCRR***"). The Issue is being made through the Book Building Process wherein not more than 50% of the Net Issue shall be available for allocation to Qualified Institutional Buyers on a proportionate basis out of which (excluding Anchor Investor Portion), 5% shall be available for allocation on a proportionate basis to Mutual Funds only. Our Company shall consider making upto 30% of the QIB Portion available for allocation to Anchor Investors and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. 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. Allocation to Anchor Investors, if any, shall be on a discretionary basis and not on a proportionate basis.

Further, not less than 15% of the Net Issue would be available for allocation to Non-Institutional Bidders and not less than 35% of the Net Issue would be available for allocation to Retail Individual Bidders on a proportionate basis, subject to valid Bids being received from them at or above the Issue Price.

Further, up to 200,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price, provided that the value of allotment to a single Eligible Employee does not exceed ₹ 200,000 and such reservation does not exceed 5% of the Issue size.

Bidders (excluding ASBA Bidders) are required to submit their Bids through the Syndicate or their affiliates. ASBA Bidders are required to submit their Bids to SCSBs. In case of QIBs, our Company may, in consultation with BRLMs, reject their Bids at the time of acceptance of the Bid-cum-Application Form, provided that the reasons for such rejection shall be disclosed to such QIB in writing. In case of Non-Institutional Bidders, Eligible Employees and Retail Individual Bidders, our Company will have the right to reject the Bids only on technical grounds.

Under-subscription, if any, in any category, would be allowed to be met with spill-over from any other category or

combination of categories at the discretion of our Company in consultation with the Selling Shareholders, the BRLMs and the Designated Stock Exchange. On receipt of minimum subscription and in case of under-subscription in the Net Issue, the entire subscription amount would first be adjusted towards the Fresh Issue, before adjustment towards the Offer for Sale.

All Bidders other than ASBA Bidders are required to submit their Bids through the Syndicate or their respective sub-syndicate members, if any. ASBA Bidders are required to submit their Bids to the SCSBs. Bids by QIBs (except when being applied through ASBA) will only have to be submitted through the BRLMs or its affiliates. In case of ASBA Bids by QIBs should be intimated to the BRLMs.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid-cum-Application Forms which do not have the details of the Bidders' depository account including DP ID, PAN, and Beneficiary Account Number shall be treated as incomplete and rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. However, the Bidders may apply to get the Equity Shares rematerialized subsequent to the Allotment pursuant to the Issue. *Investors should note that the Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.*

Further, pursuant to the notification (no. LAD-NRO/GN/2010-11/03/1104) dated April 13, 2010, SEBI has provided that Anchor Investors shall pay, on application, the same amount, as is payable by other Bidders, and the balance, if any incase the Issue Price is more than the Anchor Investor Issue Price, within two days of the Bid/Issue Closing Date.

ASBA Process

In accordance with the ICDR Regulations, all Bidders (including QIB Bidders, but excluding Anchor Investors) can participate in the Issue through the ASBA process. ASBA Bidders shall submit an ASBA Bid-cum-Application Form either (i) in physical form to the Designated Branch of an SCSB or (ii) in electronic form through the internet banking facility offered by an SCSB authorizing blocking of funds that are available in the bank account ("ASBA Account") specified in the ASBA Bid-cum- Application Form used by ASBA Bidders. The SCSB shall block an amount equal to the Bid Amount in the ASBA Account, on the basis of an authorization to this effect given by the account holder at the time of submitting the Bid. The ASBA data shall be uploaded by the SCSB in the electronic bidding system of the Stock Exchanges. The Bid Amount shall remain blocked in the ASBA Account until approval of the basis of Allotment in the Issue by the Designated Stock Exchange and consequent transfer of the Bid Amount against the allocated shares to the Public Issue Account, or until withdrawal or failure of the Issue or until withdrawal or rejection of the ASBA Bid, as the case may be. Once the basis of Allotment is approved by the Designated Stock Exchange, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant bank accounts and for transferring the requisite amount to the Public Issue Account. In case of withdrawal or failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the BRLMs and/or the Registrar.

Bid-cum-Application Form and ASBA Bid-cum-Application Form

Bidders shall only use the Bid-cum-Application Form (except incase of ASBA Bidders) bearing the stamp of a Syndicate Member for making a Bid in terms of this Draft Red Herring Prospectus. The Bid-cum-Application Form (except in relation to ASBA Bidders) before being issued to Bidders, shall be serially numbered and the date and time shall be stamped at the Bidding centers and such form shall be signed by the Bidder and countersigned by the relevant member of the Syndicate. ASBA Bidders shall submit the ASBA Bid-cum-Application Form either in physical or electronic form (through the internet banking facility available with the SCSBs or such other electronically enabled mechanism for Bidding) to the SCSB authorizing blocking funds that are available in the bank account specified in the ASBA Bid-cum-Application Form used by ASBA Bidders.

The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the valid Application Form. Upon completion and submission the Bid-cum-Application Form to a Syndicate Member (and in the case of an ASBA Bid-cum-Application Form, to the SCSB), the Bidder is deemed to have authorized us and the Selling Shareholders to make the necessary changes in the Red Herring Prospectus as would be required for filing the Prospectus with RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder or the ASBA Bidder.

No separate receipts shall be issued for the money payable on the submission of the Bid-cum-Application Form or ASBA Bid-cum-Application Form and Revision Form. However, the collection center of the Syndicate will acknowledge the receipt of such form by stamping and returning to the Bidder the acknowledgement slip. This

acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form or ASBA Bid-cum-Application Form and Revision Form for the records of the Bidder.

The prescribed colour of the Bid-cum-Application Form for the various categories is as follows:

Category	Colour of Bid-cum-Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis in the Retail Individual Bidders category	[•]
Eligible NRIs, FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	[•]
Eligible Employees	[•]
ASBA Bidders	
Residential ASBA Bidders	[•]
Non-resident ASBA Bidders	[•]
Anchor Investors*	[•]

** Bid-cum-Application Forms for Anchor Investors shall be made available at our Registered Office and the offices of the BRLMs.*

Who can Bid?

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Persons eligible to invest in the Equity Shares under all applicable laws, rules, regulations and guidelines.
2. 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;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity Shares;
4. Mutual Funds registered with SEBI;
5. Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and SEBI ICDR Regulations, as applicable);
6. Multilateral and bilateral development financial institutions;
7. Venture Capital Funds registered with SEBI;
8. Foreign Venture Capital Investors registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
9. FIIs and sub-accounts registered with SEBI other than a sub-account which is a foreign corporate or foreign individual, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
10. Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only under the Non-Institutional Bidders category;
11. State Industrial Development Corporations;
12. Insurance companies registered with the Insurance Regulatory and Development Authority;
13. Provident funds with a minimum corpus of ₹250 Million and who are authorized under their constitution to invest in equity shares;
14. Pension funds a with minimum corpus of ₹250 Million and who are authorized under their constitution to invest in equity shares;
15. National Investment Fund;
16. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their respective constitutions to hold and invest in equity shares;
17. Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable local laws. NRIs other than eligible NRIs are not eligible to participate in this Issue;
18. Scientific and/or industrial research organizations authorized under their constitution to invest in equity shares;
19. Any other QIBs permitted to invest, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
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;
22. Persons otherwise eligible to invest under all applicable laws, rules, regulations and guidelines; and

23. Eligible Employees.

As per the existing regulations, OCBs are not eligible to participate in this Issue. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Participation by associates/ affiliates of BRLMs and Syndicate Members

The BRLMs and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. Associates and affiliates of the BRLMs and the Syndicate Members may subscribe to Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion as may be applicable to such Bidder, where the allocation is on a proportionate basis. Such bidding and subscription may be on their own account or for the account of their clients.

The BRLMs and any persons related to the BRLMs, our Promoter and our Promoter Group cannot apply in this Issue under the Anchor Investor Portion.

Bids by Eligible Employees

Bids under Employee Reservation Portion by Eligible Employees shall be:

1. Made only in the prescribed Bid-cum-Application Form or Revision Form (i.e. [•] colour form).
2. Only Eligible Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
3. Eligible Employees, as defined above, should mention the Employee Number at the relevant place in the Bid-cum-Application Form.
4. The sole/first Bidder shall be the Eligible Employee as defined above. In case the ASBA Bid-cum-Application Form or the Bid-cum-Application Form, as the case may be, is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.
5. Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category. However a discount of ₹[•] per Equity Share shall be allowed to the Eligible Employees applying under this category.
6. The Bids must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter, so as to ensure that the Bid Amount does not exceed ₹200,000.
7. Eligible Employees who Bid for Equity Shares in the Employee Reservation Portion can apply at Cutoff Price. Bids by Eligible Employees can also be made in the Net Issue portion and such Bids shall not be treated as multiple Bids.
8. Our Company in consultation with the Book Running Lead Managers ("BRLMs") may decide to offer a discount of ₹[•] to the issue price to the Eligible Employees at the time of allotment. Eligible Employees should note that discount is not offered on Bid Price but on Issue Price. Hence they should not deduct the employee discount while submitting the Bid-cum Application Form. The excess amount paid on application would be refunded to such Bidders after Allotment along with other refund, if any.
9. If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
10. Any unsubscribed portion in any reserved category shall be added to the Net Issue to the public. On receipt of minimum subscription and in case of under-subscription in the Net Issue, the entire subscription amount would first be adjusted towards the Fresh Issue, before adjustment towards the Offer for Sale.

If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, please refer to "***Basis of Allotment***" in this chapter on page 397.

The Allotment in the Employee Reservation Portion will be on a proportionate basis. However, the maximum Bid by an Eligible Employee cannot exceed ₹200,000 in order to be eligible for applying in the Employee Reservation Portion.

Bids by Mutual Funds

Procedure for applications by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than [•] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion and Mutual Funds applying under the Anchor Investor Portion, after excluding the allocation in the Mutual Fund Portion.

One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors.

The Bids made by Asset Management Companies or Custodians of Mutual Funds should specifically state the name of concerned schemes for which Bids are 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 the 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 share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

Multiple applications by Mutual Funds

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by Eligible Non Resident Indians (NRIs)

Bid-cum-Application Forms have been made available for eligible NRIs at the Registered Office of our Company and with the Syndicate.

Eligible NRIs should note that only such applications as are accompanied by payment in free foreign exchange or by debit to their NRE/FCNR accounts shall be considered for Allotment on repatriation basis. Eligible NRIs intending to participate in the Bidding process shall ensure that their foreign address is registered with their depository participant or furnished on the Bid-cum-Application form. Post Allotment, if any, on repatriable basis, our Company or Selling Shareholders are required to file FC-GPR or FCTRS, as the case may be, with the Reserve Bank of India through an authorised dealer along with a KYC (Know Your Client) report issued by their banker. Eligible NRIs who may be Allotted Equity Shares of our Company in this Issue are required to facilitate the issue of the said report to be furnished to RBI.

The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts should use the form meant for Resident Indians and not use the forms meant for any reserved category. All instruments accompanying Bids shall be payable in Mumbai only.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of our Company. In respect of an FII investing in Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of our Company or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of the total paid-up capital of our Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to the applicable sectoral caps. However, as of this date no such resolution has been recommended for adoption.

A sub-account of an FII which is a foreign corporate or foreign individual shall not be considered to be a Qualified Institutional Buyer, as defined under the SEBI ICDR Regulations, for this Issue.

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 (the "SEBI FII Regulations"), an FII or its sub-account may issue, deal or hold, offshore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by an FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. 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. Associates and affiliates of the underwriters including the BRLMs and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such offshore derivative instrument does not constitute any obligation of, claim on or an interest in our Company.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor. However, venture capital funds or foreign venture capital investors may invest not more than 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers of venture capital undertakings.

Pursuant to the SEBI ICDR Regulations, the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an Initial Public Offering would be exempt from Lock-in requirements only if the shares have been held by them for atleast one year prior to the time of filing this Draft Red Herring Prospectus with SEBI.

Bids by Anchor Investors

Our Company, in consultation with the Selling Shareholders and the BRLMs, may consider participation by Anchor Investors in the QIB Portion for up to 30% of the QIB Portion in accordance with the ICDR Regulations. Only QIBs as defined in Sub-Regulation (1) (zd) of Regulation 2of the SEBI ICDR Regulations and not otherwise excluded pursuant to Schedule XI of the SEBI ICDR Regulations are eligible to invest.

The QIB Portion shall be reduced in proportion to the allocation under the Anchor Investor Portion. In the event of under-subscription on non-allotment in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion. In accordance with the SEBI ICDR Regulations, the key terms for participation in the Anchor Investor Portion are provided below.

1. Anchor Investors Bid cum Application Form will be made available for the Anchor Investor Portion at our Registered Office and BRLMs.

2. The Bid must be for a minimum of such number of Equity Shares so that the Bid Amount equals to or exceeds ₹100 Million. A Bid cannot be submitted for more than 30% of the QIB Portion. In case of a Mutual Fund registered with SEBI, separate Bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of ₹100 Million.

3. One-third of the Anchor Investor Portion shall be reserved for allocation to domestic Mutual Funds.

4. The Bidding for Anchor Investors shall open one Working Day before the Bid Opening Date and shall be completed on the same day.

5. Our Company in consultation with the Selling Shareholders and the BRLMs shall finalize allocation to the Anchor Investors on a discretionary basis, provided that the minimum number of Allotees in the Anchor Investor Portion shall not be less than two, where the allocation under Anchor Investor Portion is up to ₹2,500 Million and five where the allocation is more than ₹2,500 Million.

6. Allocation to Anchor Investors shall be completed on the Anchor Investor Bidding Date. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the BRLMs before the Bid/ Issue Opening Date.

7. Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date.

8. In the event the Issue Price is greater than the Anchor Investor Issue Price, the additional amount being the difference between the Issue Price and the Anchor Investor Issue Price shall be paid by the Anchor Investors by the Pay-in-Date. In the event the Issue Price is lower than the Anchor Investor Issue Price, the Allotment to Anchor Investors shall be at the higher price i.e. the Anchor Investor Issue Price.

9. The Equity Shares Allotted in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment.

10. None of the BRLMs shall participate in the Anchor Investor Portion. The parameters for selection of the Anchor Investors shall be clearly identified by the BRLMs and shall be made available as part of the records of the BRLMs for inspection by SEBI.

11. Bids made by QIBs under both the Anchor Investor Portion and the QIB Portion (excluding the Anchor Investor Portion, if any) shall not be considered as multiple Bids.

Additional details, if any, regarding participation in this Issue under the Anchor Investor Portion shall be disclosed in the advertisement for the Price Band which shall be published by our Company in [•], an English national newspaper, [•], a Hindi national newspaper and [•], a Marathi newspaper, each with wide circulation, at least two Working Days prior to the Bid Opening Date.

Bids under Power of Attorney

In case of Bids (including ASBA Bids) made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of ₹250 Million (subject to applicable law) and pension funds with a minimum corpus of ₹250 Million 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 articles 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.

In addition to the above, certain additional documents are required to be submitted by the following entities, failing which, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason:

1. With respect to Bids by FIIs, FVCIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form.
2. With respect to Bids by insurance companies registered with the Insurance Regulatory and Development Authority, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form.
3. With respect to Bids made by provident funds with a minimum corpus of ₹250 Million (subject to applicable law) and pension funds with a minimum corpus of ₹250 Million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid-cum-Application Form.

Our Company, in its absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions that our Company and the BRLMs may deem fit. Our Company in its absolute discretion, reserves 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, the demographic details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use demographic details as given in the Bid-cum-Application Form instead of those obtained from the depositories.

Bids and revision of Bids by Non-Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis.

Bids and revision to Bids must be made in the following manner:

1. On the prescribed Bid-cum-Application Form or the Revision Form, as applicable ([•] 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 Depositary Participant details).
3. Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees. Bids by Eligible NRIs for a Bid Amount of up to ₹200,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than ₹200,000 would be considered under Non- Institutional Portion for the purposes of allocation.

Maximum and Minimum Bid Size

For Retail Individual Bidders: The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter, subject to maximum Bid amount of ₹200,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed ₹200,000. In case the maximum Bid amount is more than ₹200,000, due to a revision in the Bid or a revision in the Price Band or on exercise of the option to bid at Cut-off Price, then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders and Eligible Employees, Bidding under the Employee Reservation Portion (including Retail Individual Bidders and Eligible Employees applying through ASBA) indicating their agreement to Bid and purchase at a discount of ₹[•] to the final Issue Price as determined at the end of the Book Building Process.

For Non-Institutional Bidders and QIB Bidders (excluding Anchor Investors): The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds ₹200,000 and in multiples of [•] Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Net Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under SEBI ICDR Regulations, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the entire Bid Amount upon submission of Bid. **The Company may close the Bid/Issue Period for QIBs one working day prior to the Bid/Issue Closing Date. Accordingly, QIB Investors will not be allowed to withdraw their bids after Bid/Issue Closing Date or one Working Date prior to the Bid/Issue Closing Date as may be applicable.**

In case of revision of Bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than ₹200,000 for being considered for allocation in the Non-Institutional category. In case the Bid Amount reduces to ₹200,000 or less due to a revision in Bids or revision of the Price Band Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'Cut-Off'. **A QIB Bidder cannot withdraw its Bid after the Bid Closing Date.**

For Bidders in the Anchor Investor Portion: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount is atleast ₹100 Million and in multiples of [•] Equity Shares thereafter. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion (excluding the Anchor Investor Portion) shall not be considered as multiple Bids. A Bid cannot be submitted for more than 30% of the QIB Portion. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/ Issue Period and are required to pay the Bid Amount at the time of submission of the Bid. In case the Anchor Investor Issue Price is lower than the Issue Price, the balance amount shall be payable as per the pay-in date mentioned in the revised Anchor Investor Allocation Notice/ CAN.**

For Bidders in the Employee Reservation Portion: The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter so as to ensure that the Bid Amount payable by the Bidder does not exceed ₹200,000. In case of revision of Bids, the Eligible Employee has to ensure that the Bid Amount does not exceed ₹200,000. The option to Bid at the Cut-Off Price is given to the Bidders in the Employee Reservation Portion, including ASBA Bidders, whose Bid Amount does not exceed ₹200,000 indicating their agreement to Bid and purchase at a discount of ₹[•] to the final Issue Price as determined at the end of the Book Building Process. The Allocation in the Employee Reservation Portion will be on a proportionate basis in case of oversubscription in this category. The maximum and minimum bid size applicable to any Investor shall be applicable to an ASBA Bidder as well.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

A discount of ₹[•] per Equity Share to the Issue Price determined pursuant to completion of the Book Building

Process shall be offered to Eligible Employees, respectively.

Eligible Employees bidding at a price within the Price Band have to make payment based on the highest bid price option that the Bidder has applied for. Eligible Employees bidding at Cut-Off Price have to make payment at the upper end of the Price Band.

Eligible Employees should note that discount is not offered on the Bid Price but on the Issue Price. Hence, they should not deduct the Employee Discount while submitting the Bid-cum- Application Form.

Information for Bidders

1. Our Company and Selling Shareholders shall, pursuant to the filing of this Draft Red Herring Prospectus with SEBI, make a Public Announcement in an English and a Hindi national newspaper and in one Marathi newspaper with wide circulation. This Public Announcement, subject to the provisions of Section 60 of the Companies Act, shall invite public to give their comments to SEBI in respect of disclosures made in this Draft Red Herring Prospectus.

2. Our Company, in consultation with the Selling Shareholders and BRLMs shall declare the Bid/Issue Opening Date and the Bid/Issue Closing Date (and the date on which our Company may decide to close the Bids for the QIBs) in the Red Herring Prospectus to be registered with the RoC and also publish the same in two national newspapers (one each in English and Hindi) and in one Marathi newspaper with wide circulation. This advertisement shall be in the prescribed format.

3. The Price Band and the minimum bid lot as decided by our Company in consultation with the Selling Shareholders and the BRLMs, including the relevant financial ratios computed for both the Cap Price and the Floor Price shall be published at least two (2) Working Days prior to the Bid/Issue Opening by our Company an English and a Hindi national newspaper and in one Marathi newspaper with wide circulation.

4. The Employee Discount as decided by our Company in consultation with the BRLMs shall be published at least two (2) Working Days prior to the Bid/Issue Opening by our Company an English and a Hindi national newspaper and in one Marathi newspaper with wide circulation.

5. Our Company and the Selling Shareholders will file the Red Herring Prospectus with the RoC at least three (3) days prior to the Bid/ Issue Opening Date.

6. The members of the Syndicate and the SCSBs, as applicable will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors. The SCSBs shall ensure that the electronic ASBA Bid-cum-Application Form and the abridged prospectus are made available on their respective websites.

7. 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 ASBA Bid-cum-Application Form downloaded and printed from the websites of the Stock Exchanges.

8. Any Bidder (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and / or the Bid-cum-Application Form can obtain the same from our Registered Office or from the BRLMs / Syndicate Members.

9. Eligible Bidders who are interested in subscribing to the Equity Shares should approach the BRLMs or Syndicate Members or their authorized agent(s) or the SCSBs (as applicable) to register their Bid. Bidders can also approach the Designated Branch of the SCSBs to register their Bids under the ASBA process.

10. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid cum Application Form (other than the ASBA Bid cum Application Form) should bear the stamp of the members of the Syndicate otherwise they will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches of SCSBs in accordance with the SEBI ICDR Regulations and any circulars issued by SEBI in this regard. Bidders (other than Anchor Investors) applying through the ASBA process also have an option to submit the ASBA Bid-cum-Application Form in electronic form.

11. Bidding by QIBs (except Anchor Investors) may close one day prior to the Bid Closing Date, provided that

Bidding shall be kept open for a minimum of three Working Days for all other categories of Investors. Our Company's decision to close bidding QIBs one day prior to the Bid/Issue Closing date, if any, shall be disclosed in the RHP to be filed with RoC.

12. The Price Band has been fixed at ₹[•] to ₹[•] per Equity Share. The Bidders can Bid at any price within the Price Band, in multiples of [•] Equity Shares. In accordance with the SEBI ICDR Regulations, our Company, in consultation with the Selling Shareholders and the BRLMs, reserve the right to revise the Price Band during the Bid/Issue period. The cap on the Price Band will not be more than 120% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

13. Our Company in consultation with the Selling Shareholders and BRLMs shall finalise the Issue Price within the Price Band, without the prior approval of, or intimation to, the Bidders.

14. In case the Price Band is revised, the Bid/Issue period shall be extended, by an additional three days, subject to the total Bid/Issue period not exceeding ten (10) Working Days. The revised Price Band and Bid/Issue period, if applicable, will be widely disseminated by notification to the Stock Exchanges, and by publishing in two national daily newspapers (one each in English and Hindi) and one regional daily language newspaper, with wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

15. Bid-cum-Application Forms will also be available on BSE and NSE websites.

16. The Demat accounts of Bidders for whom PAN details have not been verified, excluding residents of Sikkim, who, may be exempted from specifying their PAN for transacting in securities market, shall be "suspended for credit" and no credit of Equity Shares pursuant to this Issue shall be made into the accounts of such Bidders.

The applicants may note that in case the DP ID and Client ID and PAN mentioned in the Bid-cum-Application Form, ASBA Bid-cum-Application Form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate do not match with the DP ID and Client ID and PAN available in the Depository database, the application is liable to be rejected.

General Instructions

Do's:

1. Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable laws, rules and regulations;
2. Read all the instructions carefully and complete the Bid-cum-Application Form/ ASBA Bid-cum-Application Form;
3. Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialized form only;
4. Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate or with respect to ASBA Bidders ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidders or the person whose bank account will be utilised by the ASBA Bidder for bidding has a bank account;
5. With respect to ASBA Bids ensure that the ASBA Bid-cum-Application Form is signed by the account holder in case the applicant is not the account holder. Ensure that you have mentioned the correct bank account number in the ASBA Bid-cum-Application Form;
6. Ensure that you have requested for and received a TRS for all your Bid options;
7. Ensure that you have funds equal to the Bid Amount in your bank account maintained with the SCSB before submitting the ASBA Bid-cum-Application Form;
8. Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;
9. Ensure that the full Bid Amount is paid for the Bids submitted to the members of the Syndicate and funds equivalent to the Bid Amount are blocked in case of any Bids submitted though the SCSBs;
10. Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
11. Ensure that the Bid is within the Price Band;
12. Ensure that you mention your PAN allotted under the I.T. Act with the Bid-cum-Application Form/ ASBA Bid-cum-Application Form (Except for Bids on behalf of the Central or State Government officials and the officials

appointed by the courts in terms of a SEBI circular dated June 30, 2008 and Bidders resident in the state of Sikkim who in terms of a SEBI circular dated July 20, 2006 may be exempt from specifying their PAN for transacting in the securities market;

13. Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.
14. Ensure that the Depository Participant identification number (DP ID), the client identification number (Client ID) and PAN mentioned in the Bid-cum-Application Form/ASBA Bid-cum- Application Form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate Members or Designated Branches of the SCSBs, as the case may be, matches with the DP ID, Client ID and PAN available in the Depository database. The Bidders should note that in case the DP ID, Client ID and the PAN mentioned in their Bid-cum-Application Form/ASBA Bid-cum-Application Form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate Members or the Designated Branches of the SCSBs, as the case may be, do not match with the DP ID, Client ID and PAN available in the Depository database, then such Bids are liable to be rejected.
15. Ensure that the name(s) given in the Bid-cum-Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid-cum-Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid-cum-Application Form.

In addition, ASBA Bidders should ensure that:

1. The ASBA Bid-cum-Application Form is signed by the account holder in case the applicant is not the account holder;
2. The correct bank account numbers have been mentioned in the ASBA Bid-cum-Application Form;
3. The authorization box in the ASBA Bid-cum-Application Form has been correctly checked, or an authorization to the SCSB through the electronic mode has been otherwise provided, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Bid-cum-Application Form in the ASBA Account maintained with a branch of the concerned SCSB; and
4. An acknowledgement from the Designated Branch of the concerned SCSB for the submission of the ASBA Bid-cum-Application Form has been obtained.

Don'ts:

1. Do not Bid for lower than the minimum Bid size;
2. Do not Bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;
3. Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the member of the Syndicate or the SCSB;
4. Do not pay the Bid amount in cash, by money order or by postal order;
5. Do not provide your GIR number instead of your PAN number as the Bid is liable to be rejected on this ground;
6. Do not send Bid cum Application Form by post; instead submit the same to members of the Syndicate or the SCSBs, as applicable;
7. Do not Bid at Cut-Off price (for QIBs and Non-Institutional Bidders);
8. Do not Bid for a Bid Amount exceeding ₹200,000 (for Bids by Retail Individual Bidders);
9. Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Net Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of this Draft Red Herring Prospectus;
10. Do not submit Bid accompanied with stock invest;
11. Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
12. Do not submit more than five (5) ASBA Bid-cum-Application Forms per bank account for the Issue;
13. Do not submit the Bid without payment of the entire Bid Amount; and
14. Do not submit incorrect details of DP ID, Client ID and PAN or give details for which demat account are suspended or for which such details cannot be verified by the Registrar.

Instructions for completing the Bid-cum-Application Form/ ASBA Bid-cum-Application Form

Bidders can obtain Bid cum Application Form and/ or Revision Form from the BRLMs or Syndicate Member or Registered Office of our Company or Registrar to the Issue.

Bids and revisions of Bids must be:

1. Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable;

2. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form/ASBA Bid-cum-Application Form or in the Revision Form/ASBA Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected. Bidders should note that the members of the Syndicate and / or the SCSBs (as appropriate) will not be liable for errors in data entry due to incomplete or illegible Bid-cum-Application Forms or Revision Forms;
3. Information provided by the Bidders will be uploaded in the online IPO system by the members of the Syndicate and SCSBs, as the case may be, and the electronic data will be used to make allocation/Allotment. Please ensure that the details are correct are legible;
4. The Bids from the Retail Individual Bidders and Eligible Employees submitting Bids in the Employee Reservation Portion must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid amount of ₹200,000. In case the Bid Amount is over ₹200,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion;
5. The option to Bid at Cutoff Price is an option given only to the Retail Individual Bidders and Eligible Employees submitting Bids in the Employee Reservation Portion indicating their agreement to Bid;
6. For Non-institutional and QIB Bidders (except Anchor Investors), Bids must be for a minimum Bid Amount of ₹200,000 and in multiples of [•] Equity Shares thereafter. All Individual Bidders whose maximum bid amount exceeds ₹200,000 would be considered under this category. Bids cannot be made for more than the Net Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations;
7. For Anchor Investors, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equals to ₹100 Million and in multiples of [•] Equity Shares thereafter;
8. In single name or in joint names (not more than three and in the same order as their Depository Participant details);
9. 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;
10. Bids by Non Residents, NRIs and FIIs, FVCIs, multilateral and bilateral development financial institutions on a repatriation basis shall be in the names of individuals, or in the names of FIIs, FVCIs multilateral and bilateral development financial institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees; and
11. If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid-cum-Application Form should be signed by the account holder as provided in the ASBA Bid-cum-Application Form.

Method and Process of Bidding

1. Our Company, the Selling Shareholders and the BRLMs shall declare the Bid Opening Date and Bid Closing Date (including the date on which Bidding shall be closed for QIBs) at the time of filing the Red Herring Prospectus with the RoC and shall also publish it in an English and a Hindi national newspaper and in one Marathi newspaper with wide circulation at least two (2) Working Days prior to the Bid Opening Date. Our Company shall also in consultation with the BRLMs decide upon the Employee Dicount which shall be advertised in the above manner. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall contain the disclosure requirements as specified under Schedule XIII of the SEBI ICDR Regulations;

2. Our Company shall, in consultation with the Selling Shareholders and the BRLMs, decide the Price Band and the minimum Bid lot size for the Issue and the same shall be advertised in one English national daily, one Hindi national daily and one Marathi daily newspaper with wide circulation at least two (2) Working Days prior to the Bid/ Issue Opening Date. The Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid/Issue Period in accordance with the terms of the Syndicate Agreement;

3. The Bid/Issue Period shall be a minimum of three Working Days and not exceeding ten Working Days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in one English national daily, one Hindi national daily and one Marathi daily newspaper with wide circulation and the Bid/Issue Period may be extended, if required, by atleast an additional three Working Days, subject to the total Bid/Issue Period not exceeding ten Working Days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be published in two national newspapers (one each in English and Hindi) and one Marathi newspaper with wide circulation and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate. However the BRLMs shall accept Bids from the Anchor Investors on the Anchor Investor Bidding Date, *i.e.* one Working Day prior to the Bid Opening Date. Our Company shall inform the Stock Exchanges of the Anchor Investors Issue Price on or prior to the Bid/Issue opening Date;

4. Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below) 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;

5. The Bidder cannot Bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate or the SCSBs. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate or SCSBs will be treated as multiple Bids 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 allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Build up of the Book and Revision of Bids";

6. Except in relation to Bids received from the Anchor Investors, the Members of the Syndicate/SCSBs will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction registration Slip, (TRS), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form/ ASBA Bid-cum-Application Form;

7. The BRLMs shall accept Bids from the Anchor Investors during the Anchor Investor Bid/Issue Period i.e. one (1) Working Day prior to the Bid/ Issue Opening Date. Bids by QIBs under the Anchor Investor Portion and the QIB Portion (excluding Anchor Investor Portion, if any) shall not be considered as multiple Bids;

8. Along with the Bid-cum-Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described under the paragraph titled '***Payment Instructions'*** beginning on page 386;

9. Upon receipt of the ASBA Bid-cum-Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid-cum-Application Form, prior to uploading such Bids with the Stock Exchanges;

10. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges;

11. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid-cum-Application Form and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to the ASBA Bidder on request; and

12. The identity of QIB Bidders shall not be made public except those of Anchor Investor(s) which shall be published on the websites of the Stock Exchanges.

Bids at Different Price Levels

The Bidders can Bid at any price within the Price Band, in multiples of ₹ [•].

1. Our Company shall, in consultation with the Selling Shareholders and the BRLMs, decide the Price Band and the minimum Bid lot size for this Issue and the same shall be advertised in one English national daily, one Hindi national daily and one Marathi daily newspaper with wide circulation at least two Working Days prior to the Bid/ Issue Opening Date. The Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid/Issue Period. In accordance with SEBI ICDR Regulations, our Company, in consultation with the Selling Shareholders and the BRLMs reserve the right to revise the Price Band during the Bid/Issue Period, provided the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the floor price can move up or down to the extent of 20% of the floor price disclosed at least two days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

2. Our Company in consultation with the Selling Shareholders and BRLMs can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

3. Our Company, in consultation with the Selling Shareholders and BRLMs, can finalise the Anchor Investor Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Anchor Investors.

4. Bidders can bid at any price within the Price Band. Bidders have to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees applying in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding ₹200,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIBs and Non-Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.

3. Retail Individual Bidders and the Eligible Employees applying in the Employee Reservation Portion who Bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees applying in the Employee Reservation Portion bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price in the respective Escrow Accounts. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees who Bid at Cut-off Price, the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the respective Escrow Accounts/refund account(s). In case of ASBA Bidder bidding at Cut-off Price, the ASBA Bidders shall instruct the SCSBs to block amount based on the Cap Price.

4. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees applying in the Employee Reservation Portion who had bid at Cut-Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band, with the members of the Syndicate or the SCSBs to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds ₹200,000, the Bid will be considered for allocation under the Non Institutional category in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off.

5. In case of a downward revision in the Price Band, Retail Individual Bidders and Eligible Employees applying in the Employee Reservation Portion who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Escrow Accounts/refund account(s) or unblocked by the SCSBs, as applicable.

6. Our Company, in consultation with the Selling Shareholders and the BRLMs, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of ₹5,000 to ₹7,000.

PAYMENT INSTRUCTIONS

Escrow Mechanism for Bidders other than ASBA Bidders

Our Company, the Selling Shareholders and the BRLMs shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement to be entered into amongst our Company, the BRLMs, Escrow Bankers and Registrar to the Issue. The monies in the Escrow Account 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 (including the amount due to selling shareholders and other than ASBA funds with the SCCBs) as per the terms of the Escrow Agreement. Payments of refunds to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an

arrangement between the Escrow Collection Bank(s), our Company, Selling Shareholders, Registrar to the Issue and BRLMs to facilitate collection from the Bidders.

Payment mechanism for ASBA Bidders

The ASBA Bidders shall specify the bank account number in the ASBA Bid-cum-Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Bid-cum-Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/ rejection of the ASBA Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of ASBA Bid-cum-Application Form or for unsuccessful ASBA Bid cum Application Form, the Registrar shall give instructions to the SCSB to unblock the application money in the relevant bank account within one Working Day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in this Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/ failure of this Issue or until rejection of the ASBA Bid, as the case may be.

Payment into Escrow Account for Bidders other than ASBA Bidders:

1. QIB, Non-Institutional Bidders and Retail Individual Bidders including the Eligible Employees applying in the Employee Reservation Portion shall, with the submission of the Bid-cum-Application Form (*Bidders are advised to mention the number of the Bid-cum-Application Form on the reverse of the cheque/demand draft to avoid misuse of instruments submitted along with the Bid-cum-Application Form.*)*, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

2. Anchor Investors would be required to pay the Bid Amount at the time of submission of the application form through RTGS mechanism. In the event of Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors shall be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price within two Working Days of the Bid/ Issue Closing Date (Pay-in Date). If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors shall not be refunded to them.

3. The payment instruments for payment into the Escrow Account should be drawn in favor of:

   a. In case of QIBs: " **Arch Pharmalabs Public Issue - Escrow Account –QIB - R**";
   b. In case of Resident Anchor Investors:"**Arch Pharmalabs Public Issue – Escrow Account – Anchor Investor - R";**
   c. In case of Non-Resident Anchor Investor:"**Arch Pharmalabs Public Issue – Escrow Account – Anchor Investor - NR"**
   d. In case of non-resident QIB Bidders:" **Arch Pharmalabs Public Issue - Escrow Account - QIB - NR";**
   e. In case of Resident Retail and Non Institutional Bidders: **"Arch Pharmalabs Public Issue - Escrow Account - R";**
   f. In case of Non Resident Retail and Non Institutional Bidders: **"Arch Pharmalabs Public Issue - Escrow Account – NR";**
   g. In case of Eligible Employees applying in the Employee Reservation Category: **"Arch Pharmalabs Public Issue - Escrow Account – Employees";**

4. In case of Bids by Eligible NRIs applying on a 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 the Non-Resident External (NRE) Accounts or the Foreign Currency Non-Resident ("FCNR") Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the NRE Account or the FCNR Account.

5. 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 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 a Non-Resident Ordinary ("NRO") Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming

that the draft has been issued by debiting an NRE or FCNR or NRO Account.

6. In case of Bids by FIIs and sub-account thereof and FVCIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

7. Where a Bidder has been Allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares Allocated, will be refunded to the Bidder from the Refund Accounts.

8. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

9. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Banker to the Issue and the surplus amount to be transferred to refund account.

10. On the Designated Date and prior to the twelfth (12th) Working Day from the Bid/Issue Closing Date, the Refund Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Successful Bidders Payments should be made by cheque, or a demand draft 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 cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stock invest/money orders/ postal orders will not be accepted.

11. All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid-cum-Application Form.

12. The entire amount applied by an ASBA Bidder shall be blocked by the SCSB at time of acceptance of the Bid by the SCSB.

* *Except in case of ASBA Bids, Bidders are advised to mention the number of the Bid-cum-Application Form on the reverse of the cheque/demand draft to avoid misuse of instruments submitted along with the Bid-cum-Application Form.*

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Form or Revision Form 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.

Payment by Stock invest

In terms of Reserve Bank of India Circular Number DBOD No. FSC BC 42/24.47.001/2003-04 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 stockinvest would not be accepted in this Issue.

Payment by cash/ money order

Payment through cash/ money order shall not be accepted in this Issue.

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 submission of the Bid. With respect to ASBA Bidders, the ASBA Bid-cum-Application Form or the ASBA Revision Form shall be submitted to the Designated Branches of the SCSBs. No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Form or Revision Form by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the

records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor 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 or otherwise.

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. Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications will be checked for common PAN and Bids with common PAN will be identified as multiple unless they are from mutual funds for different schemes / plans or from portfolio managers registered as such with SEBI seeking to invest under different schemes / plans.

2. In case of a Mutual Fund/ a SEBI registered port folio managers, a separate Bid can be made in respect of each scheme of the Mutual Funds/ scheme and such Bids in respect of more than one scheme will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Bids by QIBs under the Anchor Investor Portion and QIB Portion (excluding Anchor Investor Portion) will not be considered as multiple Bids.

3. Eligible Employees bidding in the Employee Reservation Portion can also Bid in the Net Issue Portion under Retail category and such Bids shall not be treated as multiple Bids.

Our Company in consultation with the Selling Shareholders and BRLMs reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

After Bidding on an ASBA Bid-cum-Application Form either in physical or electronic mode, where such ASBA has been submitted to the Designated Branches of SCSBs and uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Bid-cum-Application Form or a Bid-cum-Application Form. Submission of a second ASBA Bid-cum-Application Form, to either the same or to another Designated Branch of the SCSB or a Bid-cum-Application Form, will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the ASBA Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in "***Build up of the Book and Revision of Bids***" below.

More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs shall not accept a total of more than five ASBA Bid-cum-Application Forms from such ASBA Bidders with respect to any single account. Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple Bids are provided below:

1. All Bids with the same name and age, as the case may be, will be accumulated and taken to a separate process file which would serve as a multiple master.
2. A check will be carried out for the same PAN. In cases where the PAN is same, such Bids will be treated as multiple Bids.
3. Further, in the case of Mutual Fund Bidders and FII sub-accounts, Bids which use the same PAN, the Bid-cum-Application Forms will be scrutinised for DP ID and Beneficiary Account Numbers. In case such Bid-cum-Application Forms bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
4. In cases where there are more than 20 valid applicants having a common address, such Equity Shares Allotted in

the Issue will be kept in abeyance, post-Allotment and released on confirmation of KYC norms by the depositories.

Permanent Account Number ("PAN")

The Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

The demat accounts for Bidders for which PAN details have not been verified shall be "suspended credit" and no credit of Equity Shares pursuant to the Issue shall be made into accounts of such Bidders. SEBI ICDR Regulations stipulate that all applicants are required to disclose their PAN allotted under the I.T. Act in the Bid-cum-Application Form (including the ASBA Form), irrespective of the amount of the Bid. Applications in which PAN so allotted is not mentioned would be rejected. SEBI had issued a circular directing that with effect from July 2, 2007, PAN would be the sole identifiable number for participants transacting in the securities market, irrespective of the amount of transaction.

Therefore, irrespective of the amount of the Bid, the Bidder or in the case of a Bid in joint names, each of the Bidders should mention his/her PAN allotted under the I.T. Act.

Bid-cum-Application Form or the ASBA Bid-cum-Application Form without PAN number will be considered incomplete and are liable to be rejected. In terms of SEBI Circular bearing no. MRD/DoP/Cir-20/2008 dated June 30, 2008, certain categories of investors (namely the Central Government, State Government, and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of Government) and residents of Sikkim for which submission of PAN is not mandatory) shall be exempted from submitting their PAN, only if such organisations submit sufficient documentary evidence to support the veracity of their claim for such exemption.

Unique Identification Number *("UIN")*

SEBI has, *vide* circular no. MRD/DoP/Cir- 05/2007 dated April 27, 2007, with effect from July 2, 2007 declared that the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. Thus, the requirement of Unique Identification Number (UIN) under the SEBI (Central Database of market Participants Regulations), 2005/circulars by SEBI has been discontinued *vide* circular No. MRD/DoP/Cir-08/2007 dated June 25, 2007.

Electronic Registration of Bids

1. The members of the Syndicate and the SCSBs will register the Bids using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity to each city where a Stock Exchange is located in India and where the Bids are being accepted. The BRLMs, our Company, Selling Shareholders and the Registrar to the Issue are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the Syndicate and the SCSBs, (ii) the Bids uploaded by the Syndicate and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. However, the members of the Syndicate and / or the SCSBs shall be responsible for any errors in the Bid details uploaded by them. It shall be presumed that for the Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.

2. The Syndicate and the SCSBs will undertake modification of selected fields in the Bid details already uploaded within one (1) Day from the Bid/ Issue Closing Date.

3. The Stock Exchanges will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Member, their authorized agents and the SCSBs during the Bid/Issue Period. 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 download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Syndicate and the Designated Branches shall upload the Bids till such time as may be permitted by the Stock Exchanges. Bidders are cautioned that a high inflow of Bids typically experienced on the last day of the Bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such Bids that could not be uploaded will not be considered for allocation. Bids will only be accepted on Working Days.

4. The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of the consolidated demand and price would be made available at the bidding centers and the websites of the Stock Exchanges during the Bid/Issue Period along with category wise details.

5. At the time of registering each Bid (other than ASBA Bids) the Syndicate shall enter the following details of the Bidder 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 Depositary 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 such as Individual, Corporate, NRI, etc.;
   - Numbers of Equity Shares Bid for;
   - Bid price and price option;
   - Bid-cum-Application Form number;
   - DP ID Number and Client Identification Number of the Demat Account of the Bidder;
   - PAN; and
   - Cheque amount and Cheque Number

With respect to ASBA Bids, at the time of registering each Bid, the Designated Branches of the SCSBs shall enter the following information pertaining to the Bidder into the electronic bidding system:

- Name of the Bidder(s);
- Application Number;
- PAN (of First Bidder if more than one Bidder) ;
- Investor Category and Sub-Category;
- Employee/shareholder (if reservation) ;
- Demat ID and client identification number;
- Beneficiary Account Number
- Quantity;
- Price;
- Bank Account Number;
- Cheque Amount; and
- Cheque number.

6. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to request and obtain the TRS from the members of the Syndicate or the Designated Branches of the SCSBs. The registration of the Bid by the Syndicate or the Designated Braches of the SCSBs does not guarantee that the Equity Shares shall be allocated either by the Syndicate or our Company.

7. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

8. The members of the Syndicate can reject the Bids under the Non-Institutional Portion, Retail Individual Portion and Employee Reservation Portion on the technical grounds listed in the Red Herring Prospectus. The SCSB shall have no right to reject Bids except on technical grounds.

9. It is to be distinctly understood that the permission given by the Stock Exchanges to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and the BRLMs are cleared or approved by the NSE and the 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 nor does it in any manner warrant, certify or endorse the correctness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

10. Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for Allocation/ Allotment. Members of the Syndicate will be given up to one day after the Bid/Issue Closing Date to verify DP

ID and Client ID uploaded in the online IPO system during the Bid/Issue Period after which the data will be sent to the Registrar for reconciliation and Allotment of Equity Shares. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate or the Designated Branches, the decision of our Company, in consultation with the Selling Shareholders and BRLMs and the Registrar, based on the physical records of Bid Application Form shall be final and binding on all concerned. If the Syndicate Member finds any discrepancy in the DP name, DP ID and the client ID, the Syndicate will correct the same and the send the data to the Registrar for reconciliation and Allotment of Equity Shares.

11. Details of Bids in the Anchor Investor Portion will not be registered on the on-line facilities of electronic facilities of BSE and NSE. Anchor Investors cannot use the ASBA process and should approach the BRLMs to submit their Bids.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate and SCSBs shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.

2. The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis at the end of the Bid/Issue Period.

3. 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.

4. Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and 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 Form will not be accepted by the members of the Syndicate and the Designated Branches of the SCSBs.

5. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate or the SCSB through whom the Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof. The QIBs cannot withdraw their Bids after Bid/Issue Closing Date.

6. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees who had Bid at Cut-off Price could either (i) revise their Bid or (ii) shall 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 ₹200,000 if the Bidder wants to continue to Bid at Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds ₹200,000, the Bid will be considered for allocation under the Non- Institutional Portion in terms of the Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

7. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

8. Our Company in consultation with the Selling Shareholders and the BRLMs, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of ₹5,000 to ₹7,000.

9. 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 Draft Red Herring Prospectus. With respect to the ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB shall block the additional Bid amount. In case of Bids, other than ASBA Bids, the members of the Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of upward revision of the Bid at the time of one or more revisions. In such cases, the members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.

10. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. 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.

11. In case of discrepancy of data between BSE or NSE and the Syndicate Member, the decision of the BRLMs based on physical records of Bid cum Application Form shall be final and binding to all concerned.

Price Discovery and Allocation

After the Bid/Issue Closing Date, the BRLMs will analyze the demand generated at various price levels and discuss pricing strategy with our Company. The Registrar to the Issue shall aggregate the demand generated under the ASBA and provide the same to the BRLMs. Our Company, in consultation with the Selling Shareholders and the BRLMs, shall finalise the Issue Price, the number of Equity Shares to be allotted and the allocation to successful Bidders. The Anchor Investor Price shall also be finalised by our Company in consultation with the Selling Shareholders and the BRLMs.

1. Not more than 50% of the Net Issue (including 5% specifically reserved for Mutual Funds) would be available for allocation on a proportionate basis after consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds.

2. Not less than 15% and 35% of the Net Issue, would be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

3. Under-subscription, if any, in any category would be allowed to be met with spillover from any of the other categories at the discretion of our Company in consultation with the Selling Shareholders, BRLMs and the Designated Stock Exchange. However, if the aggregate demand by Mutual Funds is less than [•] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has not been met, under-subscription, if any, 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 Selling Shareholders, the BRLMs and Designated Stock Exchange.

4. Under-subscription in the Anchor Investor Portion would be met with a spill-over to the QIB Portion. If one-third of the Anchor Investor Portion, available for allocation to domestic Mutual Funds, is not subscribed, the same shall be met by a spillover from the Anchor Investor Portion or the QIB Portion(excluding Anchor Investor Portion), if the Anchor Investor Portion is undersubscribed.

5. Allocation to eligible NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis will be subject to the terms and conditions stipulated by RBI.

6. Our Company reserves the right to cancel this Issue any time after the Bid/Issue Closing Date but before Allotment without assigning any reasons whatsoever.

7. In terms of SEBI ICDR Regulations, QIB Bidders shall not be allowed to withdraw their Bid after the QIB Bid/ Issue Closing Date. Further, Anchor Investors shall not be allowed to withdraw their Bid after the Anchor Investor Bidding Date.

8. Allotment status details shall be available on the website of the Registrar to the Issue.

9. 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 Allotment' 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.

10. The BRLMs, in consultation with our Company and the Selling Shareholders, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders.

11. Our Company, in consultation with the Selling Shareholders and the BRLMs, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.

Signing of Underwriting Agreement and RoC Filing

1. Our Company, the Selling Shareholders, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.

2. After signing the Underwriting Agreement, our Company and the BRLMs would update and file the updated Red Herring Prospectus with RoC, which would then be termed the 'Prospectus'. The Prospectus will contain details of the Issue Price, Issue Size, underwriting arrangements and will be complete in all material respects.

Filing of the Prospectus with the RoC

Our Company will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Public Announcement upon filing of the Draft Red Herring Prospectus

Pursuant to the filing of this Draft Red Herring Prospectus with SEBI, our Company shall on the next day, make a Public Announcement in one English and a Hindi national newspaper and in one Marathi newspaper (regional language newspaper in the state of Maharashtra where our Registered Office is located) with wide circulation. This Public Announcement, subject to the provisions of Section 60 of the Companies Act, shall invite public to give their comments to SEBI in respect of disclosures made in this Draft Red Herring Prospectus.

Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, our Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI ICDR Regulations, in one English language national daily newspaper, one Hindi language national daily newspaper and one Marathi language daily newspaper, each with wide circulation in which the Public Announcement upon filing of the Draft Red Herring Prospectus have been published.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Allotment Advise

1. Upon approval of basis of allocation by the Designated Stock Exchange, 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.

2. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders (including Anchor Investors) may be done simultaneously with or prior to the approval of the basis of allocation for the Retail,

Non-Institutional Bidders and Employee Reservation. However, Bidders should note that our Company shall ensure that the date of Allotment of the Equity Shares to all Bidders in this Issue shall be done on the same date.

3. The BRLMs or the members of the Syndicate will then dispatch the Allotment Advise to the Bidders who have been allocated Equity Shares in the Issue. The dispatch of the Allotment Advise shall be deemed a valid, binding and irrevocable contract for the Bidders who have been Allotted Equity Shares in the Issue.

4. The Issuance of Allotment Advise is subject to "Notice to Anchor Investors - Allotment Reconciliation and Revised CANs" as set forth below.

Notice to Anchor Investors: Allotment Reconciliation and Revised CANs

A physical book will be prepared by the Registrar on the basis of the Bid-cum-Application Forms received from Anchor Investors. Based on the physical book and at the discretion of our Company, Selling Shareholders and the BRLMs, select Anchor Investors may be sent a CAN, within two Working Days of the Anchor Investor Bid/ Issue Period, indicating the number of Equity Shares that may be allocated to them shall constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the Anchor Investor. This provisional CAN and the final allocation is subject to the physical application being valid in all respect along with receipt of stipulated documents being received from Registrar to the Issue, the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price and Allotment by the Board of Directors. In the event that the Issue Price is higher than the Anchor Investor Issue Price, a revised CAN will be sent to Anchor Investors. The price of Equity Shares in such revised CAN shall be different from that specified in the earlier CAN. Anchor Investors should note that they shall be required to pay additional amounts, being the difference between the Issue Price and the Anchor Investor Issue Price, as indicated in the revised CAN within two Days after the Bid/ Issue Closing Date. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

Issuance of Allotment Advise to ASBA Bidders

Upon approval of the basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the Controlling Branches, a list of the ASBA Bidders who have been allocated Equity Shares in the Issue, along with:

1. The number of Equity Shares to be allotted against each successful ASBA;
2. The amount to be transferred from the ASBA Account to the Public Issue Account, for each successful ASBA;
3. The date by which the funds referred to in sub-para (ii) above, shall be transferred to the Public Issue Account; and
4. 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 ASBA Accounts.
5. Investors 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.

The ASBA Bidders shall directly receive the Allotment Advise from the Registrar. The dispatch of an Allotment Advise to an ASBA Bidder shall be deemed a valid, binding and irrevocable contract with the ASBA Bidder.

Designated Date and Allotment of Equity Shares

1. Our Company will ensure that (i) Allotment of Equity Shares; and (ii) credit to the successful Bidder's depositary account will be completed prior to the twelfth (12th) Working Day of the Bid/Issue Closing Date.

2. As per SEBI ICDR Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allotees. Allotees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to this Issue.

Right to Reject Bids

In case of QIB Bidders, our Company, in consultation with the Selling Shareholders and the BRLMs may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Eligible Employees and Retail Individual Bidders who Bid, our Company has a right to reject Bids on

technical grounds. Consequent refunds shall be made by RTGS/NEFT/NECS/Direct Credit / cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk. With respect to ASBA Bids, the Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company and the Selling Shareholders would have a right to reject the ASBA Bids only on technical grounds.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected, among others, on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for. With respect to Bids by ASBA Bidders, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872, as amended including minors, insane persons;
- Application on plain paper;
- PAN not mentioned in the Bid cum Application Form;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than the Floor Price;
- Bids at a price more than the Cap Price;
- Signature of sole and/or joint Bidders missing;
- Submission of more than five ASBA Bid cum Application Forms per bank account;
- Submission of Bids by Anchor Investors through ASBA process;
- Bids at Cut-off Price by Non-Institutional and QIB Bidders and such Bidders in the Employee Reservation Portion whose Bid Amount exceeds ₹ 200,000;
- Bids for number of Equity Shares which are not in multiples of [●];
- Category not indicated;
- Multiple Bids as defined in the Draft Red Herring Prospectus;
- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stock invest/money order/postal order/cash;
- Bid cum Application Forms does not have the stamp of the BRLM or Syndicate Member or the SCSB;
- Bid cum Application Forms does not have the Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Draft Red Herring Prospectus and as per the instructions in the Draft Red Herring Prospectus and the Bid cum Application Forms;

- In case no corresponding record is available with the Depositories that matches the Depository Participant's identity (DP ID) and the beneficiary's account number;
- With respect to Bids by ASBA Bidders, if there are inadequate funds in the bank account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the bank account;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Bank(s);
- Bids by QIBs not submitted through the BRLMs or in case of ASBA Bids for QIBs (other than Anchor Investors) not intimated to the BRLMs;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
- Bids not uploaded on the terminals of the Stock Exchanges; and
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

IN CASE THE DP ID, CLIENT ID AND PAN MENTIONED IN THE BID CUM APPLICATION FORM AND ENTERED INTO THE ELECTRONIC BIDDING SYSTEM OF THE STOCK EXCHANGES BY THE SYNDICATE/THE SCSBs DO NOT MATCH WITH THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE RECORDS WITH THE DEPOSITARIES, THE BID CUM APPLICATION FORM IS LIABLE TO BE REJECTED.

Basis of Allotment

For Employee Reservation Portion

1. The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter. The allotment in the Employee Reservation Portion will be on a proportionate basis. Bidders under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding ₹200,000 may bid at Cut-Off Price.
2. Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees may be made at a discount of ₹[•] to the Issue Price.
3. If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
4. If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of [•] Equity Shares either on a firm basis or as per the drawl of lots, if any, approved by the Designated Stock Exchange. For the method of proportionate basis of allocation, refer below.
5. Only Eligible Employees are eligible to apply under Employee Reservation Portion.

For Retail Individual Bidders

1. 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.
2. The Net Issue less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

3. If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

4. If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis of not less than [•] Equity Shares. For the method of proportionate basis of allotment, refer below.

For Non-Institutional Bidders

1. 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.

2. The Net Issue Size less allotment to QIBs and Retail Portion shall be available for allotment to Non- Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

3. If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.

4. In case the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis not less than [•] Equity Shares. For the method of proportionate basis of allotment refer below.

For Qualified Institutional Bidders

1. Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.

2. The QIB Portion shall be available for allotment to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

3. Allotment shall be undertaken in the following manner:

(a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (excluding the Anchor Investor Portion, if any) shall be determined as follows:

(i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion (excluding the Anchor Investor Portion, if any), allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion (excluding the Anchor Investor Portion, if any).

(ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion (excluding the Anchor Investor Portion, if any) then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.

(iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;

(b) In the second instance Allotment to all QIBs shall be determined as follows:

(i) In the event that the oversubscription in the QIB Portion (excluding the Anchor Investor Portion, if any), all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders(excluding the Anchor Investor Portion).

(iii) Under-subscription below 5% of the QIB Portion (excluding the Anchor Investor Portion, if any), if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate

basis.

The aggregate allotment available for allocation to QIB Bidders shall not be more than [•] Equity Shares.

For Anchor Investor Portion

- Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of our Company, in consultation with the Selling Shareholders and BRLMs subject to compliance with the following requirements:

  1. not more than 30% of the QIB Portion will be allocated to Anchor Investors;
  2. one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors;
  3. Allocation to Anchor Investors shall be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation upto ₹2,500 Million and five where the allocation is above ₹2,500 Million.
  4. Minumum Bid should be ₹ 100 Million

- The number of Equity Shares Allotted to Anchor Investors and the Anchor Investor Issue Price, shall be made available in the public domain by the BRLMs before the Bid/ Issue Opening Date by intimating the Stock Exchanges.

Method of proportionate basis of allotment in this Issue

Except in relation to Anchor Investors, in the event of this Issue being over-subscribed, our Company, the Selling Shareholders and the BRLMs shall finalise the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the Basis of Allotment is finalised in a fair and proper manner.

Except in relation to Anchor Investors, the allotment shall be made in marketable lots, on a proportionate basis as explained below:

1. Bidders will be categorised according to the number of Equity Shares applied for;

2. 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;

3. Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

4. In all Bids where the proportionate Allotment is less than [•] Equity Shares per Bidder, the allotment shall be made as follows:

   i. Each successful Bidder shall be allotted a minimum of [•] Equity Shares; and

   ii. 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.

5. If the proportionate allotment to a Bidder is a number that is more than [•] but is not a multiple of one (which is the marketable lot), the number in excess of the multiple of one would be rounded off to the higher multiple of one if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of one. All Bidders in such categories would be Allotted Equity Shares arrived at after such rounding off.

6. If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in

that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

7. Subject to valid Bids being received, allocation of Equity Shares to Anchor Investors shall be at the sole discretion of our Company, in consultation with the Selling Shareholders and the BRLMs**.**

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

Sr. No.	Particulars	Issue details
1.	Issue size	200 Million Equity Shares
2.	Allocation to QIB (50%)	100 Million Equity Shares
3.	Anchor Investor Portion	30 Million Equity Shares
4.	Portion available to QIBs other than Anchor Investors [(2) minus (3)]	70 Million Equity Shares
	Of which:	
	a. Allocation to MF (5%)	3.5 Million Equity Shares
	b. Balance for all QIBs including MFs	66.5 Million Equity Shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 Million Equity Shares

B. Details of QIB Bids

Sr. No.	Type of QIB Bidders#	No. of Equity Shares bid for (in Millions)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	500

A1-A5: (QIB Bidders other than MFs), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of Equity Shares in Millions)

Type of QIB Bidders	Equity Shares bid for (in Millions)	Allocation of 3.5 Million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 66.5 Million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	67	0
A2	20	0	26.8	0
A3	130	0	17.41	0
A4	50	0	6.7	0
A5	50	0	6.7	0
MF1	40	0.7	5.26	5.96
MF2	40	0.7	5.26	5.96
MF3	80	1.4	10.53	11.93
MF4	20	0.35	2.63	2.98
MF5	20	0.35	2.63	2.98

Type of QIB Bidders	Equity Shares bid for (in Millions)	Allocation of 3.5 Million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 66.5 Million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
	500	**3.5**	**66.5**	**29.82**

Please note:

1. The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in the chapter titled "***Issue Structure***" beginning on page 362.

2. Out of 70 Million Equity Shares allocated to QIBs, 3.5 Million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 Million Equity Shares in QIB category.

3. The balance 66.5 Million Equity Shares (i.e. 70-3.5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Million Equity Shares (including five MF applicants who applied for 200 Million Equity Shares).

4. The figures in the fourth column entitled "Allocation of balance 66.5 Million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:

   i. For QIBs other than Mutual Funds (A1 to A5) = No. of shares bid for (i.e. in column II) X 66.5 / 496.5.

   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 79.80 / 495.80.

The numerator and denominator for arriving at allocation of 84 Million Equity Shares to the 10 QIBs are reduced by 4.2 Million Equity Shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Letters of Allotment/ Allotment Advise or refund orders to Bidders or instructions to the SCSBs

Our Company and the Selling Shareholders shall give credit to the beneficiary account with Depository Participants within two (2) Working Days from the date of allotment to all successful Bidders, including ASBA Bidders, which in any event shall be completed prior to twelve (12) Working Days from the Bid/Issue Closing Date. Applicants residing at the centers where clearing houses are managed by the RBI, will get refunds through NECS except where applicant is otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS. In case of other applicants, our Company and the Selling Shareholders shall ensure dispatch of refund ordersif any, of value up to ₹1,500, by "Under Certificate of Posting", and shall dispatch refund orders equal to or above ₹1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk prior to twelve (12) Working Days from the Bid/Issue Closing Date. Bidders to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund prior to twelve (12) Working Days from the Bid/Issue Closing Date. In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Form for withdrawn, rejected or unsuccessful or partially successful ASBA Bids prior to twelve (12) Working Days from the Bid/Issue Closing Date.

In accordance with the requirements of the Stock Exchanges and SEBI ICDR Regulations, our Company and the Selling Shareholders undertake that:

- Allotment shall be made only in dematerialised form prior to twelve (12) Working Days from the Bid/Issue Closing Date;
- Dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or NECS, shall be done prior to twelve (12) Working Days from the Bid/Issue Closing Date;
- Instructions to SCSBs to unblock the funds in the relevant ASBA Account for withdrawn rejected or unsuccessful Bids shall be made prior to twelve (12) Working Days from the Bid/Issue Closing Date; and
- Our Company and the Selling Shareholders shall, in accordance with Regulation 18 of the SEBI ICDR Regulations, pay interest at 15% p.a. if the allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or NECS, the refund instructions have not been given to the clearing system in the disclosed manner prior to the fifteen (15) days from the Bid/Issue Closing Date or 8 days after the day our Company and

Selling Shareholders become liable to repay, whichever is earlier, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer or if instructions to SCSBs to unblock funds in the ASBA Accounts are not given prior to the fifteen (15) days from the Bid/Issue Closing Date or 8 days after the day our Company and Selling Shareholders become liable to repay, whichever is earlier.

Our Company and the Selling Shareholders will provide adequate funds required for despatch of refund orders or Allotment advice to the Registrar to the Issue. *Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) 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 centers will be payable by the Bidders.*

Any expense incurred by our Company on behalf of the Selling Shareholders with regard to refunds, interest for delays, etc. for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholders to our Company in proportion to the Equity Shares contributed by the Selling Shareholders to the Issue.

Bidder's PAN, Bidder's Depository Account and Bank Account Details

Bidders should note that on the basis of PAN of the Sole/First Bidder, 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 the demographic details including category, age, address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs or our Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR PAN, DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUM-APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and making refunds as per the modes disclosed and the Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for these purposes by the Registrar. 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 have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/ allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither our Company, the Selling Shareholders, the Registrar, Escrow Collection Bank(s) nor the BRLMs 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 no corresponding record is available with the Depositories that matches three parameters, namely, PAN of the sole/first Bidders, the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible

currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

There is no reservation for Eligible NRIs and FIIs and all Bidders will be treated on the same basis with other categories for the purpose of allocation.

Equity Shares in Dematerialized Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

1. a tripartite agreement dated November 4, 2010 with NSDL, our Company and Registrar to the Issue;

2. a tripartite agreement dated October 22, 2010 with CDSL, our Company and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

1. Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

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 account details in the Depository.

5. Non-transferable allotment advice will be directly sent to the Bidder by the Registrar to this Issue. Refunds will be made directly by the Registrar to the Issue as per the modes disclosed.

6. If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form, ASBA Bid-cum-Application Form ASBA 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 or ASBA 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 and CDSL. All the Stock Exchanges where the Equity Shares of our Company are proposed to be listed have electronic connectivity with CDSL and NSDL.

9. The trading of the Equity Shares of our Company on the Stock Exchanges would be in dematerialized form only for all investors.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, number and issuing bank thereof or with respect to ASBA Bids, ASBA Account number in which the amount equivalent to the Bid Amount was blocked.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue

related problems such as non-receipt of letters of allotment, credit of allotted Equity Shares in the respective beneficiary accounts, refund orders etc. For details regarding the Compliance Officer or the Registrar to the Issue please refer to the chapter titled "*General Information*" beginning on page 17.

In case of ASBA Bids submitted to the Designated Branches of the SCSBs, the Bidders can contact the Designated Branches.

Impersonation

Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

1. makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein; or
2. otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years".

PAYMENT OF REFUND

Bidders other than ASBA Bidders must note that on the basis of the names of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("**MICR**") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither our Company, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In the case of Bids from Eligible NRIs and FIIs, refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Mode of making refunds

The payment of refund, if any, for Bidders other than ASBA Bidders would be done through various modes in the following order of preference:

1. NECS – Payment of refund would be done through NECS for Bidders having an account at any of the centers specified by the RBI. 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 for applicants having a bank account at any of the centers where such facility is made available, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Bank (s), as mentioned in the Bid-cum-Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company and the Selling Shareholders.

3. RTGS – Applicants having a bank account at any of the centers where such facility is available and whose refund amount exceeds ₹0.2 Million has 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 NECS. Charges, if

any, levied by the Refund Bank(s) for the same would be borne by our Company and the Selling Shareholders. Charges, if any, levied by the applicant's 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 Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. 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.

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 centers will be payable by the Bidders.

Mode of making refunds for ASBA Bidders

In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid-cum-Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids prior to twelve (12) Working Days of the Bid Closing Date.

Disposal of Applications and Application Moneys

With respect to Bidders other than ASBA Bidders, our Company and Selling Shareholders shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within two (2) Working Days from the date of allotment to all successful Bidders, including ASBA Bidders, which in any event shall be undertaken prior to twelve (12) Working Days of the Bid/ Issue Closing Date.

In case of applicants who receive refunds through NECS, direct credit, NEFT or RTGS, the refund instructions will be given to the clearing system prior to twelve (12) Working Days from the Bid/ Issue Closing Date. In case of other applicants, our Company and the Selling Shareholders shall ensure dispatch of refund orders if any, of value up to ₹ 1,500, by "Under Certificate of Posting", and shall dispatch refund orders equal to or above ₹1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk prior to twelve (12) Working Days from the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund prior to twelve (12) Working Days of Bid/ Issue Closing date. Our Company and Selling Shareholders shall ensure dispatch of refund orders, if any, by registered post or speed post or Direct Credit, NEFT, RTGS or NECS, as applicable, only at the sole or First Bidder's sole risk prior to Twelve (12) Working Days of the Bid/ Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer. Our Company and Selling Shareholders shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two (2) Working Days of date of Allotment.

Letters of Allotment or Refund Orders or instructions to the SCSBs

In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid-cum-Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids prior to twelve (12) Working Days from the Bid/Issue Closing Date, which shall be completed within one Working Day after the receipt of such instruction from the Registrar to the Issue.

Interest in case of delay in dispatch of Allotment Letters or Refund Orders/ instruction to SCSB by the Registrar

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI ICDR Regulations our Company and the Selling Shareholders further undertake that:

- Allotment shall be made only in dematerialised form prior to twelve (12) Working Days from the Bid/Issue Closing Date;
- Dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or NECS, shall be done prior to twelve (12) Working Days from the Bid/Issue Closing Date;
- Instructions to SCSBs to unblock the funds in the relevant ASBA Account for withdrawn rejected or unsuccessful Bids shall be made prior to twelve (12) Working Days from the Bid/Issue Closing Date; and
- Our Company and the Selling Shareholders shall, in accordance with Regulation 18 of the SEBI ICDR Regulations, pay interest at 15% p.a. if the allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or NECS, the refund instructions have not been given to the clearing system in the disclosed manner prior to the fifteen (15) days from the Bid/Issue Closing Date or 8 days after the day our Company and Selling Shareholders become liable to repay, whichever is earlier, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer or if instructions to SCSBs to unblock funds in the ASBA Accounts are not given prior to the fifteen (15) days from the Bid/Issue Closing Date or 8 days after the day our Company and Selling Shareholders become liable to repay, whichever is earlier.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the Direct Credit, NEFT, RTGS or NECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders

Our Company and the Selling Shareholders will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Any expense incurred by our Company on behalf of the Selling Shareholders with regard to refunds, interest for delays, etc. for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholders to our Company in proportion to the Equity Shares contributed by the Selling Shareholders to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by our Company as a Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Undertaking by the Company

We undertake as follows:

1. that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;

2. 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 seven Working Days of finalization of the Basis of Allotment or twelve (12) Working Days from the Bid/ Issue Closing Date, whichever is earlier;

3. that the funds required for making refunds as per the modes disclosed or dispatch of allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;

4. That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

5. That our Promoters' contribution in full has already been brought in;

6. That the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time;

7. That no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and

8. That, adequate arrangements shall be made to collect all Applications Supported by Blocked Amount and to consider them similar to non-ASBA applications while finalizing the Basis of Allotment.

Undertakings by the Selling Shareholders

The Selling Shareholders along with our Company undertake the following:

1. the Equity Shares being sold pursuant to the Offer for Sale, have been held by the Selling Shareholders for a period of more than one year prior to the date of this Draft Red Herring Prospectus with SEBI and that the Equity Shares are free and clear of any liens or encumbrances, and shall be transferred to the eligible and successful Bidders within the specified time;

2. that the Selling Shareholders shall not have recourse to the proceeds of the Offer for sale until the approval for the trading of the Equity Shares from all the stock exchanges, where listing of the Equity Shares is sought, has been received;

3. That the Offer Price of the Equity Shares to be sold in the Offer at a premium may be determined through the Book Building Process;

4. Those adequate arrangements shall be made to collect all Applications Supported by Blocked Amount and to consider them similar to non-ASBA applications while finalizing the Basis of Allotment.

5. 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 12 Working Days of the Bid/Issue Closing Date;

6. that the funds required for making refunds as per the modes disclosed or dispatch of allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;

7. The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time; and

8. That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant prior to twelve (12) Working Days from the Bid/Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

Withdrawal of the Issue

Our Company, in consultation with the Selling Shareholders and the BRLMs and in accordance with the SEBI ICDR Regulations, reserves the right not to proceed with this Issue at any time after the Bid/Issue Opening Date but before the Allotment, without assigning any reason thereof. In such an event our Company shall issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two Working Days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. The BRLMs, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one Working Day from the day of receipt of such notification. Our Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

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

In the event of withdrawal of this Issue anytime after the Bid/Issue Opening Date, our Company will forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of withdrawal, then our Company, on and from the expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money.

In the event that our Company decides not to proceed with this Issue after Bid/ Issue Closing Date and thereafter determines that it will proceed with an initial public offering of its Equity Shares, our Company shall file a fresh draft red herring prospectus with SEBI.

Utilization of the Fresh Issue proceeds

The Board of Directors of our Company certifies that:

1. all monies received out of this Issue shall be transferred to a separate Bank Account other than the bank account referred to in Sub-Section (3) of Section 73 of the Companies Act;

2. details of all monies utilized out of the Fresh Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilized; and

3. Details of all unutilized monies out of the Fresh Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

Our Company shall not have recourse to the Fresh Issue Proceeds and the Selling Shareholders shall not have recourse to the proceeds of the Offer for Sale until the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The details of all unutilized monies out of the funds received under the reservations shall be disclosed under a separate head in the balance sheet of our Company indicating then form in which such unutilized monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy of the GoI, as notified through press notes and press releases issued from time to time, and FEMA and circulars and notifications issued thereunder. 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, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India ("FIPB") and the RBI.

Foreign investment in Indian securities is governed by the provisions of the FEMA read with the applicable FEMA Regulations. The Department of Industrial Policy and Promotion ("DIPP") has issued 'Circular 1 of 2010' (the "FDI Circular") which consolidates the policy framework on FDI, with effect from April 1, 2010. The FDI Circular consolidates and subsumes all the press notes, press releases, clarifications on FDI issued by DIPP as on March 31, 2010. All the press notes, press releases, clarifications on FDI issued by DIPP as on March 31, 2010 stand rescinded as on March 31, 2010.

Foreign investment is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which foreign investment is sought to be made.

Currently, the Industrial Policy and FEMA stipulate that companies investing in a manufacturing unit such as Arch Pharmalabs Limited do not require the prior approval of the FIPB for investments by persons resident outside India and that 100% investment in the outstanding capital of our Company may be made by persons resident outside India.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents. However, it may be distinctly understood that there is no reservation for FIIs, NRIs or OCBs and in view of the SEBI ICDR Regulations, the allotment and/or transfer of shares to FIIs, NRIs or OCBs would be made in the manner detailed in the chapter titled "***Terms of the Issue***" on page 369.

The allotment of Equity Shares to non-resident Bidders shall be subject to RBI approval or any requisite permission as may be necessary under the FEMA.

Investment by Non-Resident Indians

A variety of special facilities for making investments in India in shares of Indian companies is available to individuals of Indian nationality or origin residing outside India ("**NRIs**"). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell equity shares of a company through a registered broker on the stock exchanges. NRIs collectively should not own more than 10% of the post-offer paid up capital of our Company. However, this limit may be increased to 24% if the shareholders of our Company pass a special resolution to that effect. No single NRI may own more than 5% of the post-offer paid up capital of our Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remain non-repatriable.

As per the RBI Exchange Control Department Circular No. ADP (DIR Series) 13 dated November 29, 2001, OCBs are not permitted to invest under the portfolio investment scheme in India. However, OCBs would continue to be eligible for making foreign direct investment under FEMA and the regulations thereunder as per notification no. FEMA 20/20000 RB dated May 3, 2000. Also, OCBs can sell their existing shareholdings through a registered broker on the stock exchanges.

Investment by Foreign Institutional Investors

Foreign Institutional Investors ("**FIIs**") including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply

with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realize capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards a sale or renunciation of rights issues of shares.

Ownership restrictions of FIIs

Under the portfolio investment scheme, the overall issue of shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of a company. However, the limit of 24% can be raised up to the permitted sectoral cap for that company if the approval of the board of directors and the shareholders of the company is obtained. The offer of shares to a single FII should not exceed 10% of the post-issue paid-up capital of the company. In respect of an FII investing in shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

Under the SEBI Takeover Regulations, upon the acquisition of more than 5.0% of the outstanding shares or voting rights of a listed public Indian company, a purchaser is required to notify the company of such acquisition, and the company and the purchaser are required to notify all the stock exchanges on which the shares of such company are listed. Upon the acquisition of 15.0% or more of such shares or voting rights or a change in control of the company, the purchaser is required to make an open offer to the other shareholders offering to purchase at least 20.0% of all the outstanding shares of the company at a minimum offer price as determined pursuant to the SEBI Takeover Regulations.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933, as amended ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold outside the United States in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

The Equity Shares have not been, and will not be, registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders and neither our Company nor the BRLMs are liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft 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.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI ICDR Regulations, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting are detailed below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

Share Capital – Article 3

a) *The Authorised Share Capital of the Company will be as mentioned in Clause V of the Memorandum of Association of the Company. The Board of Directors are also authorized to issue such convertible warrants and/ or bonds with such qualified or special rights or conditions, as they may deem fit, subject to compliance of the applicable laws in that regard at the time of such issue.

b) *The paid up capital of the Company shall be a minimum of Rs. 5,00,000/-.

Rights of Investors – Article 3A

(i) The Investors or their respective assignees referred to in Article 39 (3) shall have the right to appoint, whenever necessary, any person, firm, company or association of persons engaged in technical, management, or any other consultancy business, as may be agreed upon by any two among the IIML Investors, Swiss Tec VCF and India Advantage Funds, for the purpose of inspecting and examining the working of the Company and to report to the Investors regarding the same. The Investors shall also have the right to appoint, whenever necessary, any chartered accountant/cost accountant as auditors for carrying out any specific assignment(s) or to examine the financial or cost accounting systems and procedures adopted by the Company for its working, or as concurrent or internal auditors, or for conducting a special audit of the Company. The Company shall appoint an internal auditor in consultation with the Investors, such internal auditor to be provided with full co-operation, assistance and access to the Company's records and who shall not be removed without the prior written consent of the Investors. The costs, charges and expenses including professional fees and travelling and other expenses of such consultants or auditors shall be payable by the Company.

(ii) The Company shall appoint a well-known and reputed firm of auditors acceptable to the Investors as statutory auditors of the Company within ninety (90) days from the date of the execution of the Common Shareholders' Agreement. The statutory auditor will be provided with full co-operation, assistance and access to the Company's records and shall not be removed without the prior consent of the Investors. All fees and expenses payable to the statutory auditor shall be borne by the Company. The Company shall have appointed an audit committee such that the Directors who are nominees of the Promoters, and any other Director representing or likely to represent the interests of the Promoters, constitute a minority on the audit committee.

(i) The Promoters and the Company expressly covenant that on or before the Effective Date, or at such time as may be extended by the Investors in writing, the Company shall amend the charter documents to conform to the Common Shareholders' Agreement, to the satisfaction of the Investors, to ensure that the Investor Shares have the rights, privileges and preferences set forth in the Common Shareholders' Agreement, file the amended charter documents with the appropriate Authorities in India, including without limitation, the office of the Registrar of Companies in India.

(ii) The Investors and their respective counsel, accountants and other representatives shall be given full access during normal business hours to all of the facilities, properties, books, tax returns and records of the Company and all personnel of the Company and they shall be furnished with such documents and information with respect to the affairs of the Company as may from time to time reasonably be requested.

* Substituted *vide* Special Resolution passed in Extra-Ordinary General Meeting held on 29th September, 2010

(iii) The Company and the Promoters shall inform the Investors in writing of the expression of interest, in any manner by any party, in investing in or acquiring more than 5% (five percent) Shares, voting rights or control in the Company and/or financing the Promoters, within 48 (forty-eight) hours of their knowledge of the same or of their having reason to suspect the same.

(iv) None of the Investors shall be required to create any Encumbrance on any number of the Investor Shares or to provide any support, guarantee or negative lien to any third party including, but not limited to, the Company.

(v) The Investors shall be entitled to annual dividends as and when declared by the Company pari passu to all the existing Shareholders of the Company.

(vi) Swiss Tec VCF's right of nomination: Notwithstanding anything to the contrary contained in these Articles, in the event that Swiss Tec VCF is entitled to sell or acquire Shares under these Articles but is unable to sell or subscribe to the same, as the case may be, due to restrictions under the Guidelines, Swiss Tec VCF shall be entitled to nominate any person(s) or entity(ies) (hereinafter referred to as the "Transferee") to acquire any or all such Shares provided that the Transferee executes a Deed of Adherence in the form as may be required by the Investors. Provided however that in no event shall the combined rights of SwissTec VCF and such Transferee exceed the rights of Swiss Tec VCF pursuant to these Articles. Sale of Shares by Swiss Tec VCF shall be subject to the Guidelines as applicable from time to time and the Transferee obtaining the written approval, consent, permission or exemption, if required, of the relevant authority for the sale or acquisition of the aforesaid Shares.

Issue of Additional Shares – Article 4

(1) Subject to the prior written consent of the Investors, unless expressly provided herein, the Company shall not issue or allot any additional Shares (the "**New Shares**"), without first offering to each Investor the New Shares in proportion to their respective shareholding in the Company. The Company shall give a written notice (hereinafter referred to as the "**Offer Notice**") to the Investors at least 30 (thirty) days prior to such proposed issue, stating the number of New Shares proposed to be issued, the proposed price, and the other terms and conditions of the proposed issue and the number/quantity of New Shares offered to each of the Shareholders.

(2) Upon receipt of the Offer Notice, the Investors shall have the right to subscribe for and purchase such number of New Shares on a pro rata basis in proportion to their respective shareholding in the Company.

(3) The Investors shall indicate in writing their acceptance to subscribe to the New Shares on the terms and conditions as proposed in the Offer Notice prior to the expiry of the 30 (thirty) day period, failing which it shall be deemed to have been declined. If any Investor (the "**Renouncing Investor**") declines to purchase the New Shares, it shall offer to renounce its entitlement to the New Shares in favour of the other Investors, who have exercised in full their entitlement to the New Shares, in proportion to their shareholding at the same price and on the same terms and conditions.

(4) If the other Investors do not purchase the New Shares offered to them within 30 (thirty) days of such offer by the Renouncing Investor, then the Company may offer such New Shares not purchased by the Investors to the prospective applicant named in the Offer Notice at the same price and on the same terms and conditions.

(5) Any Party (the "**Original Party**") may nominate an Affiliate to subscribe for the New Shares, provided that the Affiliate executes a Deed of Adherence in the form required by the Investors and also undertakes that in the event such an Affiliate ceases to be an Affiliate of the Original Party, the Shares so subscribed for by such an Affiliate and any further Shares acquired or allotted to it as a result of such subscription, shall be forthwith transferred to the Original Party. Pending the transfer to the Original Party, the Original Party shall be deemed as an agent of the erstwhile Affiliate and shall control the voting rights and other rights and obligations under these Articles and shall be bound by the provisions of these Articles while acting in its capacity as an agent of such Affiliate. Provided, however, that in no event shall the combined rights of the Original Party and such Affiliate exceed the rights of the Original Party pursuant to these Articles.

(6) All amounts payable in respect of any such further issue of Shares by the Company shall be called for from time to time as may be decided by the Company after taking into account the financial requirements of the Company or as per the terms of the issue of such Shares.

Warrants – Articles 5

(1) Notwithstanding article 4 above, the Promoters and the Series D Investor ("**Warrant Holders**") shall be entitled to subscribe to 804,272 Warrants each. The exercise period of the Warrants for the Promoters and the Series D Investor shall be 24 months and 12 months respectively, from the date of allotment of the Warrants,

as aforesaid ("**Relevant Warrant Exercise Period**"). The Warrants shall be exercisable at a price of ₹246 (Rupees two hundred and forty six) per Warrant. Each Warrant shall entitle the holder of the Warrant to receive 1 (one) fully paid up Equity Share of the Company on exercise of the Warrant.

(2) The Promoters and the Series D Investor shall give a written notice to the Company of at least 30 (thirty) days ("**Warrant Notice**") in respect of the proposed conversion of Warrants into Equity Shares, stating the number of Warrants proposed to be exercised.

(3) At any time during the Relevant Warrant Exercise Period, the Warrant Holders shall make a demand for conversion of the Warrants and subscription to Equity Shares in relation thereto by serving the Warrant Notice, indicating the date on which conversion of the Warrants would take place ("**Warrant Conversion Date**") and the details of the number of Warrants proposed to be converted into Equity Shares. Within the Relevant Warrant Exercise Period, the Warrant Holder shall have the right to exercise all and/or a part of the Warrants held by the Warrant Holder.

(4) The Warrant Notice, along with the Warrant certificate and other documents required to be executed by the Warrant Holder in relation to conversion of the Warrants held by the Warrant Holder, shall be delivered by the Warrant Holder to the Company.

(5) The Warrant Holder and the Company shall meet on the Warrant Conversion Date, at a place and time mutually agreed to by them. The following actions shall take place on the Warrant Conversion Date:

(i) The Warrant Holder shall by way of a cheque, bank transfer or demand draft, deliver to the Company the amount payable by it in relation to exercise of the Warrants; and

(ii) The Company shall issue or cause to be issued to the Warrant Holder, share certificate(s) representing the Equity Shares to which such Holder is entitled in respect of the exercised Warrants.

(6) The Company will pay any documentary stamp taxes attributable to the issuance of the Equity Shares upon conversion of the Warrants.

(7) Prior to issuance of share certificates in accordance with Sub-Clause (ii) of Sub-Article (5) above, all corporate, shareholder and other approvals required to be obtained by the Company in relation to exercise of the Warrants under Law shall be obtained by the Company.

(8) Any Warrant certificate surrendered for exchange or for conversion of the Warrants evidenced thereby shall be promptly cancelled by the Company and shall not be reissued and, except as expressly permitted by this Common Shareholders' Agreement, no Warrant certificate shall be issued hereunder in exchange or in lieu thereof.

(9) The Equity Shares so allotted and issued to the Warrant Holder shall carry, from the date of conversion, the right to receive proportionately the dividends and other distributions declared or to be declared in respect of the equity capital of the Company. Save as aforesaid, the Equity Shares shall rank pari passu with the existing Equity Shares of the Company in all respects. The Company shall, in the manner stated in this Common Shareholders' Agreement, maintain sufficient unissued Equity Shares for the above purpose.

Anti-Dilution Rights of the Investors - Article 6

(1) In the event that the Company (i) issues any Dilution Instrument; (ii) increases or reduces the Share Capital of the Company; (iii) changes the nominal value of, or the rights attached to any of its Shares of any class; or (iv) takes any other action by amendment of its charter documents or through reorganization, consolidation, sale of share capital, merger or sale of assets or otherwise, at an issue price (the "**Down-round Price**") which is lower than the price at which each of the Investors subscribed to its respective Investor Shares ("**Original Issuance Price**"), then the Investors shall be entitled to acquire and the Company covenants to cause a pro-rata issue of such number of fresh Equity Shares to the Investors (or at the discretion of the Investors, Dilution Instruments or warrants to subscribe to such number of fresh Equity Shares) at par and the number of Equity Shares to be decided by the Board on the basis of full rachet or weighted average rachet as may be considered appropriate at that time and as per the regulations governing the same in India. Provided however that the provisions of this Sub-Article shall not apply to all the Investors in respect of (i) any issue of shares to employees, officers, directors of the Company under any employees' stock option or purchase plan approved by the Board; and (ii)

any Equity Shares issued pursuant to the exercise of Warrants by the Promoters and the Series D Investor, as the case may be, as provided in Articles 5(7) and 5(8) hereinabove.

(2) The Company shall not, in any future investment in the Company by any third party, give any rights to such investor which are superior to the rights of each of the Investor under these Articles. In the event of the Company granting any rights to such investor which are superior to those granted to each Investor under these Articles, then such superior rights which are granted to such investor shall also be extended to each Investor.

(3) In the event the Company is not permitted to issue the Dilution Instruments to the Investors pursuant to any Law, the Promoters shall transfer such number of the Promoter Shares to the Investors at nil consideration, as may be decided by the Board on the basis of full rachet or weighted average rachet as may be considered appropriate at that time and as per the regulations governing the same in India. Subject to the approval of the Investors, the Promoters may be required to dilute their shareholding if it enables growth of the Business of the Company.

Share Certificates – Article 8

Every Certificate of title to Shares shall be issued under the seal of the Company. Every share certificate and every document of title to the Shares whether in renewal of an existing share certificate or other document of title or issued for the first time shall be issued under the authority of the Board of Directors and in accordance with provisions of the Companies (Issue of Share certificates) Rules, 1960 or any modification thereof and in accordance with the provisions of law or other rule having the force of law applicable thereto.

Share and Debenture Certificates – Article 9 - 17

9. (1) Every Person whose name is entered as a member in the Register of members shall be entitled to receive without payment:

(a) One certificate for all his Shares; or

(b) Where the Shares so allotted at any one time exceed the number of Shares fixed as marketable lot in accordance with the usages of the Stock Exchange, of at the request of the share holders, several certificates one each per marketable lot and one for the balance.

Share/Debenture Certificates shall be issued in marketable lots and where Share/Debenture certificates are issued for either more or less than marketable lots, sub-division/consolidation into marketable lots shall be done free of charge.

(2) The Company shall within 10 weeks of closure of issue or within one month after application for the registration of the transfer of any Shares or debentures complete and have ready for delivery, the certificates for all the Shares and debentures so allotted or transferred unless the conditions of the issue of the said Shares or debentures otherwise provide.

(3) The Certificate or certificates representing the Shares shall bear the following legends:

"*Transfer of any of the Shares represented by this certificate and the exercise of the voting rights of such Shares are restricted by and subject to the benefits of the Common Shareholders' Agreement dated 26th September 2006 (as amended from time to time), by and among the Company, the Promoters and the Investors a copy of which may be inspected at the registered office of the Company."*

(4) The Parties agree that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agents, if any, and that, if the Company handles the transfer of Shares, it may make appropriate notations to the same effect in its own records.

(5) The Company shall not:

a) transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of the Common Shareholders' Agreement; or

b) treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other

transferee to whom such Shares shall have been so transferred.

(6) Such Shares held by the Company and the Investors will no longer be subject to the legend referred to in Sub-Article (3) hereof, upon the Shares being listed on a Stock Exchange.

(7) Every certificate shall be under the seal and shall specify the Shares or debentures to which it relates and the amount paid up thereon.

(8) The provisions of clauses (2) and (7) above shall apply mutatis mutandis to debentures and debenture stock allotted or transferred.

(9) No fee shall be charged for the issue of a new share certificate either for sub-division of the existing share certificates or for consolidation of several share certificates into one or for issue of fresh share certificates in lieu of share certificates on the black of which there is no space for endorsement for transfer or for registration of any probate, Letters of Administration, Succession Certificate or like document, or for registration of any Power of Attorney Partnership Deed, Memorandum and Articles of the Companies, or other similar documents.

10. In respect of any share held jointly by several persons, the Company shall not be bound to issue more than one certificate for the same share and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders. Subject as aforesaid the joint holders shall be entitled to apply for several certificates each for one or more Shares held by them in accordance with Article 11 below.

11. In respect of any transfer of Shares registered in accordance with the provision of these Articles, the Board may at their discretion direct an endorsement of the transfer and the name of the transferee and other particulars, on the existing share certificate and authorise any Director or Officer of the Company to authenticate such endorsement on behalf of the Company or direct the issue of a fresh share certificate, in lieu of and in cancellation of the existing certificate, in the name of the transferee.

12. If a certificate be worn out, defaced, destroyed or lost or if there is no further space on the back thereof for endorsement of transfer it shall, if requested, be replaced by a new certificate free of charge provided however that such new certificate shall not be granted except upon delivery of the worn-out or defaced or used up certificate for the purpose of cancellation, in accordance with the Companies (Issue of Share Certificates) Rules, 1960 or upon proof of destruction or loss and on such Indemnity as the Board may require in the case of certificate having-been destroyed or lost. Any duplicate certificate shall be marked as such.

13. The Company shall have a first and paramount lien upon all the Shares (Other than fully paid up Shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such Shares and no equitable interest in any Shares shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares. Unless otherwise agreed, the registration of a transfer of Shares shall operate as a waiver of the Company's lien, if any, on such Shares. The directors may at any time declare any Shares wholly or in part to be exempt from the provision of this clause.

14. For the purpose of enforcing such lien, the Board may sell the Shares subject thereto in such manner as they think fit but no sale shall be made until the expiration of 14 days after a notice in writing stating and demanding payment of such amount In respect of which the lien exists has been given to the registered holder of the Shares for the time being, or to the person entitled to the Shares by reason of the death, or insolvency of the registered holder.

15. To give effect to such sale, the Board of Directors may authorize some person to transfer the Shares sold to the purchaser thereof and the purchaser shall be registered as the holder of the Shares comprised in any such transfer. The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

16. (1) The net proceeds of any such sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.

(2) The residue, if any, shall subject to like lien for sums not presently payable as existed upon the Shares before the sale, be paid to the person entitled to the Shares at the date of the sale.

17. Any money dues from the Company to a Shareholder, may without the consent of such Shareholder be applied by the Company in or towards payment of any money due from him either alone or jointly with any other person to the Company In respect of call or otherwise.

Call on Shares – Article 18 - 25

18. Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time make such calls as they think fit upon the members in respect of all moneys unpaid on the Shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times and each member shall pay the amount of every calls so made on him to the persons and at the date, time and place or at the dates times and places appointed by the Board of Directors.

19. The Board of Directors may when making a call by resolution, determine the date on which such call shall be deemed to have been made not being earlier than the date of resolution making such call, and thereupon the call shall be deemed to have been made on the date so determine and if no such date is fixed the call shall be deemed to have been made on the date on which the resolution of the Board making the call was passed,

20. Not less than thirty days notice of any call shall be given specifying the date, time and place of payment provided that before the time for payment of such call, the Directors may by, notice in writing to the members, extend the time for payment thereof.

21. If by the terms of issue of any share or otherwise any amount is made payable at any fixed date or by instalments at fixed dates whether on account of the share or by way of premium, every such amount or instalment shall be payable as if it were a call duly made by the Directors and of which due notice had been given and all the provisions herein contained in respect of calls shall relate to such amount or instalment accordingly.

22. lf a sum called in respect of the Shares is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest not exceeding 18% p.a. upon the sum at such rate fixed by the Board of Directors from the day appointed for the payment thereof to the time of the actual payment, but the Board of Directors shall be at liberty to waive payment of that interest wholly or in part.

23. The Board of Directors may, if they think fit, receive from any member willing to advance the same, all or any part of the moneys uncalled and unpaid upon any share held by him, and upon all or any part of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate not less than 15% p.a. (without the sanction of the Company in General Meeting) percent per annum may be agreed upon between the member paying the sum to advance and the Board of Directors but shall not in respect of such advances confer a right to the dividend or to participate in profits or to any voting rights.

24. Neither a judgment nor a decree in favour of the Company, for calls or other moneys due in respect of any share, nor any part payment or satisfaction thereunder, nor the receipt by the Company of a portion of any money which shall from time to time, be due from any member in respect of any share, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as herein after provided.

25. lf by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by instalments, every such instalment shall, when due be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the share or his legal representative or representatives, if any.

Transfer and Transmission of Shares – Article 26 - 37

26. (1) The instrument of transfer of any Shares in the Company shall be executed both by the transferor and the transferee and the transferor shall be deemed to remain holder of the Shares until the name of the transferee is entered in the register of members in respect thereof. The instrument of transfer shall be in respect of only one class of Shares and should be in the form prescribed under Section 108 of the Act.

2) The Board of Directors shall not register any transfer of share unless proper instrument of transfer duly stamped and executed by the transferor and the transferee has been delivered to the Company along with the certificate relating to the Shares and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the Shares, Provided that where it is proved to the satisfaction of the Board of Directors that an instrument of transfer signed by the transferor and transferee has been lost, the Company may, if the Board of Directors think fit, on an application in writing made by the transferee and bearing the stamp required on an instrument of transfer, register the transfer on such terms as to indemnity as the Board of Directors may think fit.

3) An application for the registration of the transfer of any Shares may be made either by the transferor or by the transferee provided that where such application is made by the transferor no registration shall in the case of partly paid Shares be effected unless the Company gives notice of the application to the transferee and the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the register the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

4) For the purpose of sub-clause (3) notice to the transferee shall be deemed to have been duly given if despatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been delivered in the ordinary course of post.

5) Nothing in clause (4) shall prejudice any power of the Board to register as a Shareholder any person to whom the right to any share has been transmitted by operation of law.

(6) Nothing in this Article shall prejudice the power of the Board of directors to refuse to register the transfer of any Shares to a transferee, whether a member or not.

27. The Shares in the Company shall be transferred by an instrument in writing in the prescribed form, duly stamped and in the manner provided under the provisions of Section 108 of the Act and any modification thereof and the Rules prescribed there under.

28. Every holder of shares in or holder(s) of debentures of the Company, holding either singly or jointly, may at any time nominate a person in the prescribed manner to whom the shares and/or the interest of the member in the capital of the Company or debentures of the Company shall vest in the event of his/her death. Such member may revoke or vary his/her nomination, at any time, by notifying the name of the Company to that effect. Such nomination shall be governed by the provisions of section 109A and 109B of the Act or such other regulation governing the matter from time to time.

29. Subject to the provisions of Section 111 of the Act, and Sec. 22 A of Securities Contracts (Regulation) Act, 1956 the Board may at anytime in their absolute discretion and without assigning any reasons decline to register any transfer of or transmission by operation of law of the right to a share, whether the transferee is the member of the Company or not and may also decline to register any transfer of shares on which the Company has a lien. Provided further that the registra.tion of transfer shall not be refused on the ground of the transfer or being alone or either jointly with any other person or persons indebted to the Company on any account except a lien on the Shares

30. The Directors may not accept application(s) for transfer of less than 100 (hundred) Equity Shares in the Company provided, however that this condition shall not apply to:

i) transfer(s) of Equity Share(s) made in pursuance of any statutory provision or order of a Court of Law.

ii) transfer of total Equity Shares by a Shareholder holding less than 100 equity Shares by a single transfer to a single or joint names.

iii) transfer of total Equity Shares of a Shareholder holding less than 100 Equity Shares to one or more transferees whose holding in the Company will not be less than l00 Equity Shares each after the said transfer: and

iv) transfer of not less than 100 Equity Shares in the aggregate in favour of the same transferee in two or more transfer deeds, submitted together out of which one or more relate(s) to the transfer or less than 100 Equity Shares.

31. The Board of Directors may also decline to recognise any instrument of transfer unless:

    a) The instrument of transfer is accompanied by the certificate of Shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer; and;

    b) The Instrument of transfer is in respect of only one class of Shares.

32. (1) Every endorsement upon the certificate of any share in favour of any transferee shall be signed by the Managing Director of by some other person for the time being duly authorised by the Managing Director in this behalf. In case any transferee of a share shall apply for a new certificate in lieu of the old or existing certificate, he shall be entitled to receive a new certificate in respect of which the said transfer has been applied for and upon his delivering up to be cancelled every old or existing certificate which is to be replaced by a new one.

    (2) Notwithstanding any other provisions to the contrary in these presents, no fee shall be charged for any of the following viz.-

    a) for registration of transfers and debentures; or for transmission of Shares and debentures:

    b) for sub division and consolidation of share and debenture certificates and for sub-division of letters of allotment and split, consolidation renewal and pucca transfer receipts into denominations corresponding to the market units of trading;

    c) for sub-division of renounceable Letters of Right;

    d) for issue of certificates in replacement of those which are old decrepit or worn out, or where the cages on the reverse for recording transfers have been fully utilised:,

    e) for registration of any power of any attorney probate letters of administration or similar other documents

33. The Company shall keep a book to be called the "Register of Members" and therein shall be entered the particulars of every transfer or transmission of any Shares and all other particulars to Shares required by the Act to be entered in such Register.

34. This Instrument of transfer shall after registration remain in the custody of the Company. The Board may cause to be destroyed all transfer deeds lying with the Company for period of 6 years or more.

35. The Board of Directors may after giving not less than 7 days previous notice by advertisement in some newspapers circulating in the district in which the Registered office of the Company is situated close the Register of Members or the Register of Debenture holders for any period or periods not exceeding in the aggregate 45 days in each year but not exceeding 30 days at any one time,

36. (1) The executors or administrators of a deceased member (not being one of several joint holders) shall be the only persons recognised by the Company as having any title to the Shares registered In the name of such member and in the case of death of any one or more of the joint holders of any registered Shares, the survivors shall be only persons recognised by the Company as having any title to or interest in such Shares. Provided that if the member should have been a member of a joint Hindu family the Board on being satisfied to that effect and on being satisfied that the stares standing in his name in fact belonging to the joint family may recognise the survivors or the Kartha thereof as having title to the Shares registered in the name of such member. Provided further in any case it shall be lawful for the Board in their absolute discretion to dispense with the production of probate or letters of administration or other legal representation upon such terms as to Indemnity or otherwise as to the Board may deem just.

    (2) Nothing in clause (1) shall release the estate of a deceased joint holder from any liability in respect of any Shares, which were jointly held by him with other persons.

37. (1) Any person becoming entitled to a share in consequence of the death or insolvency of a member may upon such evidence being produced as may from time to time be required by the Board and subject as hereinafter provided, elect either:

a) to be registered himself as holder of the Shares; or

b) to make such transfer of the Shares as the deceased, or Insolvent member could have made.

(2) The Board shall either case have the same right to decline or suspend registration, as they would have had. If the deceased or insolvent member had transferred the Shares before his death or insolvency.

(3) a) ***Company entitled to dematerialize its shares***: Notwithstanding anything contained in this Articles of Association, the Company shall be entitled to dematerialize its Shares, debentures and other securities pursuant to the Depositories Act, 1996, including any statutory modification(s) or re-enactment(s) thereof and to offer for subscription in a dematerialized form. The Company shall further be entitled to maintain a register of members with details of members holding shares in both material and dematerialized form(s) in any media as permitted by law including any form of electronic media.

b) ***Beneficial owner deemed as absolute owner****:* A "Beneficial Owner" means any person or persons whose name(s) is recorded as such with a Depository and the Company shall be entitled to treat the person(s) whose name(s) appears as the beneficial owner of the shares in the records of the Depository defined in the Depositories Act, 1996 as the absolute owner thereof as regard receipt of dividend or bonus or rights and other entitlements or service of notices and all or any other matter connected with the shares and accordingly the Company shall not (except as ordered by a competent court of jurisdiction or by law as required) be bound to recognise any benami trust or equity or equitable, contingent or whatsoever other claim to or interest in such share(s) on the part of any other person whether or not the Company shall have express or implied notice thereof.

c) ***Rights of Depositories and Beneficial Owner****:* Notwithstanding anything contained in this Articles of Association and in any other law for the time being in force, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of the shares, debentures or other securities on behalf of a Beneficial Owner. Save as otherwise provided herein above, the depository as a registered owner shall not have any voting rights or any other rights in respect of shares, debentures or any other securities held by it; and the beneficial owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of his shares, debentures or any other securities held by a Depository.

d)***Beneficial owner deemed as a member****:* Every person holding Equity Shares of the Company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be a member of the Company.

e) ***Investments in the name of a Depository****:* The Company can hold investments in the name of a depository when such investments are in the form of securities held by the Company as a Beneficial Owner.

f) ***Service of documents on Company****:* When the shares or debentures or any other securities are held in a Depository, the records of the Beneficial Ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or disks.

g) ***Transfer of shares and debentures****:* The provisions contained in this Articles of Association with regard to transfer or transmission of Shares, debentures or any other securities shall not apply to transfer or transmission of Shares, debentures or any other securities effected by the transfer and the transferee both of whom are entered as Beneficial Owners in the records of a Depository.

h) ***Rectification of register of transfer***: With regard to the rectification of register of transfer, all the provisions of Section 111a of the Companies Act, 1956, as may be in force from time to time shall also apply.

i) ***Allotment of shares, debentures or any other securities to a depository****:* Notwithstanding anything contained in subsection (1) of Section 113 of the Companies Act, 1956, or any other modification(s) or re-enactment(s) thereof, where the Shares, debentures or any other securities are dealt with in a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such Shares, debentures or any other securities as far as practicable.

j) ***Distinctive number of shares and debentures held with a depository not required****:* Provisions contained in

this Articles of Association about recording distinctive numbers of Shares or debentures held by each member or debenture holder respectively in the register of members or register of debenture holders of the Company shall not apply to the Shares or debentures or any other securities which are held with a depository.

k) ***Register and Index of Beneficial Owners****:* The register and index of beneficial owners maintained by a depository under Section 11 of the Depositories Act, 1996, shall also be deemed to be a register and index of members and register and index of debenture holders, as the case may be, for the purposes of this Articles of Association and the Act.

l) ***Securities in fungible form****:* The Shares, debentures or any other securities of the Company held by a depository shall be in a fungible form. In case of transfer or transmission of Shares or other marketable securities where the Company has not issued any certificates and where such Shares or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996, as may be in force from time to time shall apply.

Investors' Right to Unencumbered Shareholding – Article 38

The Investors shall not be required to pledge, mortgage, hypothecate, charge or otherwise encumber any part of the Investor Shares held by the Investors or otherwise offer any such Investor Shares as collateral for providing financial support to any third party, including but not limited to the lenders of the Company.

Lock-in Period and Transfer of Shares by Promoters– Article 39

(1) The Shares held by the Promoters in the Company shall not be transferred till the Common Shareholders Agreement is in force (the "**Lock-in Period**"). During the Lock-in Period, the Promoters shall at all times hold the Shares (and the beneficial interest) held by them in the Company, unencumbered and free of any Encumbrance. During the Lock-in Period, the Promoters shall not sell or otherwise create any Encumbrance over the Promoter Shares or do any other act which has the effect of undermining the underlying beneficiary or fiduciary rights and responsibilities of the Promoters or which would result in an involuntary transfer of Shares, without the express written consent of the Investors. Provided that this Article shall not be applicable in case of pledge of Shares to banks and financial institutions in connection with the raising of finance for the Company. Promoters of the Company themselves being private limited companies (namely, Avant Papers Pvt. Ltd.., Arch Phytochemicals Pvt. Ltd., Arch Financial Services (Bombay) Pvt. Ltd. and Arch Impex Pvt. Ltd.), agree and undertake that during the term of the Common Shareholders' Agreement, they shall not increase, reduce or otherwise alter its present authorised, issued, subscribed and paid up share capital and that the existing shareholding, voting rights, interest and/or control held in each of such Promoters shall not sell, transfer, assign or otherwise Encumber, either directly or indirectly, voluntarily or involuntarily or by operation of law, without the Investors' prior written consent and on and subject to such terms and conditions as the Investors may specify.

(2) The Promoters agree that the transfer restrictions in these Articles in respect of the Shares held by the Promoters in the Company shall not be capable of being avoided by the holding of such Shares indirectly through a company or other entity or Person that can itself be sold in order to dispose of an interest in the Shares of the Company free of such restrictions. Any transfer, issuance or other disposal of any Shares (or other interest) resulting in any change in the control, directly or indirectly, in any of the Promoters, or any of their Affiliates which holds, directly or indirectly, any Equity Shares in the Company, shall be treated as being a transfer of the Equity Shares of the Company held by such Promoter, and the provisions of these Articles that apply in respect of the transfer of such Equity Shares shall thereupon apply in respect of the Equity Shares so held.

(3) Notwithstanding the provisions of Sub-Articles (1) and (2) hereof, the Investors shall be entitled to transfer all or any of their respective Shares to any third party or any of their respective Affiliates (the "**Transferee**"), subject to the provisions of Sub-Article (4) hereinbelow, and provided that the Transferee executes the Deed of Adherence in the form annexed to the Common Shareholder's Agreement and also undertakes that in the event it ceases to be an Affiliate of the Investor, the Shares so transferred to such an Affiliate and any further Shares acquired or allotted to it as a result of such transfer, shall be forthwith transferred to the name of the relevant Investor.

(4) In the event that any or all Investors (the "**Transferring Investor(s)**") transfer any of the Investor Shares to

the Transferee, such that the Transferee holds 10% or more of the Equity Shares of the Company, such Transferee shall, along with such Investor, have only the following rights under this Common Shareholders' Agreement: (i) Super Majority Rights of the Investors (Article 107); and (ii) the right to appoint a Nominee Director (Article 63(3)). In the event that a sale or transfer of the India Advantage Funds Shares results in, and thereafter the Transferring Investor shall cease to have such rights as are assigned pursuant to such transfer to the Transferee. Such assignment shall unequivocally entitle only the Transferee to exercise the aforementioned rights exclusively. the India Advantage Funds holding 10% or less of the Share Capital of the Company, India Advantage Funds shall have a right to nominate only 1 (one) Director on the Board in supercession of the provisions of article 63(3).

(5) Pending the transfer to the Transferee, the Transferring Investor shall be deemed to be an agent of the Transferee and shall control the voting rights and other rights and obligations under these Articles, and shall continue to be bound by the provisions of these Articles whilst acting in its capacity as an agent of such Transferee. Provided however, that in no event shall the combined rights of the Transferring Investor and such Transferee exceed the rights of the Investors under these Articles.

Tag-along Rights of Investors – Article 40

This Article shall apply to all the Promoter Shares. The provisions of this Article are without prejudice to the other provisions of these Articles, including Sub-Articles (1) and (2) of Article 39 above.

(1) If at any time any Promoter (the "**Transferring Promoter**") individually or collectively proposes to transfer or sell any of the Promoter Shares in the Company to a third party(ies), then at least 30 (thirty) days prior to such transfer, such Transferring Promoter shall deliver a written notice (the "**Sale Notice**") to the Investors offering the Investors the option to participate in such proposed transfer. Such Sale Notice shall specify in reasonable detail the identity of the prospective transferee and the terms and conditions of the transfer at the identical price and on the same terms and conditions as the Transferring Promoter.

(2) The Investors may, within 30 (thirty) days of the giving of the Sale Notice (the "**Offer Period**"), give written notice (each, a "**Tag-Along Notice**") to the Transferring Promoter stating that the Investors or any one or more of the Investors wish to participate in such proposed transfer and specifying the amount of the Investor Shares that the Investors desire to include in such proposed transfer.

(3) If the Investors do not give the Transferring Promoter a timely Tag-Along Notice with respect to the transfer proposed in the Sale Notice, the Transferring Promoter may thereafter transfer the Shares to the prospective transferee specified in the Sale Notice at the same price and on the same terms and conditions as set forth in the Sale Notice.

(4) If the Investors give the Transferring Promoter a timely Tag-Along Notice, then the Transferring Promoter shall cause each prospective transferee to agree to acquire all Shares identified in all Tag-Along Notices that are given to the Transferring Promoter, at the same price and upon the same terms and conditions as applicable to the Transferring Promoter's Shares (save and except that no Investors shall be required to give any representations or warranties save and except as to its title to its Shares).

(5) If such prospective transferee is unwilling or unable to acquire all Shares proposed to be included in such sale upon such terms, then the prospective transferee shall first purchase the Investor Shares on a pro rata basis in proportion to the respective shareholding in the Company of such of the Investors as have given the Tag-Along Notice and only thereafter, shall purchase the Transferee Promoter's Shares.

(6) If completion of the sale and transfer to the prospective transferee does not take place within the period of 30 (thirty) days following the expiry of the Offer Period, the Transferring Promoters' right to sell the Promoter Shares to such third party shall lapse and the provisions of this Article shall once again apply to the Promoter Shares.

(7) Notwithstanding the foregoing, in the event that the aforesaid transfer would cause any or all Promoters to transfer more than 50% (fifty percent) of the Promoter Shares or to hold less than 26% (twenty-six percent) of the Company's Share Capital, the Investors shall have the right to sell all of their Shares to the transferee under the conditions set forth in this Article and the Transferring Promoter shall not be entitled to sell any Shares unless and until all Investor Shares are purchased by the transferee.

Right of First Refusal – Article 41

This Article shall apply to all the Promoter Shares. The provisions of this Article are without prejudice to the other provisions of these Articles, including Sub-Articles (1), (2) and (3) of Article 39 above.

(1) The Promoters' right to sell shall be subject to the Investors' right under Article 40 and right of first refusal in accordance with this Article. The right of first refusal will not be available to the Investors in the event of transfer of shares amongst the Promoters inter se. However, any such transfer of shares amongst the Promoters inter se shall require the prior approval of the Investors.

(2) Every Promoter grants a right of first refusal to the Investors, with respect to the transfer of any or all of the Promoter Shares or any legal or beneficial interest therein (the **"Offered Shares"**) held by the Promoters in the Company. Accordingly, if any Promoter, desires to transfer the Offered Shares, it shall offer in writing to sell the Offered Shares (the **"Offer Notice"**) to all the Investors, specifying-
   (a) the number of Offered Shares in the aggregate;
   (b) the price at which such transfer will be made (the "**Offer Price**");
   (c) the terms and conditions upon which the Promoter is willing to transfer the Offered Shares ("**Offer Terms**").

(3) Such Offer Notice shall be given on terms that such notice shall be irrevocable, except with the unanimous consent of the Investors. The offer for sale of the Offered Shares in the Offer Notice shall be valid for a period of twenty-one (21) days from the date of receipt of the Offer Notice by the Investors (the "**Offer Period**").

(4) Failure by the Investors to communicate their decision to buy the Offered Shares within the said twenty-one (21) days period shall be deemed to be a refusal to buy the Offered Shares. If the Investors fail to so communicate or otherwise communicate refusal to buy the Offered Shares, the Promoter(s) may transfer to any person such Offered Shares not accepted by the Investors within ninety (90) days after the expiry of the Offer Period at any price not lower than the Offer Price and on the Offer Terms.

(5) If the Investors communicate their agreement to buy the Offered Shares from the Promoters, the purchase shall be subject to applicable statutory and regulatory approvals, if any. The purchase of the Offered Shares should be completed by the Investors within sixty (60) days of having accepted the offer of the Promoters or within thirty (30) days of receipt of applicable statutory and regulatory approvals, whichever is later. At such closure, the Promoters shall deliver such title to the Offered Shares being sold, free from any Encumbrance, and the Investors shall pay to the Promoters in cash their respective portion of the Offer Price.

(6) If all the Offered Shares are accepted by the Investors within the Offer Period, completion of the sale shall take place at the offices of the Company where the relevant Offered Shares together with duly executed transfer forms by the Promoters shall be delivered to the Investors against payment of the relevant Offer Price.

(7) In the event that the Investors fail to pay their respective portion of the Offer Price by the scheduled date of closure as aforesaid, such Investors shall be deemed to have refused to buy the Offered Shares and the Promoters shall be free and fully entitled to sell and transfer such part of the Offered Shares to the proposed buyer at a price no less than the Offer Price.

(8) Such sale and transfer of the Offered Shares to the proposed purchaser shall be completed within sixty (60) days thereafter. In the event of a failure to so consummate the sale within the stipulated period of sixty (60) days, the sale shall again be subject to the provisions of this Article.

(9) If the Offered Shares are offered to any other person at a lower price, the Investors shall have the first right of refusal in respect of such Offered Shares at the lower price and upon their refusal to buy the Offered Shares in the manner provided in Sub-Articles (3) to (8) of this Article at such lower price.

   The right of the Investors under this Article shall be exercisable by them pro rata in proportion to their then prevailing inter se shareholding in the Company.

(10) Unless otherwise expressly provided in these Articles, the right of any Promoter, Shareholder or its Affiliate to transfer its Shares to any other person is subject to and conditional upon:

   (a) the transferee executing a Deed of Adherence in the form required by the Investors, pursuant to which the combined and collective rights of the Shareholder or its Affiliate and the transferee shall not exceed the rights of the Shareholder hereunder; and

(b) the transferee obtaining the written approval, consent, permission or exemption, if required, of the relevant authority for the transfer of the Shares.

Right of First Offer – Article 42

(1) Each of the Investors acting for themselves and their respective Affiliates shall always be free and fully entitled to sell or otherwise Transfer any or all of the Investor Shares (and attendant interest) held in the Company to any person including independent third parties. Subject to the provisions of Sub-Articles (3), (4) and (5) hereof, until 31st March, 2009, each Investor's right to freely sell the Investor Shares shall be subject to the other Investors and Promoters (the "**Offerees**") right of first offer in accordance with Sub-Articles (2) and (3) hereof. This right of first offer shall cease to have effect on and from after 31st March, 2009.

(2) Subject to the provisions of Sub-Articles (3), (4) and (5) hereof, in the event any Investor acting for itself and its Affiliates (together with its Affiliate, the "**Offeror**") wishes to sell or Transfer, at any time, some or all of the Investor Shares of the Company held by it, the Offeror shall, prior to consummating such sale or Transfer, offer to sell such Investor Shares ("**Offered Shares**") to the Offerees.

(3) The Offeror shall invite in writing a quote from each of the Offerees of the price at which they are willing to purchase their pro rata portion of and/or all of the Offered Shares. The Offerees shall within 30 (thirty) days of such invitation by the Offeror deliver a quote in writing and simultaneously deposit an amount equivalent to 25% of the proposed purchase consideration or, in the event that there are two quotes as above, the higher amount, (hereinafter "**Advance Amount**") in an escrow account. The balance purchase consideration shall be payable within 10 days from the date of acceptance by the Offeror. Thereafter, the Offeror shall be entitled to sell the Offered Shares to any third party at a price higher than the highest price quoted by the Offerees, within 30 (thirty) days from the date of response from the Offerees and refund the Advance Amount to the Offerees immediately, failing which the Offeree shall be liable to pay interest at the rate of 2% per month or part thereof on the Advance Amount. If the Offeror does not receive a higher quote for the Offered Shares from any third party, the Offeror shall sell all the Offered Shares to the Offeree or pro rata to the Offerees who have quoted the highest price.

(4) In the event the Offerees do not pay the purchase price within 10 (ten) days of acceptance by the Offeror, the Offeror shall be entitled to forfeit the Advance Amount of the Offeree or Offerees who have defaulted in paying the balance purchase consideration and the Offeror shall sell the Offered Shares to the non-defaulting Offeree or Offerees, if any, or to the third party quoting the highest price, as the case may be.

(5) In the event the Shares proposed to be acquired by all the Offerees as part of their quotes is less than the total number of Offered Shares, the Offeror shall not be under any obligation and shall be free to sell the Offered Shares to any person at any price.

(6) Notwithstanding the provisions of Sub-Articles (1), (2) and (3) hereof, the Offeror shall be free to sell or otherwise Transfer any or all the Shares to their Affiliates without any right of first offer to the Offerees.

(7) Subject to Sub-Articles (1), (2) and (3), all the provisions, rights, restrictions and obligations conferred by this Common Shareholders' Agreement to the Offeror may be passed to the benefit of the transferees of the Shares sold by the Offeror.

(8) If the Offered Shares are not sold or transferred as aforesaid within 45 (forty five) days from the expiry of the 30 (thirty) day period referred to in Sub-Article (3) aforesaid, any subsequent sale or transfer of Shares by the Offeror shall be subject to the provisions of this Article.

(9) **Option to Nominate**: If, in the event of any issue or transfer of Shares, the Investors are unable to take up the proportion of Shares, either by themselves or through any one or more of its Affiliates, to which it is entitled on a pro rata basis as a result of any legislation or regulation, or any requirement, directive, decree or otherwise of any authority, such affected party shall be entitled at its option to nominate a third party, provided that such third party is acceptable to the Company, such consent not to be unreasonably withheld or delayed, and such third party executes the Deed of Adherence pursuant to which the combined and collective rights of the Investors and such third party shall not exceed the rights of the Investors hereunder.

Exit Options – Article 43

(1) The Company shall (and the Promoters undertake to use their best endeavours to ensure that the Company will) provide and facilitate exit to the Investors through any of the following exit mechanisms.

(2) The Company shall (and the Promoters undertake to use their best endeavours to ensure that the Company will) obtain the Listing on any one or more of the Stock Exchanges on or before 31st March, 2009 by making a QIPO.

(3) Each Investor shall have the right, but not the obligation, to sell up to 100% of their respective Investor Shares at the same price, terms and conditions during the Public Offering or the QIPO. If shares are required to be offered for sale for the consummation of the Public Offering or the QIPO, then Investors shall offer their Equity Shares on a pro rata basis in proportion to their then-prevailing shareholding in the Company and the Promoters shall also offer proportionate Promoters Shares (being not less than 5% of the paid up capital of the Company held at the time of such Public Offering), at the price at which the Equity Shares have been allotted in such Public Offering or QIPO (the "**Issue Price**"), in order to meet the listing requirements of the Stock Exchange or any other regulations governing the same.

All expenses relating to the Public Offering or the QIPO (inclusive of underwriting discounts and commissions and special counsel fees) shall be borne by the Company. The Promoters further undertake that they shall do all acts and deeds reasonably required to effectuate the Public Offering or the QIPO of the Equity Shares of the Company. The Company and the Promoters shall obtain all relevant approvals, statutory or otherwise, that are necessary for the Listing. The Company shall enter into an underwriting agreement with a merchant banker in consultation with the Investors, for the Public Offering or the QIPO.

(4) In the event that a Public Offering or QIPO as aforesaid does not take place on or before 31st March 2009, for whatever reason, then the Investors shall have the right to cause a Listing of the Company's Equity Shares by a Public Offering and the Investors shall offer their Equity Shares on a pro rata basis in proportion to their then prevailing shareholding in the Company and the Promoters shall also offer proportionate Promoters Shares (being not less than 5% of the paid up capital of the Company at the time of such Public Offering) in order to meet the listing requirements of the Stock Exchange or any other regulations governing the same and the Promoters and the Company shall comply with the provisions of Sub-Article (2) hereinabove. If the Public Offering provides (i) a MoC (Multiple on Capital) of atleast 2.5 times to the Series D Investors; or (ii) an IRR of atleast 35% per annum on the price paid by the Series D Investor for subscription to the India Advantage Fund-V Shares, calculated from the date of such investment in the Company, whichever is higher, the obligation of the Promoters and the Company to each of Investors with respect to the other Exit Options, including sale to a new investor and put option as detailed in Sub-Articles (6) and (7) hereinbelow shall cease.

(5) ***Sale to a new investor**:* Notwithstanding the aforesaid, in the event that the Listing as aforesaid does not take place, the Promoters shall use their best endeavours to find a new investor to purchase the Investor Shares on or before 31st October, 2010 at a price that provides the Series D Investor a MoC (Multiple on Capital) of atleast 2.5 times or an IRR of atleast 35% (thirty-five percent) per annum on the price paid by the Series D Investor for subscription to the India Advantage Fund-V Shares, whichever is higher. If the Investors do not exercise their option to sell their respective Investor Shares to such new investor, the obligation of the Promoters and the Company to each of Investors with respect to the other Exit Options, including the put option under Sub-Article (7) hereinbelow and drag along rights under Article 44 shall cease; or

(6) ***Put Option**:* Failing the aforesaid, the Promoters shall, at the option of the Investors, purchase the respective Investor Shares at such a negotiated price that will provide an IRR of 25% (twenty five percent) per annum on the price paid by each of the Investors for subscription to their respective Investor Shares, calculated from the date of each of the Investor's respective investment in the Company. The promoters shall make payment to the Investors within 1 month (one month) following the date upon which notice is served by the Investors for exercising their Put Option right in accordance with the provisions of this Sub-Article. If the Investors do not exercise their put option as aforesaid on or before 31st October 2010, the obligation of the Promoters to each of the Investors with respect to the purchase by the Promoters of the Investor Shares, as provided in this Sub-Article, shall cease. The rights of the Investors with respect to drag-along, as provided in Article 44 hereinbelow, shall be available to and exercised by the Investors only after all the exit options detailed hereinabove, including sale to a new investor under Article 43(5) and put option under Article 43(6), have ceased.

* Substituted *vide* Special Resolution passed in Extra-Ordinary General Meeting held on 29th September, 2010

DRAG-ALONG RIGHTS OF THE INVESTORS – Article 44

*(1) In the event that a Public Offering or QIPO as aforesaid does not take place on or before 31st March 2009, and Investors are unable to exit through any of the mechanisms specified above on or before 31st October, 2010 or one month from the date upon which notice is served by the Investors for exercising their Put Option right in accordance with the provisions of Sub-Article 43(6), whichever is later, then any two among the IIML Investors, Swiss Tec VCF and India Advantage Funds (the "**Majority Investors**") shall have the right to implement a strategic sale or a merger of the Company by selling all the Shares held by them or their Transferees as specified in Article 39(3) to a bona fide purchaser, (the "**Bona Fide Purchaser**") at such minimum price per Equity Share of the Company as required to fetch the Series D Investor a MoC (Multiple on Capital) of at least 2.5 times or an IRR of at least 35% per annum on the price paid by the Series D Investor for subscription to the India Advantage Fund-V Shares, whichever is higher. In the event that the Majority Investors agree to implement such a strategic sale or a merger of the Company, the Majority Investors may require and the remaining Investor (the "**Minority Investor**") and the Promoter(s) shall be obliged to sell their Shares to such Bona Fide Purchaser within 30 (thirty) days, on the same terms and conditions as shall be applicable to the sale of Shares by the Majority Investors.

* Substituted *vide* Special Resolution passed in Extra-Ordinary General Meeting held on 29th September, 2010

(2) The Majority Investors shall deliver to the Minority Investor and the Promoter(s) a written notice (the "**Drag-Along Notice**") setting forth the consideration per Share to be paid by such Bona Fide Purchaser and the other terms and conditions of such transfer. Within 10 (ten) days following receipt of the Drag-Along Notice, the Minority Investor and the Promoter(s) shall deliver to the Majority Investors the certificates or other instruments evidencing such Shares owned by such persons, along with duly signed blank share transfer forms to effect the transfer of such Shares to the Bona Fide Purchaser on the books and records of the Company and a limited power-of-attorney authorising one of the Parties exercising such rights to effect the transfer of the Shares pursuant to the terms of such Bona Fide Purchaser's offer, provided that all of the Shares are disposed of for the consideration per Share and otherwise on the same terms and conditions upon which the parties exercising such rights effect the transfer of their Shares. In the event that any person fails to deliver such certificate(s), share transfer forms and limited power-of-attorney to one of the parties exercising such rights, the Company shall cause a notation to be made on its books and records to reflect that the Shares of such person are bound by the provisions of this Article and that the transfer of such Shares may be effected without such person's consent or surrender of its Shares.

(3) The terms of sale of the Promoter Shares shall not be less favourable than the terms of sale of the Investor Shares. If, at any time, the number of the Investors in the Company is reduced to two, then the Drag-Along Right can be exercised only in the event that both the Investors agree to the same. Upon completion of such strategic sale and, if so required by the Bona Fide Purchaser, the Promoter(s) shall ensure that the Key Management Personnel continue in employment with the Bona Fide Purchaser on mutually acceptable terms for at least 2 (two) years from the date of such sale/merger. In the event of the exercise of the Drag-Along Right by two out of three Investors in the manner provided in this Article, the remaining Investor shall not be entitled to exercise the Tag-Along Right as provided in Article 40.

(4) If completion of the sale and transfer to the Bona Fide Purchaser does not take place within the period of 90 (ninety) days from the delivery of the Drag-Along Notice, the Majority Investor's right to exercise the Drag-Along Right shall lapse and the provisions of this Article shall once again apply.

(5) If such a strategic sale or merger as mentioned aforesaid is concluded, the management team of the Company shall agree to continue their employment with the Company for at least 2 years from the date of such strategic sale or merger, if required, at terms of employment to be mutually discussed and agreed with such acquirer.

(6) In the event that any of the Majority Investors exercise the Drag-Along Rights and the Bona Fide Purchaser is not agreeable to acquire all the Shares held by the Minority Investor and the Promoters, then, in such an event, the Minority Investor will have the right to offer all its Shares in priority to the Shares held by the Promoter, at its option. Provided that the Promoters will also be required to make to the Bona Fide Purchaser such unqualified representations and warranties with respect to their Shares, the Company and with respect to all other matters as are reasonably requested by the Bona Fide Purchaser, provided that the Promoters will only be required to provide representations and warranties on the same basis and subject to the same qualifications as the Investors, including, (A) good title to the Shares being sold, (B) the absence of any Encumbrance with respect to the Shares being sold, (C) its valid existence and good standing (if applicable), (D) the fact that

Promoter's sale will not conflict with or result in a breach of or constitute a default under, or violation of, its governing documents or any indenture, lease, loan or other agreement or instrument by which it is bound or affected. Notwithstanding the above, the Promoters and the Company shall provide to the Bona Fide Purchaser such representations and warranties as regards the Company and its Business as the Investors or the Bona Fide Purchaser may require notwithstanding that the Investors may not be providing such representations and warranties.

(7) Promptly (but in any event no later than 3 (three) days) after the consummation of the transfer of the Shares pursuant to this Article, the Bona Fide Purchaser shall (i) deliver notice thereof to all selling Shareholders, (ii) remit the sales price to all selling Shareholders for their respective Shares transferred pursuant hereto, and (iii) furnish such other evidence of the completion and time of completion of such transfer and the terms thereof as may be reasonably requested in writing by all selling Shareholders.

Non Compete And Exclusive Employement – Article 45

(1) The Promoters hereby undertake and agree with the Investors and the Company that during the term of the Common Shareholders' Agreement and for a period of two (2) years after termination of the Common Shareholders' Agreement, if terminated for breach by the Promoters:

(a) the Promoters shall not directly or indirectly initiate any new activities or expansions related to the Business, whether existing or proposed future, through any vehicle, including other companies where the Promoters have an interest, to the extent that the same pertains to the Business, and in the event that such initiatives are undertaken, the same shall be undertaken only by the Company or a wholly-owned Subsidiary of the Company;

(b) the Promoters shall not have any active involvement in or association with any other businesses whatsoever other than that of the Company. The Promoters shall devote their undivided and complete attention to the affairs and businesses of the Company;

(c) the Promoters shall not in any manner whatsoever render, sell, supply, market or distribute, advise, assist, aid in establishing, managing, providing or developing or act as consultant or professional advisor in respect of the Business or indulge in any of the above with reference to any products or services constituting part of the Business, either on his/her own account or on behalf of any other person whether as an agent or as a licensee or as an advisor, consultant or under any other relationship;

(d) the Promoters shall not in any manner provide or divulge any IPR or any information in any manner and form whatsoever for the purpose of and/or relating to the rendering, selling, supplying, marketing or distributing of products or services constituting part of the Business including rendering any assistance for the purpose of improving, modifying, upgrading or making any betterment to any existing process, know-how, software methodology or technology whatsoever for the purpose of and/or relating to the manufacturing, selling, supplying, marketing or distributing of the same whether or not the same is patented or proprietary or otherwise; and

(e) this covenant shall be interpreted in the widest possible commercial sense and shall be observed, in letter and in spirit.

(2) The Promoters and Key Management Personnel shall not assume any executive responsibilities in any other company, other than their existing responsibilities in the two Affiliates of the Company in which they hold directorships, without the prior approval of the Investors as long as the Promoters are employees, directors and/or hold executive responsibilities in the Company.

(3) In the event any Promoter transfers any Promoter Shares, the provisions of this Article shall apply to such Promoter for a period of three (3) years succeeding the date on which the Board accepts the transfer of such Promoter Shares.

(4) Each of the Promoters severally undertake to the Company and to the Investors that any expansion, development or evolution of the activities of the Company or any opportunity offered to the Promoters shall only be pursued or taken up through the Company or a wholly-owned subsidiary of the Company.

(5) Each of the restrictions as set out in these Articles is separate and distinct and is to be construed separately from the other such restrictions. Each of the Promoters acknowledges that he considers such restrictions to be reasonable both individually and in aggregate and that the duration, extent and application of each of such restrictions are no greater than is necessary for the protection of the goods and of the businesses of the Company and that the price paid by the Investors for the Investor Shares takes into account and adequately compensates them for any restriction or restraint imposed as set out in these Articles. However, if any such restriction shall be found to be void or unenforceable, but would be valid or enforceable if some part of it were deleted or the period or area of application reduced, each of the Promoters agree that such restriction shall apply with such modifications as may be necessary to make it valid.

Breach of Common Shareholders Agreement – Article 46

1) In the event of any material breach of any of the provisions of the Common Shareholders' Agreement or any misrepresentation by the Company and/or the Promoters, if the same is not remedied within 30 (thirty) days of the receipt of notice from any of the Investors complaining of such breach, and without prejudice to other rights and remedies of the Investors, the Company and/or Promoters may be required, at the option of any of the Investors, to sell to the Investors (in proportion to the respective aggregate investment amount of the Investors in the Company or such other proportion as may be mutually agreed between the Investors) all (but not some only) of the Shares of the Promoters (including their Affiliates) at the par value of the Shares. On exercise of any such right by the Investors, the Promoters shall sell their shares to the Investors. The exercise of the remedy under this Article by all or any of these Investors shall not in any way affect or prejudice any right or remedy accrued to the remaining Investors against the Promoters.

2) Notwithstanding the aforesaid, in the event of any material breach of any of the provisions of the Common Shareholders' Agreement or any misrepresentation by the Company and/or the Promoters and without prejudice to other rights and remedies of the Investors, the Company and/or Promoters may be required, at the option of the Investors to buy back and/or purchase the Investor Shares at a price and value that provides to the Investors an IRR of at least 25% (twenty-five percent) per annum on the entire amount invested by the respective Investor.

Devolution of Rights – Article 47 - 55

47. (1) If the person so becoming entitled shall elect to be registered as holder of the Shares himself, he shall deliver or send to the Company a notice in writing by him stating that he so elects.

(2) If the person aforesaid shall elect to transfer the Share he shall testify his election by executing a transfer of the Share.

(3) All the limitations, restrictions and provisions of these regulations to the rights to transfer and the registration of transfers of Shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice of transfer were a transfer signed by that member.

(4) A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share except that he shall not before being registered as a member in respect of the share be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided that the Board may, at any time give notice requiring any such person to elect either to be registered himself or transfer the share and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

48. The Company shall incur no liability or responsibility whatever in consequence of their registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register) to the prejudice of persons having or claiming any equitable right, title or interest to or in the same Shares notwithstanding that the Company may have had notice of such equitable rights or referred thereto in any books of the Company and the Company shall not be bound by or required to regard or attend to or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in the books of the Company; but the Company, shall nevertheless be at liberty to have regard and attend to any such notice and give effect thereto, if the Board shall think fit

49. If a member fails to pay any call or instalment of a call on the day appointed for the payment thereof, the Board of Directors may at any time thereafter during such time as any part of such a call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as unpaid, together with any Interest which may have accrued.

50. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice), on or before which the payment required by the notice is to be made, and shall state that, in the event of non-payment on or before the day named, the Shares in respect which the call was made will be Iiable to be forfeited.

51. If the requirements of any such notice as aforementioned are not complied with, any share in respect of which the notice has been given may at anytime thereafter before the payment required by the notice has been made, be forfeited by a Resolution of the Board of Directors to that effect, such forfeiture shall include all dividends declared in respect of the forfeited Shares, and not actually paid before the forfeiture.

52. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board of Directors may think fit, and at anytime before a sale or disposition, the forfeiture may be cancelled on such terms as the Board of Directors may think fit.

53. A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares but shall notwithstanding remain Iiable to pay and shall forthwith pay the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the Shares, but his liability shall cease if and when the Company received payment in full of the nominal amount of Shares whether legal proceedings for the recovery of the same had been barred by limitation or not.

54. A duly verified declaration in writing that the declarant is a Director of the Company and that a share in the Company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Shares and that declaration and receipt of the Company for the consideration if any given for the Shares on the sale or disposition thereof shall constitute a good title to the share, and the person to whom the share is sold or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any), nor shall his title to the share be affected by way of irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

55. The provisions of these Regulations as to forfeiture shall apply in the case of non-payment of any sum which by the terms, of issue of a share, become payable at a fixed time, whether on account of the amount of the share or by way of premium or otherwise as if the same had been payable by virtue of a call duly made and notified.

Alteration of Capital – Article 60, 61, 62

60. Subject to the provisions of these Articles, the Company may from time to time but subject to the provisions of Section 94 of the Act, alter the conditions of its Memorandum as follows:

    a) Increase its share capital by such amount as it thinks expedient by issuing new Shares;

    b) Consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;

    c) Convert all or any of its fully paid up Shares into stock, and reconvert that stock into fully paid up Shares of any denominations;

    d) Subdivide its Shares, or any of them, into Shares of smaller amount than is fixed by the memorandum, so however, that in the subdivision the proportion between the amount if any unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

    e) Cancel any Shares which, at the date of the passing of the resolution in behalf, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled;

    f) Cancel any Shares which, at the date of the passing of the resolution in behalf, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so

cancelled;

g) 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; voting or otherwise over or as compared with the others.

61. The new Shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the Shares in the original share capital.

62. The Company may, subject to the provisions of Sections 100 to 105 of the Act, by Special Resolution, reduce in any manner and with and subject to, any incident authorized and consent required by law.

Directors – Article 63

(1) The Business of the Company shall be managed by and shall be under the direction and supervision of the Board. The Company shall, at all times, comply with relevant provisions of the Act and the Guidelines with respect to the composition of the Board. At least one of the independent directors on the Board shall be a person having knowledge of and experience in the pharmaceutical industry. The Board may exercise all such powers of the Company and do all lawful acts and things that are not, by the Act, these Articles or the Memorandum of Association of the Company, specifically directed or required to be exercised or undertaken by the Shareholders of the Company. Additional independent Directors may be appointed as and when deemed appropriate by the Board. The Company shall appoint a number of at least 3 (three) independent directors.

(2) Meetings of Shareholders, the Board and any committee or sub-committee thereof shall be convened and held in accordance with the provisions of the Act.

(3) The composition of the Board shall be decided in consultation with and to the satisfaction of the Investors. The composition of the Board shall be as follows:

(i) one (1) Director to be nominated by Swiss Tec;
(ii) one (1) Director to be nominated by IIML;
(iii) two (2) Directors to be nominated by India Advantage Funds;
(iv) four (4) Directors to be appointed by the Promoters; and
(v) one (1) independent Director to be appointed by the Board, to the satisfaction of the Investors.

The Directors nominated by the Investors are hereinafter referred to as "**Nominee Directors**".

(4) The Nominee Directors shall form part of any committee or sub-committee of the Board. The Promoters undertake not to veto or otherwise obstruct the appointment of the Nominee Director in accordance with the provisions of the Common Shareholders' Agreement. The number of Nominee Directors appointed by the Transferring Investor and/or the Transferee, as the case may be, shall in no event exceed the maximum number of Nominee Directors as may be appointed by such Transferring Investor.

(5) Any person whether a member of the Company or not may be appointed as Director and no qualification by way of holding share shall be required of any Director

(6) Any casual vacancy occurring in the Board of Directors, may be filled up by the Directors and the person so appointed shall hold office upto the date upto which the Director in whose place he is appointed would have held office if it had not been vacated as aforesaid.

(7) The Board of Directors shall have power at any time and from time to time to appoint one more person as additional Directors, provided that the number of Directors and additional Directors together shall not exceed the maximum number fixed. Any additional Director so appointed shall hold office upto the date of the next annual general meeting, but he shall be eligible for election by the Company at that meeting.

(8) The Board of Directors may appoint an alternate Director to act for a Director (hereinafter called the original Director) during the absence of the original Director for a period of not less than three months from the state in which the meetings of the Board are ordinarily held. An alternate Director so appointed shall vacate office if

and when the original Director returns to the State in which meetings of the Board are ordinarily held. If the term of office of the original Director is determined before he so returns to the State aforesaid, any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original and not to the alternate Director.

(9) The office of a Director shall be vacated, if:

a) he is found to be of unsound mind by a Court of competent jurisdiction; or

b) he applies to be adjudicated or is adjudged an insolvent; or

c) he fails to pay dues made on him in respect of Shares held by him within six months from the last date fixed for the payment of the call unless the Central Government has by notification in the official gazette removed the disqualification incurred by such failure; or

d) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months; or

e) he absents himself from three consecutive meetings of the Board or from all meetings of the Board for a continuous period of three months, whichever is longer without, obtaining leave of absence from the Board; or

f) he (whether by himself or by any person for his benefit or on his account), or any firm in which he is a partner or any private Company of which he is a Director accepts a loan or any guarantee or security for a loan from the Company in contravention of Section 299; or

g) he acts in contravention of Section 295; or

h) he becomes disqualified by an order of court under Section 203; or

i) he is removed in pursuance of Section 284; or

j) having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company.

Provided that notwithstanding anything in sub-clause (b), (d) and (h) above the disqualification referred to in those clauses shall not take effect:

a) for thirty days from the date of the adjudication, sentence or order.

b) where any appeal or petition is preferred within the thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentences or order until the expiry of seven days from the date on which such appeal or petition is disposed of, or

c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order and the appeal or petition if allowed would result in the removal of the disqualification until such further appeal or petition is disposed of.

(10) Subject to the provisions of the Act and these Articles, the Directors including the Managing Director, if any shall not be disqualified by reason of their office as such from contracting with the Company either as vendor, purchaser, lender, agent, broker or otherwise nor shall any contract or arrangement entered into by or on behalf of the Company with any Director or the Managing Director or with any company or partnership of or in which any Director or the Managing Director shall be a member or otherwise interested be avoided nor shall any Director or the Managing Director so contracting or being such member or so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director or the Managing Director holding that office or of the fiduciary relation thereby established but the nature of the interest must be disclosed by him or them at the meeting of the Board at which the contract or arrangement is determined on if the interest then exists or in any other case at the meeting of the board after the acquisition of the interest.

Provided nevertheless that no Director shall take part in the discussion of or vote as a Director in respect of any contract or arrangement in which he is so interested as aforesaid and if he does so his vote shall not be counted but he shall be entitled to be present at the meeting during the transaction of the business in relation to which he is precluded from voting although he shall not be counted for the purpose of ascertaining whether there is quorum of Directors present. The provision shall not apply to any contract by or on behalf of the Company to give to the Directors or the Managing Directors or any of them any security by way of indemnity against any loss which they or any of them suffer by becoming or being sureties for the Company or to any contract or arrangements entered into or to be entered into with a public company or a private company which is a subsidiary of a public Company in which the interest of the Director aforesaid consists solely in his being a Director of such Company and the holder of not more than Shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company or in his being a member holding not more than 2% of its paid up share capital.

(11) A general notice that any Director is a Director or a member of any specified Company or is a member of any specified firm and is to be regarded as interested in any subsequent transaction with such Company or firm shall, as regards any such transaction be sufficient disclosure under this Article and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such Company or Firm.

(12) A Director may be or become a Director or member of any Company promoted by this Company or in which this Company may be interested as vendor, shareholder or otherwise and no such Director shall be accountable to the Company for any benefits received as a Director or member of such Company.

(13) Except as otherwise provided in these Articles, all the Directors of the Company shall have in all matters, equal rights and privileges and be subject to equal obligations and duties in respect of the affairs of the Company.

Shareholders' Meetings and Management – Article 64

(1) Each of the Investors shall be granted the right to send a non-voting observer to attend all the meetings of the Board and of every committee and sub-committee thereof and shall continue to receive all notices and minutes of the meetings of the Board and of every committee and sub-committee thereof. In such cases, wherever the context so permits, references in these Articles to the Nominee Director shall be considered as a reference to the observer nominated by the Investors.

(2) The Nominee Directors and/or non-management Directors shall be reimbursed reasonable actual expenses including all travel and stay expenses incurred by them for attending the meetings of the Board, general meetings and of every committee and sub-committee of the Board. All expenses incurred by any observer attending a meeting together with a Nominee Director appointed by the same Investor shall be borne by such Investor. However, in the event that the Nominee Director is unable to attend a meeting of the Board or any of its committees or sub-committees of which he is a member, and the observer attends such meeting, he shall be deemed to have been deputed by the Nominee Director and in all such cases the reasonable actual expenses, including all travel and stay expenses incurred by such observer for attending such meeting, shall be reimbursed by the Company.

(3) The Nominee Director shall not be required to hold any qualification shares. The Nominee Director shall not be liable to retire by rotation. The Nominee Director may nominate an alternate Director for himself and no party shall object to such appointment and the Board shall nominate and appoint such person as an alternate for such Nominee Director.

(4) Each Shareholder shall promptly exercise its voting rights in favour of the election of the Nominee Director so nominated (or, at the request of the Investors, for the removal thereof) and, in the event of a death, resignation, removal or vacancy for any reason to the Board, shall vote for the election of a replacement Nominee Director, nominated by the Investors (in accordance with the foregoing procedure).

(5) Without the prior written consent of the Nominee Director, the Board shall not establish any committees or sub-committees, and shall not delegate any of its duties or authority to any committee or group of Directors or other persons. In the event any such committees or sub-committees are to be established, the Investors shall have the right to nominate a person on all committees and sub-committees in the same manner as on the Board.

(6) At least 7 (seven) working days written notice shall be given to each Investor of any meeting of the Board provided always that a shorter period of notice may be given with the prior written consent of the Investors. Such written notice to each Investor shall be given at the registered address of each Investor in India and in the case of each Investor not having a registered office in India, the same shall be given at such address as notified by the concerned Investor as a valid address for the service of notices for the time being. A copy of the detailed agenda, all supporting document(s) for items to be considered at the said meeting and any document(s) to be reviewed and discussed at such meeting shall accompany such notice unless otherwise agreed by any Investor in writing. Every notice convening a meeting of the Board shall set out the agenda in full and sufficient details of the business to be transacted thereat.

(7) No discussions and resolutions which require the affirmative vote of the Investors shall be taken up at the Board meetings unless the Nominee Director of each Investor is present on the Board and gives his written approval (or a written approval waiving the same). The Board shall operate by majority vote, except for items of business or matters specified in Article 107. The Board may act either in a meeting or through circular resolution, or in any other legally permissible manner, on any matter, except matters that by Law may only be acted upon at a Board meeting or exclusively by or with the Shareholders. No item of business or matter specified in Article 107 shall be considered, discussed or voted upon at such meeting unless (a) the item of business or matter has been stated in full and sufficient detail in the notice convening the meeting; (b) the Nominee Director of each Investor is present at the meeting at which such item of business or matter is considered, discussed or voted upon, unless waived by any Investor; and (c) all the Investors or, in the absence of such consensus, two among IIML Investors, Swiss Tec VCF and India Advantage Funds give their prior written consent for the transaction of such item of business or matter. No circular resolution shall be deemed to have been duly passed by the Board, unless the resolution has been approved in writing by all the Directors constituting the Board for the time being and the written approval of the Investors has been obtained.

(8) The financial accounts of the Company shall be prepared in accordance with the accounting principles in India.

(9) The Investors shall be entitled to receive all information available to a Director of the Company, on request. The Company shall at all times:

(a) prepare and furnish to the Investors (in the format(s) prescribed by the Investors) the following:

(i) quarterly, semi-annual and audited financial statements within 30 (thirty), 60 (sixty) and 120 (one hundred and twenty) days of the end of each quarter, semi-annual and annual period respectively. The financial statements shall be accompanied by a report from the Auditors, Managing Director or the Chief Executive Officer or the Chief Financial Officer and a discussion of key issues and variances to the budget and to the previous period;
(ii) within 21 days after the end of each month, unaudited statements of income and cash flows of the Company for such month and for the period from the beginning of the current fiscal year to the end of such month, and a balance sheet as of the end of such month;
(iii) within 45 (forty-five) days prior to the end of each fiscal year, a budget for the next year including operating and capital budgets and such other reasonable information requested by the Investors; and
(iv) Management Information System (MIS) reports within 15 (fifteen) days of the end of each month;

(b) furnish to the Investors, within 15 (fifteen) days of commencement of the financial year to which the budget applies, prior approval of the Board on:

(i) Estimated sources and applications of funds;
(ii) Estimated profit and loss account;
(iii) Estimated Balance Sheet; and
(iv) Detailed assumptions underlying the forecast for the above;
(v) Estimated cash flow statement.

(c) as applicable, furnish promptly to the Investors the following:

(i) copies of all financial statements and reports that the Company sends to its Shareholders, lenders or Directors, or files with the Registrar of Companies or any Stock Exchange or quotation bureau on

which any securities of the Company may be listed or quoted;

(ii) a copy of all notices, circulars, minutes of meetings and such other information, which is made available to the Board and Shareholders of the Company, shall be provided to the Investors at the same time;

(iii) upon receipt thereof, copies of any reports submitted to the Company by independent accountants, including, reports in connection with examination of the financial statements of the Company made by such accountants;

(iv) notice of: (a) any event giving rise to a Material Adverse Effect; (b) any litigation, administrative or other similar proceeding commenced or, to its knowledge, threatened against the Company, including winding up; (c) any notice of investigation or request for information from any federal, state or local governmental authority or agency; and (d) any notice received by the Company from any financial institution, lender or other third party relating to any possible or actual breach or default by the Company with respect to any obligation arising under any loan agreement or guarantee, or any other arrangement or agreement the breach of or default in respect of which could have a Material Adverse Effect;

(v) details of significant events impacting the Company; and

(vi) all other relevant information including business plans, capital expenditure budgets and management reporting information not explicitly mentioned here.

(10) The provisions of Sub-Articles (1), (2), (3) and (4) of Article 63 and Sub-Articles (1) to (9) of this Article shall apply also to the Subsidiary of the Company in the same manner as they apply to the Company (and as if the name of the Subsidiary were stated therein in addition to the name of the Company).

Rotation of Directors - Article 65 - 73

65. *The term ex-officio Directors wherever occurring in these presents shall mean and include the Managing Director appointed under Article 102 below and the Ex-officio Directors declared under Article 73 and to any Director appointed in pursuance of Article 63 and referred to as Nominee Director.

Subject to the applicable provisions of the Companies Act, 1956 and subject to such approvals as may be necessary, all Directors on the Board, including the Managing Director and / or Whole time Director(s) appointed for such term and on such remuneration (whether by way of salary and or commission or partly in one and partly in another) with or without bonus and any other and or all allowances, excepting Nominee Directors as defined in Article no. 63(3), shall be considered as a Director retiring by rotation for the purposes of Sections 255 and 256 of the Companies Act, 1956.

66. Subject to what is stated in these Articles, at the Annual General Meeting of the Company every year one third of the Directors for the time being shall be liable to retire by rotation and if their number is not three or a multiple of three, then a number of Directors nearest thereto shall retire from the office.

67. A retiring Director shall be eligible for re-election and the Company at the Annual General Meeting at which a Director retires in the manner aforesaid may fill up the vacated office by electing a person hereto.

68. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall unless they otherwise agree among themselves be determined by lot.

69. Subject to the provisions of Section 256 of the Act if at any meeting at which an election of Directors ought to take place, the place of the vacating Directors is not filled up and the meeting has not expressly resolved not to fill up the vacancy, the Meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place, and if at the adjourned meeting the place of retiring Directors is not filled up and the meeting has also not expressly resolved not to fill up the vacancy then the retiring Directors or such of them as have not had their places filled up shall be deemed to have been reappointed at the adjourned meeting.

*substituted *vide* Special Resolution passed at the Annual General Meeting of the Company held on 30th November,2009

70. Subject to the provisions of Section 252, 255 and 259 of the Act the Company in General Meeting may by

ordinary resolution increase or reduce the number of its Directors within the limit fixed by the Act.

71. Subject to the provisions of Section 284 of the Act, the Company may by an ordinary resolution in General Meeting remove any Directors before the expiration of his period of office and may by an ordinary resolution appoint another person in his stead, the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected as Director.

72. Any persons not being a retiring Director shall be eligible for appointment to the office of a Director at any General Meeting if he or some other member intending to propose him as a Director not less than 14 days before the meeting has left at the office of the Company a notice in writing under his hand signifying his candidature for the office of the Director or the intention of such member to propose him as a candidate for that office as the case may be, along with a deposit of a sum mentioned in Section 257 of the Act. The deposit shall be refunded to such person or as the case may be, to such member if the person succeeds in getting elected as a Director.

73. The Company in General Meeting may when appointing a person as a Director declare that his continued presence on the Board of Director is of advantage to the Company and that his office as Director shall not be liable to be determined by retirement by rotation for such period or until the happening of such event or contingency as the Board may specify and thereupon such Director shall not be liable for retirement by rotation but shall hold office for the period or until the happening of any event or contingency set out in the said resolution. Such Director shall hereinafter be referred to as "Ex-officio Director".

Proceedings of the Board of Directors - Articles 74- 83

74. (1) The Board of Directors shall meet at least once in every three calendar months for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit provided that at least four such meetings shall be held in every year.

(2) The Managing Director may at any time summon a meeting of the Board and the Managing Director or a Secretary on the requisition of a Director shall at any time summon a meeting of the Board. Notice in writing of every meeting of the Board or of any Committee of the Board (of which they are members) shall be given to every Director for the time being in India and at his usual address in India to every other Director.

75. Subject to the provisions of these Articles, the quorum for a meeting of the Board shall be one third of the total strength (any fraction contained in that one third being rounded off as one) or three Directors whichever is higher provided that where at any time the number of interested Directors is equal to or exceeds two-third of total strength, the number of remaining Directors, that is to say, the number of Directors who are not interested present at the meeting being not less than three, shall be the quorum during such time. The total strength of the Board shall mean the number of Directors actually holding office as Directors on the date of the resolution or meeting that is to say, the total strength of Board after deducting there from the number of Directors, if any, whose place are vacant at the time.

76. Save as otherwise expressly provided in the Act, a meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the regulations of the Company for the time being vested in or exercisable by the Directors generally and all questions arising at any meeting of the Board shall be decided by a majority of the Board.

77. The continuing Directors may act notwithstanding any vacancy in the Board but if and so long as their number is reduced below three, the continuing Directors or Director may act for the purpose of increasing the number of Directors to three or summoning a General Meeting of the Company but for no other purpose.

78. The chairman of the Board shall be appointed by the Board by majority from time to time. In case the chairman is unavailable, any Director may be appointed by the Board as the chairman for that particular meeting shall act as the chairman of the Board. The chairman of the Board shall not have any casting vote.

79. (1) If the Chairman of the Board is a member of any Committee he shall preside over all meetings of the Committee. If the Chairman is not a member thereof, the Committee may elect a Chairman of its meeting. If no such Chairman is elected, or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting the members present may choose one of their number to be Chairman of the Meeting.

(2) Subject to the provisions of these Articles, the quorum of a committee may be fixed by the Board of Directors and until so fixed if the committee is of a single member or two members shall be one and if more than two members, shall be two.

80. (1) A committee may meet and adjourn as it thinks proper.

(2) Questions arising at any meeting of committee shall be determined by the sole member of the Committee or by a majority of votes of the members present as the case may be.

81. All acts done by any meeting of the Board or of a Committee thereof or by any person acting as a Director shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid or that they or any of them were disqualified be as valid as if every such Director or such person had been duly appointed and was qualified to be a Director.

82. Save as otherwise expressly provided in the Act, a resolution in writing circulated in draft together with the necessary papers, if any, to all the Directors or to all the members of the Committee then in India, not being less in number than the quorum fixed for the meeting of the Board or the committee as the case may be and to all other Directors or members at their usual addresses in India and approved by such of the Directors as are then in India or by a majority of such of them as are entitled to vote on the resolution shall be valid and effectual as if it had been a resolution duly passed at a meeting of the Board or committee duly convened and held.

83. (1) The Company shall appoint an audit committee such that the Directors who are nominees of the Promoters, and any other Director representing or likely to represent the interests of the Promoters, constitute a minority on the audit committee. Each Investor shall at all times be entitled to nominate their Director on the Audit Committee.

(2) Meetings of the Audit Committee shall be convened and held at such times and places as the Audit Committee shall determine, but not less than once each quarter till the end of the financial year March 2005 and once a year thereafter, by giving of not less than 7 business days notice in writing to all the other members.

(3) The function and purpose of the Audit Committee shall be as follows:

(i) to review the conduct of the Company's business;
(ii) to review all books and records pertaining to the Company and the conduct of the Company's business; and
(iii) to review all Management letters, reports and other information provided by the auditors of the Company.

(4) The Company shall present the Audit Committee's report before the Board of Directors within a period of 7 days of the finalisation of such report and the Board shall take note of the recommendations/observations of such report and the same shall be recorded in the minutes book of the Company. The Company covenants that it shall undertake to implement the recommendations/ observations of the Audit Committee as may be approved by the Board of Directors.

Postal Ballot - Article 93

Notwithstanding anything contained in these Articles, the Company may, and in the case of resolutions relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot, shall get any resolution passed by means of a postal ballot, instead of transacting the business in general meeting of the Company in accordance with the provisions of section 192A of the Companies Act, 1956 and Companies (Passing of Resolution by Postal Ballot) Rules, 2001 (including any statutory modifications and re-enactment there-of, for the time being in force) or any amendments made thereto from time to time.

Borrowing - Articles 94 - 101

94. (1) The Board of Directors may from time to time but with such consent of the Company in General Meeting as may be required under Section 293 raise any moneys or sums of money for the purpose of the Company provided that the moneys to be borrowed by the Company apart from temporary loans obtained from the Company's bankers in the ordinary course of business shall not without the sanction of the Company at a General Meeting exceed the aggregated of the paid up Capital of the Company and its free reserve that is to say reserves not set apart for any specific purpose and in particular but subject to the provisions of Section 292 of the Act, the Board may from time to time at their discretion raise or borrow or secure the payment of any

such sum of money for the purpose of the Company by the issue of debentures perpetual or otherwise including debentures convertible into Shares of this or any other Company or perpetual annuities and In security of any such money so borrowed, raised or received mortgage, pledge or charge the whole or any part of the property assets or revenue of the Company present or future including its uncalled capital by special assignment of otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase., redeem or pay off any such securities.

Provided, that every resolution passed by the Company In General Meeting in relation to the exercise of the power to borrow as stated above shall specify the total amount upto which moneys may be borrowed by the Board of Directors.

(2) The Directors may by a resolution at a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a Committee of Directors or to any Director or the Managing Director if any, within the limits prescribed.

(3) Subject to the provision of the above sub-clause the Directors may from time to time at their discretion raise or borrow or secure the repayment of any sum or sums of money for the purpose of the Company at such time and in such manner and upon such terms and conditions in all respects as they think fit, and in particular by promissory notes or by opening current accounts or by receiving deposits and advances with or without security or by the Issue of bonds, perpetual or redeemable debentures or debenture-stock of the Company (both present and future) including its uncalled capital for the time being or by mortgaging or charging or pledging any lands, buildings, goods or other properties or securities of the Company or by such other means as to them may seem expedient.

95. Such debentures, debenture-stock, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

96. (a) Any such debenture, debenture-stock, bonds, or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of Shares of the Company, appointment of Directors or otherwise. Debentures, debenture-stock, bonds, or other securities with a right of conversion into or allotment of Shares shall be issued only with the sanction of the Company In General Meeting.

(b) Any trust deed for the securing of any debenture-stock and or any mortgage deed and or, other bond for securing payment of moneys borrowed by or due by the Company and or, any contract or any agreement made by the Company with any person, firm, body corporate, Government, or authority who may render or agree to render any financial assistance to the Company by way of loans advance or by guaranteeing of any loan borrowed or other obligations of the Company or by subscription to the share capital of the Company or provide assistance in any other manner may provide for the appointment from time to time by any such mortgage lender trustees, or holders of debentures or contracting party as aforesaid of one or more persons to be a Director or Directors of the Company. Such trust deed, mortgage deed, bond or contract may provide that the person appointing a Director as aforesaid may from time to time remove any Director so appointed by him and appoint any other person in his place and provide for filling up of any casual vacancy created by such person vacating office as such Director. Such power shall determine and terminate on the discharge or repayment of the respective mortgage, loan or debt or debenture or on the termination of such contract and any person so appointed as Director under mortgage or bond or debenture trust deed or under such contract shall cease to hold office as such Director on the discharge of the same. Such appointment and provision in such document as aforesaid shall be valid and effective as if contained in these presents.

97. The Director or Directors so appointed by or under a mortgage deed, debenture trust deed, or other bond or contract as aforesaid shall be called Nominated Directors. The words Nominated Director shall mean the Director appointed as aforesaid and for the time being holding such office. The Nominated Director shall not be required to hold any qualification Shares and shall not be liable to retire by rotation or to be removed from office by the Company. Such mortgage deed or bond or trust deed or contract may contain such auxiliary provision as may be arranged between the Company and mortgage lender trustee or contracting party as the case may be and all such provision shall have effect notwithstanding any of the other provisions herein contained but subject to the provisions of the Act.

98. The Directors shall cause a proper register to be kept in accordance with the act, of all mortgages and charges specifically affecting the property of the company and shall duty comply with the requirements of the act in

regard to the registration of mortgages and charges therein specified.

99. Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same, subject to such prior charge and shall not be entitled by notice to the Shareholders or otherwise to obtain priority over such prior charge.

100. If the Directors or any of them or any other persons, shall become personally liable for the payment of any sum primarily due from the Company the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or other persons so becoming liable as aforesaid from any loss in respect of such liability.

101 (1) The Board of Directors shall exercise the following power on behalf of the Company and the said powers shall be exercised only by resolution, passed at the meeting of the Board:

a) Power to make calls on Shareholders in respect of moneys unpaid on their Shares;

b) Power to issue debenture:

c) Power to borrow money otherwise than on debentures;

d) Power to invest the funds of the Company;

e) Power to make loans.

(2) The Board of Directors may by a meeting delegate to any Director or Committee of the Directors or to the Managing Director of the powers specified in sub clauses (c) (d) and (e) above

(3) Every resolution delegating the powers set out in sub clause (c) above shall specify the total amount upto which money may be borrowed by the said delegate.

(4) Every resolution delegating the power referred to in sub-clause (d) above shall specify the total amount upto which the funds may be invested and the nature of the investment which may be made by the delegates.

(5) Every resolution delegating the power referred to in sub- clause (e) above shall specify the total amount upto which the loans may be made by the delegate the purposes for which the loans may be made and the maximum amount of loans which maybe made for each such purpose In Individual cases.

Managing Directors/Whole-Time Directors – Articles 102 - 106

102. (1) Subject to the provisions of the Act, the Board may from time to time with such sanction of the Central Government as may be required by law appoint one or more of their body all of whom shall be Directors nominated by the Promoters, to the office of the Managing Director or Managing Directors or whole time Director(s). The terms of appointment/ reappointment, including any alteration in such terms, of such managing director or executive/whole-time directors shall be promptly informed to the Investors.

(2) Subject to the provisions of Article 102(1) above, the Directors may from time to time resolve that there shall be either one or more Managing Directors or Whole-time Directors.

(3) ln the event of any vacancy arising in the office of Managing Director or Whole-time Director if the Directors resolve to increase the number of Managing Directors or Whole-time Directors the vacancy shall be filled by the Board of Directors and the Managing Director or Whole-time Director so appointed shall hold the office for such period as the Board of Directors may fix.

(4) The Company shall promptly inform the Investors of the appointment /removal of a Managing or Whole-time Director. If a Managing Director or Whole-time Director ceases to hold office as Director, he shall ipso facto and immediately cease to be a Managing Director/ Whole-time Director.

(5) The Managing Director or Whole-time Director shall be liable to retirement by rotation, throughout his term of office as Managing Director or Whole-time Director.

103. Managing Director/ Whole-time Director shall, subject to the supervision, control and direction of the Board and subject to the provision of the Act, exercise such powers as are exercisable under these present, by the Board of Directors as they may think fit and confer such power for such time and to be exercised for such objects, purposes and upon such terms and conditions and with such restrictions as they may think expedient and they may confer such power either collaterally with or to the exclusion of any such substitution for all or any of the powers of the Board of Directors In that behalf and may from time to time revoke, withdraw, alter, or vary all or any of such powers. The Managing Directors/ Whole-time Directors may exercise all the powers entrusted to them by the Board of Directors In accordance with the Board's Direction.

104. Subject to the provisions of the Act and subject to such sanction of the Central Government as may be required for the purpose. The Managing Directors/ Whole-time Directors shall receive such remuneration, (whether by way of salary, commission or participation In profits or partly in one way and partly In another), as the Company in General Meeting may, from time to time determine.

105. The Managing Director/ Whole-time Director shall be entitled to charge and be paid for all actual expenses, lf any, which they may incur for or in connection with the business of the Company. They shall be entitled to appoint part time employees in connection with the management of the affairs of the Company and shall be entitled to be paid by the Company any remuneration that they may pay to such part-time employees.

106. (1)The Managing Director/Whole-time Director shall have, subject to the supervision, control and discretions of the Board, the management of the whole of the business of the Company and of-all affairs and shall exercise a) powers and perform all duties. In relation to the Management of the affairs and transaction of the Company except such powers and such duties as are required by law or by these presents to be exercised or done by the Company in General Meeting, or by the Board or Directors and also subject to such conditions or restrictions Imposed by the Act or by these presents.

(2) Without prejudice to the generality of the foregoing and subject to the supervision and control of the Board of Directors, the business of the Company shall be carried on by the Managing Director/ Whole-time Director and, shall have and exercises all the powers set out in Article 85 (Powers and Duties of Directors) above, except those which are by law or by these presents or by any resolution of the Board required to be done by the Company in General Meeting or by he Board.

(3) The Board may from time to time delegate to the Managing Director or Whole-time Director such of their powers and duties and subject to such limitation and conditions as they may deem fit. The Board may from time to time revoke, withdraw.alter or vary all, or any of the powers conferred on the Managing Director or Whole-time Director by the Board or by these presents.

Super Majority Rights of the Investors – Article 107

Voting resolutions at any meeting of the Shareholders, Board or any committee or sub-committee thereof on any of the items of business or matters listed below shall not be passed, unless they have been supported by the affirmative vote of the Nominee Director or the written consent of each of the Investors or, in the absence of such consensus, two among IIML Investors, Swiss Tec VCF and India Advantage Funds:

(i) Any Business restructuring, re-organisation, diversification, hiving-off, acquisition, new investment, merger, de-merger, divestment, sale, transfer or amalgamation of the Company or any of its tangible or intangible movable or immovable assets; issuance or sale of shares in any of the Affiliates or Subsidiaries of the Company; or the acquisition or disposal by the Company of any shares or securities in any other body corporate, in variance with the annual budget approved by the Board;

(ii) Any change in the capital structure of the Company, such as any authorisation, issuance, allotment or redemption of any Share, debenture, warrant or other security or instrument; grant or authorising the grant of any option or right over the Shares either as a public offering or private sale or issue of Shares; or any call on or forfeiture of any Shares;

(iii) Determining the issue price for issue of additional shares to the Investors pursuant to exercise of the anti-dilution rights of the Investors;

(iv) Incorporation/creation of any Subsidiaries or divestment of shares of any Subsidiaries or formation or operation by the Company of any collective investment vehicle;

(v) Any significant change in the liability structure by availing any loans, borrowings, financial credit facilities or other arrangements (excluding working capital related items) of the Company including off-balance sheet items, such as leasing; incurring any indebtedness in the name of the Company, modification, extension, renewal, refinancing or restructuring such debt, creating a security on any assets of the Company as security for any indebtedness or obligating the Company as a surety, guarantor, obligor, indemnifier or accommodation party to any obligation of any Person;

(vi) In any financial year, divestment of or sale of assets of businesses or creation of any lease, license or Encumbrance in any other way proposing to dispose off any tangible or intangible, movable or immovable assets or undertakings of the Company or any of its Subsidiaries in excess of 2% of the Net Fixed Assets (i.e. gross block of fixed assets less accumulated depreciation) of the Company for the previous financial year;

(vii) Setting up of or increase in salary and benefits of any employee with a total cost to the Company or any of its Subsidiaries exceeding Rs. 50,00,000 (Rs. Fifty lakh) per annum; appointment of any Person reporting directly to the Managing Director or Chief Executive Officer of the Company (by whatever designation appointed); or any appointment, removal, dismissal and changes in terms and conditions of appointment (including remuneration and perquisites) of the Key Managerial Personnel and executive Directors of the Company including the Managing Director or Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief Technical Officer;

(viii) Appointment or change of concurrent, internal or external auditors of the Company;

(ix) Appointment of external professionals and sector experts as independent directors on the Board of the Company;

(x) Approval of the annual accounts of the Company and the approval and adoption or amendment to the annual operating/ financial budget and annual capital expenditure budget, annual operating and financial plans and financial statements and accounts of the Company and its subsidiaries or the creation of any indebtedness not contemplated in the annual operating budget of the Company;

(xi) Approval of any new scheme or plan for grant of employee stock options, or sweat equity shares to any person or entity, including any modification to any new or existing scheme or plan;

(xii) Any new business initiative that the Company proposes to undertake in addition to the Business or any change in the nature of the Business;

(xiii) Recommendation and declaration of dividend to any class of Shareholders, issue of bonus shares or distribution of profits for the concerned accounting year;

(xiv) Any deviation in excess of 10% from the agreed annual budget or annual business plan approved by the Board for a given financial year, including, but not limited to:

(a) debt, guarantee or security above Rs. 3,00,00,000 (Rupees three crores),
(b) adverse deviation on any head of expense by more than 10% (ten percent),
(c) any material new contracts or variation in the term of existing contracts above a value of Rs. 1,00,00,000 (Rupees one crore),
(d) any additional capital expenditure including acquisition of assets, construction or lease in excess of Rs. 2,00,00,000 (Rupees two crores);

(xv) Any act, deed, matter or thing that could adversely or materially affect or impact the right and interest of the Investors as contained in the Common Shareholders' Agreement;

(xvi) Commencement or settlement of litigation where the amount involved is above Rs. 2,00,00,000 (Rupees two crores) in any particular financial year;

(xvii) Amendment(s) or any proposal to amend the Memorandum or Articles of Association including change in the number of Board members;

(xviii) Winding-up of the operations and/or liquidation of the Company or any of its Subsidiaries or Affiliates;

(xix) Disposal or closure of the Company or any material part thereof, or recommendation of any form of financial restructuring or dissolution or liquidation of the Company;

(xx) Change in the accounting year, accounting policy or the registered office of the Company;

(xxi) Change in name of the Company;

(xxii) All decisions with respect to listing of the Company on any of the Stock Exchanges;

(xxiii) The Company shall acquire, trade or sell shares, securities, NCDs or bonds in any other company or any activity relating to derivative transactions;

(xxiv) Any strategic, financial or other alliance with a third party which result in investments by the Company or offer any exclusive right or interest in the Company to such third party;

(xxv) Any investment in securities for treasury operation, including the deployment of redemption reserves excluding short term (only in the case of fixed income securities) and working capital investments;

(xxvi) Any decision which has an effect on the brand equity of the Company; any transfer or other dealing with the IPRs including those relating to copyrights, trademarks, patents and designs and trade secrets of the Company or any of its Subsidiaries;

(xxvii) Any related Party transactions, agreements or arrangements between the Company and the Promoters or their Affiliates and any transaction, agreement or arrangement between the Company, and any entity or firm in which any of the Promoters or any of their Affiliates has a financial interest of more than 5%;

(xxviii) Sale of any product, intellectual property or assets of the Company including grant of any license, assignments etc.;

(xxix) Acceptance of contracts which may involve contrary or debatable ethical issues;

(xxx) Distribution of profits or commission to the Directors;

(xxxi) Any management, partnership, profit-sharing or royalty agreement or other similar arrangement whereby the Company's Business or operations are managed by, or its income or profits are shared with, any other Person; any transaction otherwise than in the ordinary course of Business, on ordinary commercial terms and on the basis of arm's-length arrangements; or any transaction establishing any sole and exclusive purchasing or sales agency;

(xxxii) Any related party transactions between the Company and its Promoters, Directors or their Affiliates, organisations, firms, subsidiaries or other Connected Persons, entities other than already approved in the annual budget;

(xxxiii) Any Public Offering that facilitates exit to the Investors including any mergers or consolidation with another company; or

(xxxiv) Any approval or recording of any transfer of the Promoter Shares to any Person other than another Promoter; or

(xxxv) Giving of security for guaranteeing the debts of any person;

(xxxvi) Entry into, amendment or termination of any agreement or commitment that imposes or is likely to impose for any financial year, obligations on the Company and/or its Affiliates to pay an amount in excess of 2% of the Revenue (as defined hereinabove) of the Company in the previous financial year;

(xxxvii) Delegation of authority or any of the powers relating to any matter contained in this clause of the Board of the Company and/or its Affiliates to any individual or committee;

(xxxviii) Shifting of registered office;

(xxxix) Commencement of business/unit/division in a new geographical territory for product/service hire;

(xl) Appointment of sole selling agents or marketing representatives/agents to whom payments on an annual basis is to be more than Rs. 2,00,00,000 (Rupees two crores);

(xli) Any transfer of Equity Shares of the Company otherwise than by the Investor to an Affiliate;

(xlii) Any financial assistance, line of credit or other facilities granted to the Company for long term or short term borrowing (hereinafter referred to as 'Debt'), in the event that the Debt:Equity ratio exceeds 1.5:1. Equity, for the purpose of this clause shall mean the Net Worth of the Company at that time. If required the Investors will, in such case, cede its charge on the security or settle for a lower charge in the favour of the long term lender;

(xliii) Changing the rights and preferences of securities;

(xliv) Changes to material accounting or tax policies or practices;

(xlv) Recommending, giving or renewing of security for or the guaranteeing of debts or obligations of the Company or any Subsidiary Company and/or Affiliates of any Person; or

(xlvi) Creating any lien or charges or proposing the acquisition, sale, lease, transfer, license or in any other way proposing to dispose off any assets or undertaking of the Company and/or its Affiliates or substantially all of the assets or undertaking of the Company and/or its Affiliates; or

(xlvii) Any commitment or agreement to do any of the foregoing.

(xlviii) Any agreement to grant any right, title or interest in and to, or avail any IPR developed and owned by the Company, on a license or other agreement, other than in the ordinary course of business.

Affirmative Rights of the Investor – Article 108

Notwithstanding anything to the contrary contained in these Articles, in the event of (a) any Material Breach of the Common Shareholders' Agreement by the Company and/or the Promoters, which breach is incapable of being remedied or if capable of being remedied is not remedied within 30 days of notification by any of the Investors; or (b) the findings of any concurrent audit or investigation by any Investor reveals that (i) the affairs of the Company are being mismanaged; or (ii) the Company has used the subscription proceeds of the Series D Investor in a questionable manner; or (iii) funds of the Company have been diverted; or (iv) the Promoter Directors have acted in excess of the powers granted to them or (v) the Company being managed in a manner that is detrimental to the interests of the Investors, then, any two among the IIML Investors, Swiss Tec VCF and India Advantage Funds shall have the right to:

(i) Appoint and change the Chief Executive Officer/ Chief Operating Officer/ Chief Financial Officer / Senior Management personnel by whatever name called; or
(ii) Cause spin off/ sale of assets/ businesses/ IPRs of the Company; or
(iii) Induct additional directors on the Board so as to constitute a majority on the Board.
(iv) Cause changes in the business plan; or
(v) Bring in new investors into the Company; or
(vi) Determine utilization of surplus cash; or
(vii) Cause the Company to undertake expansion or diversification projects or cause merger or acquisition of the Company; or
(viii) Take any actions that they deem fit to protect their interest in the Company.

In this regard, the Promoters shall execute a Power of Attorney (POA) in favour of the Investors to enable the Investors to exercise all the voting rights on the shares held by the Promoters in the Company, in the form required by the Investors.

Liquidation Preference – Article 109

In the event of any liquidation, dissolution, sale/divestment or winding up of the Company, after payment or provision for payment of the debts and other liabilities of the Company which are required by law to be paid prior to payment to Shareholders, the Investors shall each be entitled, before any distribution is made upon any Share Capital of the Company or otherwise to any other Shareholder of the Company, to receive in proportion to such multiple of their respective investment

amounts as specified below, a preferential payment from the assets of the Company of cash or property (to the extent of funds legally available therefor) up until series A, Series B and Series C Investors get 1.25x of their investment in the company and India Advantage Fund-V gets 1x of its investment in the Company.

As of today this ratio is as follows: Series A: Series B: Series C: Series D: 11.47 : 4.92 : 23.4 : 60.21

This assumes the following investments by the Investors:

(i) in the case of the Series A Investor, an amount equal to 1.25 times of their investment in the Company, which is the aggregate sum of Rs. 9,00,00,000 (Rupees nine crores) in respect of its investment in 90,00,000 (ninety lakh) Preference Shares, converted into 20,45,455 (twenty lakh, forty-five thousand, four hundred and fifty-five) Equity Shares at a price of Rs. 44 (Rupees forty-four) each;

(ii) in case of the Series B Investor, an amount equal to 1.25 times of their investment in the Company, which is thean an aggregate sum of Rs. 3,85,91,639 (three crores eighty-five lakh ninety-one thousand six hundred and thirty-nine) in respect of its investment in 9,98,490 (nine lakh, ninety eight thousand, four hundred and ninety) Equity Shares at a price of Rs. 38.65 (Rupees thirty-eight and paise sixty-five) each;

(iii) in case of the Series C Investor, an amount equal to 1.25 times of their investment in the Company, which is the aggregate sum of Rs. 18,36,00,000 (Rupees eighteen crores, thirty-six lakhs) in respect of its investment in 20,40,000 (twenty lakh, forty thousand) Equity Shares at a price of Rs. 90 (Rupees ninety) each; and

(iv) in the case of the Series D Investor, an amount equal to their investment in the Company, which is the aggregate sum of Rs. 59,04,00,000 (Rupees fifty-nine crores four lakh) in respect of its investment in 24,00,000 (twenty four lakh) Equity Shares at a price of Rs. 246 (Rupees two hundred and forty six) each.

In the event of any sale of Shares by an Investor prior to such liquidation event, the sale consideration received by such Investor shall be deducted from the amount receivable by the Investor as aforesaid.

The balance amount, if any, after distribution of the amounts mentioned aforesaid, shall be distributed pro rata among all the Shareholders in proportion to their respective shareholding, including the Investors and the Promoters.

Obligations of the Company – Articles 110 – 113

110. The Company shall ensure that a comprehensive Directors and Officers Insurance Policy of an amount to be decided by the Board is subscribed to and in force within six months from the Effective Date. Additionally, if required by the Investors, the Company shall obtain a comprehensive key man insurance policy for the Key Management Personnel of an amount decided by the Board.

111. The Promoters and the Company shall implement an employee stock option plan ("**ESOP**"), within six months from the Effective Date. The Company shall issue Equity Shares upto 5% of the paid up capital of the Company for the purpose of implementing an ESOP as aforesaid. Any further issue of Equity Shares to such ESOP shall require the prior written approval of the Investors. However, the ESOP shall not be available to the Key Management Personnel.

112. The Board shall establish and maintain a Compensation Committee within six months from the Effective Date.

113. The Company shall implement an appropriate enterprise resource plan (**"ERP"**) so as to provide a robust management information system (**"MIS"**). Appointment of suitable agency to implement the same shall be made within six months from the Effective Date.

General Meetings – Article 114

(1) Subject to the minimum requirements prescribed by the Act and the provisions herein, no business shall be transacted at any General Meeting, or any adjournment thereof, unless a quorum of Shareholders representing at least 50% of the voting rights in the Company is present at the time when the meeting proceeds to business.

(2) Subject to the provisions of the Act and the provisions herein, the resolutions of the Shareholders shall be adopted by a simple majority of the number of voting Shares.

Common Seal - Article 115 & 116

115. (a) The Board shall provide a Common Seal for the Company and they shall have power from time to time to destroy the same and substitute a new seal In lieu thereof: and the Common Seat shall be kept at the Registered Office of the Company and committed to the custody of the Managing Director or the Secretary if there is one or with any other Director decided by the Board from time to time.

(b) The Company shall also be at liberty to have an official Seal in accordance with Section 50 of the Act, for use in any territory, district or place outside India.

116. (a) The seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a Committee of the Board authorised by it in that behalf.

(b) Every deed or other instrument, to which the Seal of the Company is required to be affixed, shall, unless the same is executed by a duly constituted attorney, be signed by two Directors or one Director and Secretary or some other person appointed by the Board for the purpose.

Dividends – 117 - 130

117 (1). The profits of the Company subject to any special rights relating thereto, created or authorised to be created by these presents and subject to the provisions of the presents as to the Reserve Fund, shall be divisible among the members In proportion to the amount *of* capital paid-up on the Shares held by them respectively on the last day of the year of account In respect *of* which such dividend is declared and in the case of Interim dividends, on the close of the last day of the period in respect of which such Interim dividend is paid.

(2) Where capital is paid up on any Shares in advance of calls upon the footing that the same shall carry interest, such capital shall not whilst carrying interest confer a right to participate in profits

118. The Company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.

119. The Investors shall be entitled to annual dividends as and when declared by the Company pari passu to all the existing Shareholders of the Company.

120. The Board may from time to time pay to the members such interim dividend as appear The Company.

121. No dividend shall be payable except out of the profit of the year or any other undistributed profits except as provided by Section 205 of the Act.

122. (1) The Board may before recommending any dividends set aside out of the profits of the Company such sums as it may think proper as a reserve or reserves which shall at the discretion of the Board be applicable for any purpose to which the profits of the Company may be properly applied Including provisions for meeting contingencies or for equalising dividends and pending such application may at the like discretion either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Board may, from time to time think fit.

(2) The Board may also carry forward any profits when it may think prudent not to divide, without setting them aside as Reserve.

123. The Board may deduct from any dividend payable to any members all sums of money, if any presently payable by him to the Company on account of calls or otherwise in relation to the Shares of the Company

124. Any General Meeting declaring a dividend or bonus may make a call on the members of such amount as the meeting fixed, but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may if so arranged between the Company and the members be set off against the call.

125.(1) Any dividend interest or other moneys payable In cash in respect of Shares may be paid by cheque or warrant sent through post direct to the registered address of the holder or In the case of joint holders to the registered address of that one of the joint holders who is first named on the register of members or to such person and to such address as the holder or joint holders may In writing direct.

(2) Every such cheque or warrant shall be made payable to the order *or* the person to whom It is sent.

(3) Every such cheque or warrant shall be posted within forty two days from the date of declaration of dividend.

126. Any one of two or more joint holders of a share may give effectual receipt for any dividends, bonuses. or other moneys payable In respect of such Shares.

127. Notice of any dividend that may have been declared shall be given to the persons entitled to share thereto in the manner mentioned in the Act.

128. No dividend shall bear interest against the Company.

129.(1) Where dividend has been declared by the Company but has not been paid or the warrant in respect thereof has not been posted within thirty days from the date of declaration to any Shareholder entitled to the payment of dividend the Company shall within 7 days from the date of expiry of the said period of forty two days transfer, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted within the said period of thirty days, to a special account to be opened by the Company In that behalf In any scheduled Bank to be called "Unpaid Dividend Account" of the Company.

(2) Any money transferred to the unpaid dividend account of the Company in pursuance of Sub-Clause (1) which remains unpaid or unclaimed for a period of 3 years from the date of such transfer shall be transferred by the Company to the General Revenue Account of the Central Government but a claim to any money so transferred to the General Revenue Account may be preferred to the Central Government by the person to whom, the money Is due and shall be dealt with as if such transfer to the General Revenue Account had not been made. The order if any for payment of the claim being treated as an order for refund of revenue.

No unclaimed dividend shall be forfeited by the Board till the claim thereto becomes barred by the law and the Company shall comply with all the provisions of Section 205A of the Act In respect of unclaimed and un-paid dividend.

(3) The Company shall when making any transfer under clause (2) to the General Revenue Account of the Central Government any unpaid or unclaimed dividend furnish to such officer as the Central Government may appoint In this behalf a statement In the prescribed form setting forth In respect of all sums included In such transfer the nature of the sums, the names and last known addresses of the person entitled to receive the sum, the amount to which such person is entitled to and the nature of his claim thereto and such other particulars as may be prescribed. '

(4) The Company shall be entitled to a receipt from the Reserve Bank of India for any money transferred by it to the General Revenue Account of the Central Government and such receipt shall be effectual discharge of the Company in respect thereof.

130. Any transfer of Shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

Capitalisation of Profits - Articles 131 - 132

131.(1) The Company in General Meeting, may on 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 the company's reserve accounts or to the credit of the profit and loss accounts or otherwise available for distribution; and

b) That such sum be accordingly set free for distribution in the manner specified in sub-clause (2) amongst the members who would have been entitled thereto If distributed by way *of* dividend and in the same proportion.

(2) The sum aforesaid shall not be paid in cash but shall be applied subject to the provisions contained in sub-clause (3) either in or towards:

i) Paying up any amounts for the time being unpaid on Shares held by such members respectively;

ii) Paying up In full, unissued 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 to sub-clause (ii).

(3) A share premium account and a capital redemption reserve fund may for the purpose of this regulation only be applied in the paying up of un-issued 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.

132. (1) Whenever such a resolution as aforesaid shall have been passed, the Board shall.

a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid Shares if any, and

b) generally do all acts and things required to give effect thereto.

(2) The Board shall have full power:

a) to make such provision by the Issue of fractional certificates or by payments In cash or otherwise as it thinks fit In the case *of* Shares or debentures becoming distributable in fraction and also

b) to authorise any person to enter on behalf of all the members entitled thereto into an agreement with the Company providing for the allotment to them respectively credited as fully paid up of any further Shares or debentures to which they may be entitled upon such capitalisation or (the case may require) for the payment of by the Company on their behalf by the application thereto of their respective proportions of the profits resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on the Shares.

(3) Any agreement made under such authority shall be *effective and binding on* all such members.

Exercise of Voting Rights- Article 151

The Shareholders hereto hereby agree to exercise their voting rights in favour of each other to procure the fulfilment of the terms of these Articles, and in particular, in order to ensure the appointment of directors on the Board of the Company in accordance with the provisions of these Articles.

SECTION IX: 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 our Company or entered into more than two years before the date of the Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts which are or may be deemed material shall be attached to the copy of the Red Herring Prospectus to be delivered to the Registrar of Companies, Mumbai for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of our Company from 10.00 am to 4.00 pm on Working Days from the date of the filing of this Draft Red Herring Prospectus with SEBI until the Bid/Issue Closing Date.

Material Contracts to the Issue

1. Letter of appointment dated October 7, 2010 from our Company appointing the Book Running Lead Managers.

2. Issue Agreement between our Company, the Selling Shareholders, and the Book Running Lead Managers dated March 22, 2011.

3. Agreement between our Company, the Selling Shareholders, and the Registrar to the Issue dated March 11, 2011.

4. Escrow Agreement dated [•] between our Company, the Book Running Lead Managers, the Selling Shareholders, the Escrow Banks and the Registrar to the Issue.

5. Syndicate Agreement dated [•] between our Company, the Selling Shareholders, the Book Running Lead Managers and the Syndicate Members.

6. Underwriting Agreement dated [•] between our Company, the Book Running Lead Managers and the Syndicate Members.

Material Documents

(i) Our Memorandum and Articles of Association, as amended from time to time.

(ii) Board resolution in relation to this Issue dated September 3, 2010.

(iii) Shareholders' resolution in relation to this Issue dated September 29, 2010.

(iv) Letter dated December 28, 2010 issued by ICICI Venture, by its letter in its capacity as the investment managers to India Advantage Fund II, India Advantage Fund V and Rainbow Fund, authorising the offer of 360,209 Equity Shares, 2,847,621 Equity Shares and 5,075 Equity Shares by each of the funds respectively towards the Offer for Sale.

(v) Resolution dated December 27, 2010 passed by the board of Dynamic India Fund - I authorising the offer of 438,457 Equity Shares towards the Offer for Sale.

(vi) Letter dated February 4, 2011 issued by IIML Investors, by its letter in its capacity as the investment manager to Leverage India Fund, authorising the offer of 500,000 Equity Shares towards the Offer for Sale.

(vii) Resolution dated December 20, 2010 passed by the board of Swisstech VCF authorising the offer of 2,021,245 Equity Shares towards the Offer for Sale.

(viii) Shareholders' resolution of the general body passed in the Extraordinary General Meeting of the Company for determination of the remuneration of our executive Directors dated June 20, 2009.

(ix) Non- Disclosure and Confidentiality Agreements dated April 1, 2010 entered into with the Executive Directors.

(x) The Scheme of Rehabilitation sanctioned by the Board for Industrial and Financial Reconstruction on August 23, 2003 for the Reverse Merger of ACPL with our Company.

(xi) Report of the Statutory Auditors, M/s Chaturvedi & Shah, Chartered Accountants and M/s Nayak & Rane, Chartered Accountants dated March 15, 2011 regarding consolidated restated financial statements of our Company, prepared under Indian GAAP for the years ended March 31, 2010, 2009, 2008, 2007 and 2006 and for the six months period ended September 30, 2010.

(xii) Report of the Statutory Auditors, M/s Chaturvedi & Shah, Chartered Accountants and M/s Nayak & Rane, Chartered Accountants dated March 15, 2011 regarding un-consolidated restated financial statements of our Company, prepared under Indian GAAP for the years ended March 31, 2010, 2009, 2008, 2007 and 2006 and for the six months period ended September 30, 2010.

(xiii) Statement of Tax Benefits accruing to the Company and its shareholders from M/s Chaturvedi & Shah, Chartered Accountants and M/s Nayak & Rane, Chartered Accountants, Joint Statutory Auditors dated March 15, 2011.

(xiv) Copies of annual reports of our Company for the years ended March 31, 2010, 2009, 2008, 2007 and 2006.

(xv) Consent of M/s Chaturvedi & Shah, Chartered Accountants and M/s Nayak & Rane, Chartered Accountants, our Joint Stuatutory Auditor for inclusion of their reports on restated financial statements and auditor's report on audited financial statements in the form and context in which they appear in the Draft Red Herring Prospectus and for inclusion of the Statement of Tax Benefits in the form and context in which they appear in the Red Herring Prospectus.

(xvi) Consents of Bankers to our Company, Book Running Lead Managers, Syndicate Members, Registrar to the Issue, the IPO Grading Agencies, Bankers to the Issue, the Joint Statutory Auditors, Legal Counsel to the Company and the Legal Counsel to the Underwriters, Directors of our Company, Company Secretary & Compliance Officer as referred to, in their respective capacities.

(xvii) Due diligence certificate dated March 23, 2011 to SEBI from the Book Running Lead Managers.

(xviii) Initial listing applications dated [•] and [•] filed with BSE and NSE respectively.

(xix) In-principle Listing Approvals dated [•] and [•] from BSE and NSE respectively.

(xx) Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated November 4, 2010.

(xxi) Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated October 22, 2010.

(xxii) The IPO Grading Reports by [•].

Material Contracts and Documents

(i) BIFR order dated August 18, 2003 approving the Reverse Merger alongwith the Scheme of Rehabilitation.

(ii) Letter dated October 5, 2004 issued by BIFR declaring that our Company is no more a sick company and removing our Company from the purview of BIFR.

(iii) Letters issued by
   a. BSE dated July 11, 2006 delisting the Equity Shares of our Company on BSE.
   b. HSE dated August 14, 2006 delisting the Equity Shares of our Company on HSE.
   c. MSE dated July 20, 2006 delisting the Equity Shares of our Company on MSE.

(iv) Common Shareholders Agreement dated September 26, 2006 with the amendment agreements to the same dated January 6, 2010 ("***1st Amendment Agreement***"), September 3, 2010 ("***2nd Amendment Agreement***"), November 1, 2010 ("***3rd Amendment Agreement***") and March 11, 2011 ("***4th Amendment Agreement***") entered into with entered into between our Company, our Promoters and India Advantage Fund I, India Advantage Fund II, India Advantage Fund V, Leverage India Fund, SARA Fund and Swisstech VCF.

(v) Listing Agreement dated June 11, 2009 entered into with BSE for listing of Secured Non-Convertible Redeemable Debentures issued on a private placement basis to Axis Bank Limited.

(vi) Consent Order dated May 11, 2009 issued by SEBI for violation of compliance requirements under the SEBI Takeover Regulations.

(vii) Share Subscription Agreement dated September 22, 2010 entered into between our Company, our Promoter Directors and Mitsui & Co. Limited and letter dated February 28, 2011 issued by Mitsui & Co. Limited.

(viii) Put-option agreement dated September 22, 2010 entered into between our Promoter Directors and Mitsui & Co. Limited.

(ix) Share Subscription and Shareholders' Agreement dated January 17, 2011 entered into between our Company, our Promoters and Dataline Investments Limited.

Any of the contracts or documents mentioned in the Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes

DECLARATION

We, the undersigned, hereby certify and declare that all relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India and/or the regulations/guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as applicable, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder, regulations or guidelines issued, as the case may be. We further certify that all the disclosures and statements made in this Draft Red Herring Prospectus are true and correct.

Signed by the Directors of our Company

Mr. Ajit Kamath
Chairman and Managing Director

Dr. Hira Sadhak
Additional Director, Independent

Mr. T Mallikarjuna Reddy
Executive Vice Chairman

Dr. Shailesh Mehta
Additional Director, Independent

Mr. Manoj Jain
Deputy Managing Director & Chief Financial Officer

Dr. Shantilal Jain
Additional Director, Independent

Mr. Rajendra Kaimal
Executive Director

Mr. Puthenveetil J. Vincent
Additional Director, Independent

Ms. Vandana Rajadhyaksha
Nominee Director

Mr. Ramakant Nayak
Additional Director, Independent

&

Signed by the Chief Financial Officer

Mr. Manoj Jain

Date: March 23, 2011

Place: Mumbai

DECLARATION

Signed by the Selling Shareholders

We, the undersigned Selling Shareholders, hereby certify and declare that all statements made in this Draft Red Herring Prospectus are true and correct, provided however, that the undersigned Selling Shareholders assume no responsibility for any of the statements made by the Company or any other Selling Shareholders in this Draft Red Herring Prospectus, except statements made by the undersigned Selling Shareholders in relation to itself as a Selling Shareholder.

_____
For and on behalf of ICICI Venture Funds Management Company Limited
(acting as Investment Manager to India Advantage Fund II)

_____
For and on behalf of ICICI Venture Funds Management Company Limited
(acting as Investment Manager to India Advantage Fund V)

_____
For and on behalf of ICICI Venture Funds Management Company Limited
(acting as Investment Manager to Rainbow Fund)

_____
For and behalf of Dynamic India Fund – I

_____
For and behalf of IL&FS Investment Managers Limited
(acting as Investment Manager to Leverage India Fund)

_____
For and behalf of Swiss Technology Venture Capital Fund Private Limited

Date: March 23, 2011