



# ASTEC LIFESCIENCES LIMITED

We were originally incorporated under the Companies Act, 1956 as Urshila Traders Private Limited on January 25, 1994 and registered with the Registrar of Companies, Maharashtra. The name of our Company was changed to Astec Chemicals Private Limited with effect from August 19, 1994. The name of our Company was further changed to Astec LifeSciences Private Limited w.e.f. March 3, 2006. Pursuant to our Company being converted into a Public Limited Company, the word "Private" was deleted from the name of our Company by the RoC on April 27, 2006.

**Registered & Corporate Office:** 5-5A, 4<sup>th</sup> floor, Kamanwala Chambers, Sir P. M. Road, Fort, Mumbai-400001

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

**Tel No.:** +91-22-2261 8212-13, **Fax No.:** +91-22-2261 8289; **Website:** [www.astecsl.com](http://www.astecsl.com); **Email:** [ipo@astecsl.com](mailto:ipo@astecsl.com)

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

**Name of Promoters:** Mr. Ashok Hiremath and Dr.P.L. Tiwari

**PUBLIC ISSUE OF 75,00,000 EQUITY SHARES OF RS 10/- EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE, AGGREGATING RS. [●] LAKHS (THE "ISSUE"). THE ISSUE COMPRISES A RESERVATION OF 1,00,000 EQUITY SHARES OF RS. 10/- EACH AGGREGATING RS. [●] LAKHS FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION") AT THE ISSUE PRICE, AND NET ISSUE OF 74,00,000 EQUITY SHARES OF RS. 10/- EACH AGGREGATING RS. [●] LAKHS. THE ISSUE CONSTITUTES 44.30% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.**

**PRICE BAND: RS. 77 TO RS. 82 PER EQUITY SHARE OF FACE VALUE OF RS. 10/- EACH**

**THE ISSUE PRICE IS 7.7 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 8.2 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND**

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

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

## RISK IN RELATION TO THE FIRST ISSUE

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

## GENERAL RISKS

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

## ISSUER'S ABSOLUTE RESPONSIBILITY

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

## LISTING

The Equity Shares are proposed to be listed on the Bombay Stock Exchange Limited, Mumbai (BSE), Designated Stock Exchange and National Stock Exchange of India Limited (NSE). The in-principle approvals of BSE and NSE for listing Equity Shares have been received pursuant to letters dated September 23, 2008 and October 17, 2008 respectively.

## IPO GRADING

The Issue has been graded by CARE. CARE has assigned "CARE IPO GRADE "2" to the Initial Public Offering of our Company. For more information on IPO Grading, please refer to page no. 16 of this Red Herring Prospectus.

| BOOK RUNNING LEAD MANAGER TO THE ISSUE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | REGISTRAR TO THE ISSUE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>ALMONDZ GLOBAL SECURITIES LIMITED</b><br/>33, Vaswani Mansion, 6<sup>th</sup> Floor,<br/>Dinshaw Vachha Road, Churchgate,<br/>Mumbai - 400 020<br/><b>Tel No:</b> +91-22-2287 0580, <b>Fax:</b> +91-22-2287 0581<br/><b>Email:</b> <a href="mailto:astec.ipo@almondz.com">astec.ipo@almondz.com</a><br/><b>Website:</b> <a href="http://www.almondzglobal.com">www.almondzglobal.com</a><br/>Contact Person: Ms. Khushboo Anandita /<br/>Ms. Archana Narkhede<br/>SEBI Registration No.: INM000000834</p> |  <p><b>BIGSHARE SERVICES PRIVATE LIMITED</b><br/>E/2, Ansa Industrial Estate, Saki Vihar Road,<br/>Saki Naka, Andheri (E), Mumbai-400 072<br/><b>Tel No:</b> +91-22-40430200<br/><b>Fax:</b> +91-22-2847 5207<br/><b>Email:</b> <a href="mailto:ipo@bigshareonline.com">ipo@bigshareonline.com</a><br/><b>Website:</b> <a href="http://www.bigshareonline.com">www.bigshareonline.com</a><br/>Contact Person: Mr. Ashok Shetty<br/>SEBI Registration No.: INR 000001385</p> |

## BID/ISSUE PROGRAMME

**BID/ISSUE OPENS ON : OCTOBER 29, 2009**

**BID/ISSUE CLOSSES ON : NOVEMBER 4, 2009**

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## SECTION I - GENERAL

### DEFINITIONS AND ABBREVIATIONS

#### DEFINITIONS

| Term                                                                      | Description                                                                                                                                                                                                       |
|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| "Astec LifeSciences Limited" or "Astec" or "the Company" or "our Company" | Astec LifeSciences Limited, a public limited company incorporated under the Companies Act, 1956 having its registered office at 5-5A, 4 <sup>th</sup> floor, Kamanwala Chambers, Sir P. M. Road, Mumbai – 400 001 |
| "We" or "us" and "our"                                                    | Unless the context other requires, refers to Astec LifeSciences Limited                                                                                                                                           |

#### CONVENTIONAL / GENERAL TERMS

| Terms                                     | Description                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Articles/ Articles of Association         | Articles of Association of Astec LifeSciences Limited                                                                                                                                                                                                                                                                                                        |
| Auditors                                  | The statutory auditors of Astec LifeSciences Limited viz., P.M Kathariya & Co., Chartered Accountants                                                                                                                                                                                                                                                        |
| Board of Directors/ Board                 | The Board of Directors of Astec LifeSciences Limited                                                                                                                                                                                                                                                                                                         |
| Companies Act                             | The Companies Act, 1956, as amended                                                                                                                                                                                                                                                                                                                          |
| Depositories Act                          | The Depositories Act, 1996, as amended                                                                                                                                                                                                                                                                                                                       |
| Director(s)                               | Director(s) of Astec LifeSciences Limited, unless otherwise specified                                                                                                                                                                                                                                                                                        |
| Equity Shares                             | Equity Shares of the Company of face value of Rs. 10 each unless otherwise specified in the context thereof                                                                                                                                                                                                                                                  |
| GIR Number                                | General Index Registry Number                                                                                                                                                                                                                                                                                                                                |
| HUF                                       | Hindu Undivided Family                                                                                                                                                                                                                                                                                                                                       |
| Indian GAAP                               | Generally Accepted Accounting Principles in India.                                                                                                                                                                                                                                                                                                           |
| MOA/Memorandum/ Memorandum of Association | Memorandum of Association of Astec LifeSciences Limited                                                                                                                                                                                                                                                                                                      |
| Non Residents                             | A person resident outside India, as defined under FEMA                                                                                                                                                                                                                                                                                                       |
| NRIs/ Non-Resident Indians                | A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000                                                                                                                                            |
| Person or Persons                         | Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires |
| Promoter(s)                               | Mr. Ashok Hiremath and Dr. P. L. Tiwari,                                                                                                                                                                                                                                                                                                                     |
| Promoter Group                            | Mr. Suresh Hiremath, Ashok Hiremath HUF, Ms. Chitra Hiremath and Ms.                                                                                                                                                                                                                                                                                         |

| Terms                     | Description                                                                                                                                                                                                              |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                           | Supriya Hiremath, Opus Chemicals Private Limited and Astec Europe                                                                                                                                                        |
| Registered Office         | 5-5A, 4 <sup>th</sup> Floor, Kamanwala Chambers, Sir P. M. Road, Mumbai – 400 001                                                                                                                                        |
| SEBI                      | The Securities and Exchange Board of India constituted under the SEBI Act, 1992                                                                                                                                          |
| SEBI Act                  | Securities and Exchange Board of India Act, 1992, as amended                                                                                                                                                             |
| SEBI (ICDR) Regulations   | Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, notified by SEBI on August 26, 2009, including instructions and clarifications issued by SEBI from time to time |
| SEBI Takeover Regulations | Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended                                                                                                    |
| Stock Exchanges           | Bombay Stock Exchange Limited and National Stock Exchange of India Limited                                                                                                                                               |

### ISSUE RELATED TERMS

| Terms                                          | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Almondz                                        | Almondz Global Securities Limited                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Allotment/ Allot/ Allocation                   | Unless the context otherwise requires, the issue and the allotment/allocation of Equity Shares pursuant to this Issue                                                                                                                                                                                                                                                                                                                                                        |
| Application Supported by Blocked Amount / ASBA | The application (whether physical or electronic) used by a Resident Retail Individual Bidder to make a Bid authorizing the SCSB to block the Bid Amount in their specified bank account                                                                                                                                                                                                                                                                                      |
| ASBA Form / Bid-cum-ASBA Form                  | The form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purpose of Red Herring Prospectus and Prospectus                                                                                                                                                                                                                                                                           |
| ASBA Bidders / ASBA Investors                  | Means an Investor / Bidder who intends to apply through ASBA process and <ul style="list-style-type: none"> <li>a. is a “Resident Retail Individual Investor”;</li> <li>b. is bidding at cut-off, with single bid option as to the number of shares bid for;</li> <li>c. is applying through blocking of funds in a bank account with the SCSB;</li> <li>d. has agreed not to revise his/her bid;</li> <li>e. is not bidding under any of the reserved categories</li> </ul> |
| ASBA Public Issue Account                      | A bank account opened with the Bankers to the Issue by the Company to receive monies transferred by the SCSBs from the bank accounts of the ASBA Bidders                                                                                                                                                                                                                                                                                                                     |
| ASBA Process                                   | The ASBA process, as detailed in the section titled “Issue Procedure” beginning on page no. 193 of the Red Herring Prospectus                                                                                                                                                                                                                                                                                                                                                |
| Allottee                                       | The successful Bidder to whom the Equity Shares are issued                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Banker(s) / Escrow Bankers to the Issue        | Axis Bank Limited, ICICI Bank Limited, IDBI Bank Limited and The Hongkong and Shanghai Banking Corporation Limited                                                                                                                                                                                                                                                                                                                                                           |
| Bid                                            | An indication to make an offer during the Bidding/Issue Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.<br>For the purpose of ASBA Bidders, Bid means an indication to make an offer during the Bidding Period by a Retail Resident Individual Bidder to                                                                                                             |

| Terms                               | Description                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                     | subscribe to the Equity Shares of our Company at cut-off price                                                                                                                                                                                                                                                                                          |
| Bid Amount                          | The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Issue                                                                                                                                                                                                        |
| Bid/Issue Closing date              | The date after which the Syndicate Members and SCSBs will not accept any Bids for the Issue, which shall be notified in an English National Newspaper, a Hindi National Newspaper and a Marathi Newspaper with wide circulation                                                                                                                         |
| Bid/Issue Opening Date              | The date on which the Syndicate Members and SCSBs shall start accepting Bids for the Issue, which shall be the date notified in an English National Newspaper, Hindi National Newspaper and a Marathi Newspaper with wide circulation                                                                                                                   |
| Bid- cum- Application Form          | The form used by the Bidder (including the format of such application form used by the ASBA Bidder, whether physical or electronic) to make a Bid which will be considered as the application for Allotment in terms of this Red Herring Prospectus and Prospectus                                                                                      |
| Bidder                              | Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form                                                                                                                                                                                                                          |
| Bidding Period/ Issue Period        | The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids                                                                                                                                                                                          |
| Book Building Process               | Book Building route as provided in Schedule XI of the SEBI (ICDR) Regulations, in terms of which the Issue is being made                                                                                                                                                                                                                                |
| BRLM/Book Running Lead Manager      | Book Running Lead Manager to the Issue, in this case being Almondz Global Securities Limited                                                                                                                                                                                                                                                            |
| CAN/Confirmation of Allocation Note | The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process                                                                                                                                               |
| Cap Price                           | The upper end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted                                                                                                                                                                                                                             |
| Controlling Branches                | Such branches of the SCSBs which coordinates Bids under this Issue by the ASBA Bidders with the BRLM, the Registrar to the Issue and the Stock Exchanges and a list of which is available at <a href="http://www.sebi.gov.in">www.sebi.gov.in</a>                                                                                                       |
| CARE                                | Credit Analysis and Research Limited                                                                                                                                                                                                                                                                                                                    |
| Co-BRLM                             | IDBI Capital Market Services Limited                                                                                                                                                                                                                                                                                                                    |
| Cut-off Price                       | The Issue Price finalized by our Company in consultation with the BRLM, Co-BRLM and it shall be any price within the price band. Only Retail Individual Bidders are entitled to bid at Cut-off Price, for a Bid Amount not exceeding Rs.1,00,000. Qualified Institutional Buyers and Non-Institutional Bidders are not entitled to bid at Cut-off Price |
| Depositories Act                    | The Depositories Act 1996, as amended                                                                                                                                                                                                                                                                                                                   |
| Depository                          | A body corporate registered under the SEBI (Depositories and Participants) Regulations, 1996, as amended                                                                                                                                                                                                                                                |
| Depository Participant              | A Depository Participant as defined under the Depositories Act                                                                                                                                                                                                                                                                                          |
| Designated Branches                 | Branch offices of the SCSBs which the respective SCSB has identifies as a                                                                                                                                                                                                                                                                               |

| Terms                                       | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                             | designated branch at which the Physical ASBA Form can be submitted by an ASBA Investor and a list of which is available at <a href="http://www.sebi.gov.in">www.sebi.gov.in</a>                                                                                                                                                                                                                                                                                                         |
| Designated Date                             | The date on which funds are transferred from the Escrow Account to the Public Issue Account or the Account or the amount blocked by the SCSB is transferred from the bank account of the ASBA Bidder to the ASBA Public Issue Account, as the case may be, after the Prospectus is filed with the Registrar of Companies, following which the Board of Directors shall allot the Equity Shares to successful bidders.                                                                   |
| Designated Stock Exchange                   | Bombay Stock Exchange Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Draft Red Herring Prospectus/Draft RHP/DRHP | The Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. It will become a Red Herring Prospectus after filing with the Registrar of Companies, Maharashtra at least three days before the opening of this Issue. It will become a Prospectus after filing with the Registrar of Companies, Maharashtra, after the Pricing Date |
| Electronic ASBA                             | Submission of Bid-cum ASBA Form electronically, by an ASBA Investor, through the internet banking facility offered by the SCSBs.                                                                                                                                                                                                                                                                                                                                                        |
| Eligible Employees                          | Permanent Employees of our Company who are Indian nationals based in India as on the Bid/Issue Opening Date and are present in India on the date of submission of the Bid-cum-Application Form, including whole time directors of our Company, who are Indian national, except any Promoter or members of the Promoter Group as of Bid Issue/Opening Date and based and present in India                                                                                                |
| Employee Reservation Portion                | The portion of the issue being upto 1,00,000 Equity Shares available for allocation to Eligible Employees                                                                                                                                                                                                                                                                                                                                                                               |
| Equity Shares                               | Equity shares of our Company of face value of Rs.10/- each, unless otherwise specified                                                                                                                                                                                                                                                                                                                                                                                                  |
| Escrow Account                              | Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (excluding the ASBA Bidder) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid                                                                                                                                                                                                                                                                              |
| Escrow Agreement                            | Agreement entered into amongst our Company, the Registrar, the Escrow Collection Bank(s), the BRLM, Co-BRLM and the Syndicate Members for collection of the Bid Amounts and for remitting refunds (if any) of the amounts collected, to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof                                                                                                                                                                    |
| Escrow Collection Bank(s)                   | The banks which are clearing members and registered with SEBI as Bankers to the Issue at which the Escrow Account will be opened                                                                                                                                                                                                                                                                                                                                                        |
| First Bidder                                | The Bidder whose name appears first in the Bid cum Application Form or Revision Form or the Bid-cum ASBA Form                                                                                                                                                                                                                                                                                                                                                                           |
| Floor Price                                 | The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted                                                                                                                                                                                                                                                                                                                                                             |
| IPO                                         | Initial Public Offering                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Issue Price                                 | The final price at which the Equity Shares will be allotted in terms of this Red Herring Prospectus, as determined by our Company in consultation                                                                                                                                                                                                                                                                                                                                       |

| Terms                     | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                           | with BRLM and Co-BRLM on the Pricing Date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Issue Account             | Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Margin Amount             | The amount paid by the Bidder or blocked in the account of ASBA Bidders, at the time of submission of his/her Bid, which may be 10% or 100% of the Bid Amount, depending on the category of the Bidder                                                                                                                                                                                                                                                                                                                                                                                          |
| Mutual Funds              | Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Mutual Funds Portion      | 5% of the QIB portion or 1,85,000 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| NEFT                      | National Electronic Funds Transfer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Net Issue                 | The Issue of Equity Shares other than Equity Shares included in the Employee Reservation Portion aggregating to 74,00,000 Equity Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Non-Institutional Portion | The portion of this Net Issue being at least 11,10,000 Equity Shares, available for allocation to Non Institutional Bidders                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Non-Institutional Bidders | All Bidders that are not eligible Qualified Institutional Buyers for this Issue, including affiliates of BRLM, Co-BRLM and Syndicate Members, or Retail Individual Bidders and who have bid for an amount more than Rs. 1,00,000                                                                                                                                                                                                                                                                                                                                                                |
| Pay-in-Date               | Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Pay-in-Period             | Means:<br>(i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date; and<br>(ii) with respect to QIBs, whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date                                                                                                                                                                                                                 |
| Physical ASBA             | ASBA Forms submitted by an ASBA Investor physically with designated branches of the SCSBs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Price Band                | Price band of a minimum price of Rs. 77 per Equity Share (Floor Price) and the maximum price of Rs. 82 per Equity Share (Cap Price), both inclusive and includes revisions thereof                                                                                                                                                                                                                                                                                                                                                                                                              |
| Pricing Date              | The date on which our Company, in consultation with the BRLM and Co-BRLM, finalizes the Issue Price                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Prospectus                | The Prospectus to be filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information                                                                                                                                                                                                                                                                                                                                                                                                 |
| Public Issue/Issue        | Public Issue of 75,00,000 Equity Shares of Rs 10/- each for cash at a Price of Rs. [•] Per Equity Share, aggregating Rs. [•] lakhs (The "Issue"). The Issue comprises a reservation of 1,00,000 Equity Shares aggregating Rs. [•] lakhs for subscription by Eligible Employees (The "Employee Reservation Portion"), and Net Issue of 74,00,000 Equity Shares aggregating Rs. [•] lakhs. The Issue would constitute 44.30% of the fully diluted post issue paid-up capital of our Company. The Net Issue would constitute 43.71% of the fully diluted post issue paid-up capital of our Company |

| <b>Terms</b>                                 | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Public Issue Account                         | Account opened with Bankers to the Issue for the purpose of transfer of monies from Escrow Account on or after the Bid/Issue Opening Date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Qualified Institutional Buyers or QIBs       | Public financial institutions as specified in Section 4A of the Companies Act, FIIs and sub account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 2500 lakhs and pension funds with minimum corpus of Rs. 2500 lakhs and National Investment Fund set up by resolution F.No. 2/3/2005-DD-11 dated November 23, 2005 of Government of India |
| QIB Margin Amount                            | An amount representing at least 10% of the Bid Amount that QIBs are required to pay at the time of submitting their Bid.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| QIB Portion                                  | The portion of the Net Issue being not more than 37,00,000 Equity Shares of Rs. 10/- each available for allocation to QIB Bidders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Red Herring Prospectus or RHP                | The document issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are issued and the size of Issue. The Red Herring Prospectus will be filed with the ROC at least three days before the Bid/Issue Opening Date and will become a Prospectus after filing with the ROC after Pricing Date.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Refund Account                               | Account opened with an Escrow Collection Bank, from which refunds of the whole or part of the Bid Amount (excluding to the ASBA Bidders), if any, shall be made                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Refund Bank(s)                               | ICICI Bank Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Refunds through electronic transfer of funds | Refunds through electronic transfer of funds means refunds through ECS, Direct Credit, RTGS or NEFT or the ASBA Process as applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Registrar/Registrar to the Issue             | Bigshare Services Private Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Resident Retail Individual Bidder            | Retail Individual bidder who is a person resident in India as defined under Foreign Exchange Management Act, 1999 and who is eligible to apply in this Issue through the ASBA process.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Retail Individual Bidders                    | Individual Bidders (including HUFs and NRIs) who have made their bid for Equity Shares for a cumulative amount of not more than Rs. 1,00,000.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Retail Portion                               | The portion of the Net Issue being 74,00,000 Equity Shares available for allocation to Retail Individual Bidder(s)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Revision Form                                | The form used by the Bidders excluding the ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their Bid-cum-Application Forms or any previous Revision Form(s)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Self Certified Syndicate Bank / SCSB         | SCSB is a bank, registered under the SEBI (bankers to the Issue) Regulations, 1996, which offers the facility of applying through the ASBA process and has its name included in the SEBI's list of SCSBs displayed on its website at <a href="http://www.sebi.gov.in">www.sebi.gov.in</a> . Bid-cum ASBA Forms can be accepted only                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

| Terms                                | Description                                                                                                                                                                           |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                      | by SCSBs                                                                                                                                                                              |
| SCSB Agreement                       | The agreement to be entered into between the SCSBs, the BRLM, Co-BRLM and the Registrar to the Issue and our Company only in relation to the collection of Bids from the ASBA Bidders |
| RTGS                                 | Real Time Gross Settlement                                                                                                                                                            |
| Syndicate Agreement                  | Agreement to be entered into among our Company and Syndicate Member(s) in relation to the collection of Bids in the Issue (excluding Bids from the ASBA Bidders)                      |
| Syndicate Member(s)                  | Almondz Global Securities Limited and IDBI Capital Market Services Ltd.                                                                                                               |
| TRS or Transaction Registration Slip | The slip or document issued by the Syndicate Member to the Bidder as proof of registration of the Bid                                                                                 |
| Underwriter(s)                       | Members of the Syndicate                                                                                                                                                              |
| Underwriting Agreement               | The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date                                                                                  |

#### COMPANY/INDUSTRY RELATED TERMS

| Term            | Description                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Agrochemical(s) | Chemicals normally used in agriculture, including pesticides, herbicides, fungicides and growth regulants                                                                                                                                                                                                                                                                                                                       |
| AOA             | Any One Accident                                                                                                                                                                                                                                                                                                                                                                                                                |
| AOY             | Any One Year                                                                                                                                                                                                                                                                                                                                                                                                                    |
| API             | Any substance or mixture of substances intended to be used in the manufacture of a drug (medicinal) product and that when used in the production of a drug becomes an active ingredient of the drug product. Such substances are intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment or prevention of disease or to effect the structure and function of the body |
| Astec Europe    | Astec Europe société privée à responsabilité limitée                                                                                                                                                                                                                                                                                                                                                                            |
| BCPL            | Behram Chemicals Private Limited                                                                                                                                                                                                                                                                                                                                                                                                |
| BIS             | Bureau of Indian Standard                                                                                                                                                                                                                                                                                                                                                                                                       |
| CETP            | Central Effluent Treatment Plant                                                                                                                                                                                                                                                                                                                                                                                                |
| CIB             | Central Insecticide Board                                                                                                                                                                                                                                                                                                                                                                                                       |
| CIS             | Commonwealth Independent States                                                                                                                                                                                                                                                                                                                                                                                                 |
| CRAMS           | Contract Research And Manufacturing Services                                                                                                                                                                                                                                                                                                                                                                                    |
| DEPB            | Duty Entitlement Pass Book                                                                                                                                                                                                                                                                                                                                                                                                      |
| DG Set          | Diesel Generator Set                                                                                                                                                                                                                                                                                                                                                                                                            |
| Dicap           | 2',4'-Dichloroacetophenone                                                                                                                                                                                                                                                                                                                                                                                                      |
| DSIR            | Department of Scientific and Industrial Research                                                                                                                                                                                                                                                                                                                                                                                |
| EOU             | Export Oriented Unit                                                                                                                                                                                                                                                                                                                                                                                                            |
| ETP             | Effluent Treatment Plant                                                                                                                                                                                                                                                                                                                                                                                                        |
| FOB             | Free On Board                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Formulations    | The process in which different chemical substances are combined to a pure drug / active ingredient to produce a final medicinal / agrochemical product                                                                                                                                                                                                                                                                          |

|                 |                                                                                                                                                                                                 |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GAP             | Good Agricultural Practices                                                                                                                                                                     |
| GC              | Gas Chromatograph                                                                                                                                                                               |
| GLP             | Good Laboratory Practices                                                                                                                                                                       |
| HPLC            | High Performance Liquid Chromatograph                                                                                                                                                           |
| HSD             | High Speed Diesel                                                                                                                                                                               |
| Insecticide(s ) | The chemical used to kill insects                                                                                                                                                               |
| Intermediate    | A material produced during steps of the processing of an API / agrochemical product which must undergo further molecular change or purification before it becomes an API / agrochemical product |
| ISI             | Indian Standard Institute                                                                                                                                                                       |
| KVA             | Kilo Volt Ampere                                                                                                                                                                                |
| KW              | Kilo Watt                                                                                                                                                                                       |
| MCC             | Motor Control Centre                                                                                                                                                                            |
| MIDC            | Maharashtra Industrial Development Corporation                                                                                                                                                  |
| MOC             | Material of Construction                                                                                                                                                                        |
| MPCB            | Maharashtra Pollution Control Board                                                                                                                                                             |
| MSEB            | Maharashtra State Electricity Board                                                                                                                                                             |
| NFEP            | Net foreign exchange earnings as percentage of exports                                                                                                                                          |
| Pesticide(s)    | A substance used for destroying various pests on crops or found in household / agriculture such as insects, fungus, herbs                                                                       |
| Ph              | The measure of the acidity or alkalinity of a solution                                                                                                                                          |
| R&D             | Research and Development                                                                                                                                                                        |
| SEEPZ           | Santacruz Electronic Export Processing Zone                                                                                                                                                     |
| Sq. mt.         | Square Meter                                                                                                                                                                                    |
| Subsidiary      | Behram Chemicals Private Limited                                                                                                                                                                |
| TR              | Tonnes of Refrigeration                                                                                                                                                                         |
| UV              | Ultraviolet                                                                                                                                                                                     |
| Unit 1          | Manufacturing facility located at Plot No. B-16, Mahad Industrial Area, Mahad, District Raigad, Maharashtra                                                                                     |
| Unit 2          | Manufacturing facility located at Plot No. B-17, Mahad Industrial Area, Mahad, District Raigad, Maharashtra                                                                                     |

#### ABBREVIATIONS OF GENERAL TERMS

| Abbreviation | Full Form                                                                         |
|--------------|-----------------------------------------------------------------------------------|
| A/c          | Account                                                                           |
| AGM          | Annual General Meeting                                                            |
| AS           | Accounting Standards as issued by the Institute of Chartered Accountants of India |
| BPLR         | Bank Prime Lending Rate                                                           |
| BSE          | Bombay Stock Exchange Limited                                                     |
| CAGR         | Compounded Annual Growth Rate                                                     |
| CDSL         | Central Depository Services (India) Limited                                       |
| CEO          | Chief Executive Officer                                                           |
| CIN          | Company Identification Number                                                     |

| <b>Abbreviation</b>      | <b>Full Form</b>                                                                                                                                                                                  |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DRHP                     | Draft Red Herring Prospectus                                                                                                                                                                      |
| EBIT                     | Earnings Before Interest and Tax                                                                                                                                                                  |
| ECS                      | Electronic Clearing System                                                                                                                                                                        |
| EGM                      | Extraordinary General Meeting                                                                                                                                                                     |
| EPS                      | Earning Per Share                                                                                                                                                                                 |
| FCNR Account             | Foreign Currency Non Resident Account                                                                                                                                                             |
| FEMA                     | Foreign Exchange Management Act, 1999, as amended, and the regulations framed there under.                                                                                                        |
| FIIs                     | Foreign Institutional Investors (as defined under FEMA (Transfer or Offer of Security by a person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India. |
| FIPB                     | Foreign Investment Promotion Board                                                                                                                                                                |
| FY/Fiscal/Financial Year | Period of twelve months ended March 31 of that particular year, unless otherwise stated                                                                                                           |
| FVCI                     | Foreign Venture Capital Investor, (as defined under SEBI (Foreign Institutional Investor) Regulations, 1995), registered with SEBI.                                                               |
| GDP                      | Gross Domestic Product                                                                                                                                                                            |
| GIR Number               | General Index Registry Number                                                                                                                                                                     |
| GoI/Government           | Government of India                                                                                                                                                                               |
| HUF                      | Hindu Undivided Family                                                                                                                                                                            |
| I.T. Act                 | Income Tax Act, 1961, as amended                                                                                                                                                                  |
| IPC                      | Indian Penal Code                                                                                                                                                                                 |
| MIDC                     | Maharashtra Industrial Development Corporation                                                                                                                                                    |
| MoF                      | Ministry of Finance, Government of India                                                                                                                                                          |
| MOU                      | Memorandum of Understanding                                                                                                                                                                       |
| N/A                      | Not Applicable                                                                                                                                                                                    |
| NAV                      | Net Asset Value                                                                                                                                                                                   |
| NPV                      | Net Present Value                                                                                                                                                                                 |
| NRIs                     | Non Resident Indians                                                                                                                                                                              |
| NRE Account              | Non Resident External Account                                                                                                                                                                     |
| NRO Account              | Non Resident Ordinary Account                                                                                                                                                                     |
| NSDL                     | National Securities Depository Limited                                                                                                                                                            |
| NSE                      | National Stock Exchange of India Limited                                                                                                                                                          |
| p.a.                     | Per annum                                                                                                                                                                                         |
| PAN                      | Permanent Account Number                                                                                                                                                                          |
| PAT                      | Profit After Tax                                                                                                                                                                                  |
| P/E Ratio                | Price/Earnings Ratio                                                                                                                                                                              |
| PLR                      | Prime Lending Rate                                                                                                                                                                                |
| RBI                      | Reserve Bank of India                                                                                                                                                                             |
| RoC                      | Registrar of Companies, Maharashtra at Mumbai                                                                                                                                                     |
| ROE                      | Return on Equity                                                                                                                                                                                  |
| RONW                     | Return on Net Worth                                                                                                                                                                               |
| Rs./ INR                 | Rupees, the official currency of the Republic of India                                                                                                                                            |
| RTGS                     | Real Time Gross Settlement                                                                                                                                                                        |

| <b>Abbreviation</b> | <b>Full Form</b>                                                                                                         |
|---------------------|--------------------------------------------------------------------------------------------------------------------------|
| SCRR                | Securities Contracts (Regulation) Rules, 1957, as amended                                                                |
| SCRA                | Securities Contract (Regulation) Act, 1956, as amended                                                                   |
| Sec.                | Section                                                                                                                  |
| STT                 | Securities Transaction Tax                                                                                               |
| u/s                 | Under Section                                                                                                            |
| US                  | United States of America                                                                                                 |
| USD/ US\$/ \$       | United States Dollar, the official currency of the United States of America                                              |
| VCF                 | Venture Capital Fund as defined and registered with SEBI under SEBI (Venture Capital Funds) Regulations, 1996 as amended |
| w.e.f.              | With effect from                                                                                                         |
| Yen                 | Official currency of Japan                                                                                               |

## **SECTION II: RISK FACTORS**

### **CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL AND MARKET DATA**

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

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

For additional definitions, see the section titled ‘Definitions and Abbreviations’ beginning on page no. a of this Red Herring Prospectus.

In the sections titled ‘Main Provisions of Articles of Association of our Company’, ‘Statement of Tax Benefits’, and ‘Financial Statements’ beginning on page nos. 239, 55 and 129 respectively of this Red Herring Prospectus, defined terms have the meaning given to such terms of our Company in the sections titled ‘Statement of Tax Benefits’ and ‘Financial Statements’ respectively. Market data used throughout this Red Herring Prospectus has been obtained from industry publications and internal company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although our Company believes market data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by our Company to be reliable, have not been verified by any independent source.

## FORWARD LOOKING STATEMENTS

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

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

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

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

## Risk Factors

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

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

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

### Materiality

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

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

### Internal Risk Factors

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

We are involved in legal proceedings in relation to certain matters. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any adverse order passed by these courts may force our Company to make a provision in the financials or could increase our expenses and current liabilities. An unfavourable outcome of some of these proceedings may also impact our business and operations. A brief summary of these cases are set out below. For further details please refer to the Section on "Outstanding litigations and material developments" on page 166 of this Red Herring Prospectus.

*a. Cases filed against our Company, Promoters and Directors*

| Nature of the Case | No. of Cases | Total amount (Rs. in Lakhs) | Brief summary of the case                                                                                                                 |
|--------------------|--------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Criminal Compliant | 4            | Not ascertainable           | Nath Biogene (I) Limited ("NBIL") lodged an FIR on June 27, 2007 against our Company and its Promoters/Directors under sections 406, 420, |

|  |  |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--|--|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |  |                   | 468 and 471 read with Section 34 of the Indian Penal Code 1860 with the Waluj MIDC Police Station, Aurangabad, Maharashtra. Our Company and its directors/officers then filed a criminal writ petition (460 of 2007) before the Bombay High Court (Aurangabad Bench) under Article 226 of the Constitution of India against State of Maharashtra & Others seeking to quash the FIR lodged by Nath Biogene (I) Limited. The Hon'ble High Court by an order dated March 12, 2008 quashed the FIR no. I-164 of 2007 filed by Nath Biogene (I) Limited. Nath Biogene (I) Limited has now preferred an appeal before the Supreme Court of India under Special Leave to Appeal (Cr. No. 2055 of 2008) against the order passed by Bombay High Court and which is still pending.                                                                                                                                                       |
|  |  | Not ascertainable | The Government of Maharashtra through Mr. K. S. Jadhav, Insecticide Inspector & Divisional Quality Control Inspector (" <b>Insecticide Inspector</b> "), filed a Complaint against our Company and Mr. Janak Rawal, Manager Administration and Communication before the Court of Judicial Magistrate (First Class) Kalyan for the contravention of Section 3(k)(i), (v)(vi), (iii)(vi), 9(1), 13(1), 17(i)(a)(c)(d), 18(i)(a)(c), 18(2) of the Insecticides Act, 1968 and Rules 9(1)(2), 10(2)(3), 15(2)(3), 16, 17, 18, 19(1) to (7) 20, 35, 37, 38, 39, 40, 41, 42 & 44 punishable under Section 29. The Insecticide Inspector has alleged in the Complaint that our Company has illegally manufactured, stored, sold and distributed misbranded insecticides and pesticides without obtaining an appropriate license from licensing authority. The matter shall come up for hearing on October 6, 2009 for filing our Reply. |
|  |  | Not ascertainable | The Police has filed a Complaint against our Company before the Court of Judicial Magistrate (First Class) Kalyan, District Thane alleging that the out break of fire at our Company's Dombivli unit on May 31, 2004 which caused death of an employee was due to the negligence of the officials of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

*b. Case filed in relation to Intellectual Property Rights*

| Nature of the case | No. of | Total | Brief summary of the Case |
|--------------------|--------|-------|---------------------------|
|--------------------|--------|-------|---------------------------|

|                                    | Cases | Amount<br>(Rs. in<br>Lakhs) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------|-------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Intellectual Property Rights (IPR) | 1     | --                          | Our Company has made an application with the Trademark Registry on February 12, 2008 (bearing application No. 1652984) for registration of its brand name "PROPIZOLE" in Class 5. Our Company has received a notice of opposition for its brand name "PROPIZOLE" from Shalina Laboratories Private Limited (" <i>Shalina</i> ") for its brand name "PRAZOLE" on various grounds including that the mark "PROPIZOLE" is phonetically, structurally and visually similar to that of "PRAZOLE" for which Shalina has made an application dated December 19, 2007 bearing application number 1632620 with the Trade Mark Registry. Our Company has filed the counter-statement on Shalina on August 5, 2009. |

c. Case filed against our Subsidiary

| Nature of the case | No. of Cases | Total Amount<br>(Rs. in Lakhs) | Brief summary of the Case                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------|--------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sales Tax          | 2            | 28.65                          | Behram Chemicals Private Limited (" <i>BCPL</i> "), the subsidiary of our Company, has filed an Appeal (S.A. 433 to 436 of 2006) before the Sales Tax Tribunal, Mumbai against the order of the Assistant/ Deputy/ Additional Commissioner of Sales Tax for the assessment years 1996-1997, 1997-1998, 1998-1999 and 1999-2000 aggregating to Rs.28.65 lakhs. The Second bench of the Maharashtra Sales Tax Tribunal, Mumbai has passed an order dated December 15, 2008 whereby the second appeals No. 433 and 436 of 2006 relating to the periods 1996-97 and 1999-2000 are dismissed as having been withdrawn. Further the said order has partly allowed the appeals for the period 1997-98 and 1998-99 wherein the dismissal order dated January 3, 2006 for the said period has been set aside and the matters are restored on the file of the first appellate authority with the directions to decide them afresh after giving Behram Chemicals Private Limited an opportunity to produce the relevant records. The order has further directed |

|  |  |  |                                                                                                                                               |
|--|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------|
|  |  |  | the first appellate authority to pass fresh order within a maximum period of four (4) months from the communication of the present judgement. |
|--|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------|

*d. Cases filed by our Company*

| Nature of the Case                                                      | No. of Cases | Total Amount (Rs. in Lakhs) | Brief summary of the case                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------|--------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Company Petition for Winding Up                                         | 1            | 27.41                       | Company Petition (125 of 2008) before the Bombay High Court under Section 433 and 434 of the Companies Act, 1956 for winding up of Nath Biogene (I) Ltd. & Ors (" <b>NBIL</b> ") for non-payment of Rs.27.41 Lakhs.                                                                          |
| U/s. 138 of the Negotiable Instruments Act, 1881                        | 3            | 8.75                        | Complaint (3601/ss/07) before Court of Metropolitan Magistrate, 28 <sup>th</sup> Esplanade Court, Mumbai against Nath Biogene (I) Limited for dishonor of certain four (4) cheques aggregating to Rs.8.75 lakhs.                                                                             |
|                                                                         |              | 20.00                       | Complaint (1414/S/07) against Mr. `A.R. Moorthy the proprietor of Annai Crop Sciences before the Court of Metropolitan Magistrate, 28 <sup>th</sup> Esplanade, Mumbai for the dishonor of cheques aggregating to Rs.20 Lakhs.                                                                |
|                                                                         |              | 16.39                       | Complaint (3745/SS/07) against Retract Chemicals Private Limited (" <b>RCPL</b> ") and others before the Metropolitan Magistrate, 28 <sup>th</sup> Court at Esplanade, Mumbai for the dishonor of six (6) cheques aggregating to Rs.16.39 lakhs.                                             |
| U/s. 500, 501, 502 read with Section 120 of the Indian Penal Code, 1860 | 1            | Not ascertainable           | Criminal complaint (113/M/2008) against Nath Biogene (I) Ltd & Ors. before the Court of Metropolitan Magistrate, 47 <sup>th</sup> Esplanade Court, Mumbai under for colluding and conspiring with each other for publishing defamatory statements against our Company in certain newspapers. |

There is no assurance that the outcome of the case(s) filed by our Company will go in favour of the Company only. Moreover, if the outcome does not come in favour of our Company and the other party (Defendants) against whom the case has been filed by our Company files counter claim for any damages, our Company may become liable to pay the same. Any unfavourable outcome in any of the case(s), could impact our business and operations.

*e. Miscellaneous Proceedings filed by our Company*

| Nature of the case | No. of Cases | Total amount (Rs. in Lakhs) | Brief summary of the Case |
|--------------------|--------------|-----------------------------|---------------------------|
|--------------------|--------------|-----------------------------|---------------------------|

|                   |   |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------|---|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Company Law Board | 1 | Not ascertainable | Our Company and our Directors have filed one application under Section 621A of the Companies Act, 1956 with the Registrar of Companies, Maharashtra at Mumbai for compounding of non-compliance by our Company under Section 205A of the Companies Act, 1956 for non-transfer of unclaimed dividend amount to a Special Dividend Account. The Company Law Board has passed an order dated September 23, 2008 whereby the non-compliance has been compounded on payment of Rs. 0.30 lakhs (Rs. 30,000) by our Company and against Mr. Ashok Hiremath (Managing Director), Dr. P.L. Tiwari and Mr. Laxmikant Kabra (Directors of our Company) on payment of Rs. 0.01 Lakhs (Rs. 1,000). The payment had already been made by all the respective parties. |
|-------------------|---|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### ***Disputes with Nath Biogene (I) Limited***

Our Company in April, 2007 supplied one of its Agrochemical product, 'Imidacloprid 48% FS' an insecticide used for protecting seeds from insects and diseases, to Nath Biogene (I) Limited ("NBIL"), a company based in Aurangabad, Maharashtra. Nath Biogene (I) Limited used our product along with other agents like 'Provax' and Polymer on the BT cotton seeds sold by Nath Biogene (I) Limited to farmers under its own brands in various states.

Nath Biogene (I) Limited has alleged that the seeds used by the farmers for growing cotton after germination started yellowing of seedlings, leaf burning, leaf scorching and subsequent mortality of seedlings occurred and resulted in total loss of crop to the farmers. Nath Biogene (I) Limited has alleged that there were various complaints filed by farmers, dealers and distributors and their associations in consumer and other courts.

Nath Biogene (I) Limited has alleged that it conducted an investigation in the matter and came to a conclusion that the product supplied by our Company was spurious. Nath Biogene (I) Limited further alleged that our Company did not have the license to manufacture, store and supply the product and that our Company had violated the Insecticides Act, 1968 and its Rules 1971.

Nath Biogene (I) Limited also filed criminal complaints u/s. 420, 406, 466, 471, 34 of IPC and Insecticide Act against our Company and its Directors and Officers with the Waluj, MIDC, Police Station at Aurangabad, Maharashtra and issued a legal notice dated July 28, 2007 alleging the above and claimed a sum of Rs. 7500 lakhs as damages/compensation. Nath Biogene (I) Limited issued certain press releases in the local newspapers in Aurangabad to defame the reputation of our Company and its Directors/Officers.

Our Company has by a letter dated August 11, 2007 denied all allegations as false and frivolous and refuted the allegations of Nath Biogene (I) Limited that our Company had no license to manufacture the product. Our Company has clarified that due to an outbreak of fire at its Dombivli

unit in May 2004, the license to store and supply materials was suspended. Our Company further clarified that the product was in fact manufactured at its unit at Mahad, which had the requisite license, and only dispatched from the Dombivli unit. The above fact was verified by the Crime Branch, Aurangabad during the course of investigation in the matter.

Our Company claims that Nath Biogene (I) Limited claim is sham and bogus with an intend to counter the liability arising out of the dishonor of cheques aggregating to Rs. 8.75 lakhs for which our Company has filed appropriate proceedings under section 138 of the Negotiable Instruments Act, 1881.

Our Company has issued a legal notice on July 26, 2008 upon Nath Biogene (I) Limited claiming damages and compensation to the tune of Rs.10000 lakhs for the defamatory statements and articles published against our Company in certain newspapers in June/July 2007. Our Company has also filed a criminal complaint (113/M/2008) against NBIL & Ors. before the Court of Metropolitan Magistrate, 47th Esplanade Court, Mumbai under Sections 500, 501, 502 read with Section 120 of the Indian Penal Code, 1860.

***2. The growth of our Company may not be sustainable and we can not assure the same growth rate in future.***

Our total income has increased from Rs. 3351.41 lakhs during 2006-07 to Rs. 6109.28 lakhs during 2007-08 showing an increase of 82.29% and from Rs. 6109.28 lakhs during 2007-08 to Rs. 9372.26 lakhs during 2008-09 showing an increase of 53.41%. Similarly, profit after tax showed an increase of 118.92% and 35.18% during 2007-08 and 2008-09 respectively. We may not be able to sustain such growth in revenues and profits or maintain a similar rate of growth in the future. In addition, we are now intending to expand our operations significantly. Such a growth strategy will place significant demands on our management as well as our financial, accounting and operating systems. Further, as we scale-up and expand our operations, we may not be able to focus on existing operations efficiently, which could result in delays, increased costs and diminished quality and in turn may adversely affect our reputation. Any inability to manage our growth efficiently may have an adverse effect on our business and results of operations.

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

We are primarily engaged in the manufacture (including contract manufacturing) of Hexaconazole, Propiconazole, Tebuconazole, Metalaxyl and Dicap which together contributed 87.52% and 93.73% of our total sales during 2007-08 and 2008-09 respectively. In case we are not able to launch new products, our dependence on these products will increase. Any decline in revenues from these products on account of reasons beyond our control or any other factor that negatively affects these products will adversely affect our business, financial performance and results of operations.

***4. Our Agrochemical industry is vulnerable to seasonal and weather fluctuations. This could result in fluctuations in demand for our agrochemical products which will adversely affect our sales and profitability.***

Demand for crop protection products is dependent on agricultural production. As in India, the crops are mainly sown in two cropping seasons, namely Kharif (July – November) and Rabi (October – February). The demand is skewed in favour of Kharif crops with about 70% of annual pesticide consumption. Further, majority of the farmers depend on rain for cultivation. Generally rainfall occurs during Kharif season and hence, the timing and seasonality of rainfall also impacts the business of our Company. Thus, we are subject to seasonal and weather factors, which make our operating results relatively unpredictable. In the event of natural calamities such as drought, insufficient rainfall or floods, demand for our Agrochemical products may reduce and this may also adversely affect our sales and profitability.

5. *Our sales are to a large extent dependent on the overall area under cultivation and the cropping pattern adopted by the farming community in India. Any reduction in the area under cultivation and the cropping pattern may impact our revenues and profitability.*

Our revenues generated from Agrochemical segment during FY 2008 and 2009 were Rs. 4959.95 lakhs and Rs. 7565.87 lakhs constituting 82.03% and 84.70% respectively of total revenue. Thus our Company derives majority of revenues from Agrochemical segment i.e. crop protection products. The area under agricultural crops was more or less stagnant over the last 4 years and with rising population, increasing agricultural yield and productivity is of utmost importance. Any significant reduction (10% or more) in the area under cultivation in these crops may significantly reduce the demand for our crop protection products. Also the demand of our products is dependent on the cropping pattern which may vary year on year for these major crops. Any significant changes in the cultivable area and the cropping pattern in India of these crops may adversely impact our revenues and profitability.

6. *We have entered into an agreement with Behram Chemicals Private Limited, now a subsidiary of our Company. In case of non-renewal of said agreement, our business and financial operations will be adversely affected.*

We have entered into an agreement with Behram Chemicals Private Limited, a company which was initially promoted by Mr. Jehangir J. Mistry, Mrs. Viloo J. Mistry, Mrs. Kamla G. Sippy and Mr. Surinder Kumar Verma in April, 1993 and then substantial stake was taken over by M.C. Chemicals and some members of Gangani family viz. Mr. Nasrudin K Gangani, Mr. S. N. Gangani, Mrs. N. N. Gangani, Mr. T. K. Gangani. These individuals and entities are not related to our Promoters / Directors in any manner. Behram Chemicals Private Limited became our Subsidiary through acquisition of 39,380 equity shares as per the terms of share purchase agreement in April, 2007. Under this agreement, our Company has got the right to use the manufacturing facilities (Plot no. B-16, Unit 1, Mahad, Maharashtra) of Behram Chemicals Private Limited. This agreement is valid till January 31, 2010. For details in respect of the said agreement, please refer to page 108 of this Red Herring Prospectus. In case of non-renewal of the said agreement, our business and financial operations will be adversely affected.

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

Our major raw materials include meta dichlorobenzene, aluminium chloride, potassium hydroxide,

and sodium hydroxide. We procure all our raw materials from third parties. We do not have any long-term supply contracts with respect to raw material used in the manufacture of our products. Any significant increase in the prices of these raw materials and our inability to pass on increased costs of raw material to our customers, may increase our total cost of production, in turn adversely affecting our profitability. In the event of any disruption in raw material supply in terms of requisite quantities and qualities our production schedule may also be adversely affected.

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

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

9. *We are subject to public liability exposure in India as well as in the countries where we sell our products. Though we have procured insurance the same may not be adequate for the claims arising from such liabilities and hence it may affect our financials.*

We may be exposed to public liability claims as we deal with products, which are made from raw materials, which are hazardous and poisonous and/or chemicals, which are combustible and flammable. 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. However, pursuant to the statutory requirements set out in the Factories Act and the Public Liability Insurance Act 1991, we have procured consolidated public liability insurance cover up to Rs. 300 lakhs 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 may be adversely affected.

10. *One of our units i.e. B-17 at Mahad, Maharashtra is an export oriented unit, is subject to certain conditions. In case we do not meet the conditions as stipulated under Import Export Policy and Procedures for EOU, our business and financial operations would be adversely affected.*

As an EOU, we are under obligation to export our entire production. However, we are allowed to sell goods manufactured by us in Domestic Tariff Area (DTA) upto 50% of the FOB value of exports on payment of concessional duty subject to achievement of prescribed NFEP. In case of circumstances beyond our control, if we fail to export the required quantity we will not be able to sell in the domestic market. This will adversely impact our business and financial operations.

Further, our Company is required to ensure that B-17 unit at Mahad achieves "positive net foreign exchange" as an EOU in accordance with the Import Export Policy and Procedures. In the event we do not achieve "positive net foreign exchange" (being the difference between the foreign currency

earning and the foreign currency expenditure), and/or if we do not meet EOU conditions which will be determined at the end of the five year period, we may be required to pay additional customs duty and may also be subject to a fine. We will not however lose our status as an EOU before the expiry of the five years by reason of us not achieving "positive net foreign exchange". In addition, should we cease to be an EOU after the expiry of the five year period we will have to seek a fresh approval from the Government of India for the purposes of manufacturing thirteen products for which we have been given approval under EOU as we are a non-small scale sector undertaking. We may have to stop manufacturing these products for domestic sales if we are unable to obtain the necessary approval. If any of these events occur, our operations and finances will be adversely affected.

***11. We have not yet placed orders for 100% of our plant and machinery, equipment etc. for which funds are being raised through this Issue. Any delay in procurement of necessary plant & machinery, equipment etc. may delay the implementation schedule which may also lead to increase in prices of these equipments, further affecting our cost, revenue and profitability.***

The net proceeds of the Issue are proposed to fund the planned expansion as explained in the section titled 'Objects of the Issue' beginning on page no. 33 of this Red Herring Prospectus. We have not yet placed orders for any plant & machinery or any equipment for our proposed project. Any delay in placing the orders or procurement of plant & machinery, equipment, etc. may delay the implementation schedule. Such delays may also lead to increase in prices of these equipments, further affecting our cost, revenue and profitability.

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

The expansion of our proposed project is to be funded from the proceeds of this IPO and internal accruals. We have not identified any alternate source of funding and hence any failure or delay on our part to mobilize the required resources or any shortfall in the Issue proceeds may delay the implementation schedule. Initially the project was scheduled to be completed by October, 2009 for proposed expansion of manufacturing facilities at Mahad and by July, 2009 for expansion of R&D facility at Dombivli. However due to delay in raising funds through initial public offering, the commencement of commercial production of expansion projects has already been delayed and now the same is expected to be completed by October, 2010 and July, 2010 respectively. Further, there was cost overrun of Rs. 151.73 lakhs (constituting 3.08%) in the stated cost of project. We therefore, cannot assure that we would be able to execute the expansion project within the given time frame, or within the costs as originally estimated by us. Any time overrun or cost overrun may adversely affect our growth plans and profitability.

***13. We have not appointed any Independent agency for appraisal of our proposed expansion project. The cost of project is based on our own estimates which may vary depending upon factors like increase in prices due to which the cost of project may be adversely affected, in turn affecting our financial operations.***

Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been appraised by any bank or financial institution. The deployment of funds is entirely at the discretion of our Board of Directors within the parameters as mentioned in the section titled "Objects of the Issue" beginning on page no. 33 of this Red Herring

Prospectus and is not subject to any monitoring by any independent agency. All the figures included under the section titled “Objects of the Issue” beginning on page no. 33 of this Red Herring Prospectus are based on our own estimates and the quotations we have received from various suppliers, which may vary depending upon factors like increase in prices due to which the cost of project may be adversely affected. We have already kept a provision of contingencies to the extent of 2.50% of the cost of plant & machinery, equipment, etc. However, we can not assure that we will be in a position to set our proposed expansion project in the stated means of finance. We may have to revise our management estimates from time to time and consequently, our funding requirement may also be changed. In case of any increase in cost of project, our financial position may be adversely affected.

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

We are embarking upon an expansion and are proposing to incur capital expenditure of Rs. 3599.40 lakhs, as detailed in the section titled “Objects of the Issue” beginning on page no. 33 of this Red Herring Prospectus. In the past, we have not undertaken capital expenditure of such size and our inability to manage capital expenditure may adversely effect our operations. We cannot assure that we will be able to get the benefits of the generally growing demand in this sector and accordingly the benefits accruing to us from the planned expansion may be less than what is anticipated.

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

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

| <b>(Rs. in lakhs)</b>                   |                                   |                |                |                |                |                |
|-----------------------------------------|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Particulars</b>                      | <b>Period ended June 30, 2009</b> | <b>2008-09</b> | <b>2007-08</b> | <b>2006-07</b> | <b>2005-06</b> | <b>2004-05</b> |
| Net Cash flow from operating activities | 675.91                            | (249.92)       | 836.52         | 242.91         | (341.28)       | 136.78         |
| Net Cash flow from investing activities | (40.49)                           | (330.91)       | (1428.83)      | (1055.34)      | (735.16)       | (311.18)       |
| Net Cash flow from financing activities | (493.73)                          | 532.54         | 628.59         | 840.46         | 1127.86        | 177.34         |
| Total Net Cash flow                     | 141.69                            | (48.29)        | 36.28          | 28.03          | 51.42          | 2.94           |

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

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

We could not fulfill part of our export obligation arising out of two advance licenses. We have applied to Joint Director General of Foreign Trade, Ministry of Commerce, Government of India, Mumbai on July 15, 2008 for extension of time. For details in respect of the balance export obligation, please refer to sub-para “Export Obligation” appearing on page no. 85 of this Red

Herring Prospectus. Our inability or failure to get the required extension, could result in potential custom duty liability or penalty which could adversely affect our financial operations to that extent.

***17. The trademark and corporate logo of our Company have not yet been registered. Failure to get approval for intellectual property rights may adversely affect our business.***

The trademark “Astec” and the corporate logo of “Astec” have not been registered by our Company. We have made an application dated June 24, 2008 for trademark and copyright registration of our tradename and logo under Class 1 and 5. The application under Class 1 has been opposed by MicroPoise Measurement Systems LLC as per the intellectual property website of Government of India ([www.ipindia.nic.in](http://www.ipindia.nic.in)). We have not yet received any formal notice of opposition from the Registrar of Trademarks. In the event, opposition proceedings are successful, the Registrar of Trademarks will not grant a certificate of registration to our Company. The application under Class 5, however, has been accepted and advertised by the Registrar of Trademarks in the Trademark Journal No. 1406. Further, we have also applied for registrations of 9 trademarks relating to our products on February 12, 2008, out of which we have received registration for 5 trademarks. We have received a notice of opposition against two of our applications for trademark “Propizole” and “Difenpro” from Shalina Laboratories Private Limited and Syngenta AG Participants respectively. In regard to the opposition by Syngenta AG Participants, we have withdrawn the said application for registration and have filed counter-statement in respect of opposition by Shalina Laboratories Private Limited. However, there is no assurance that our remaining trademark applications will be approved by the Trade Marks Registry, Mumbai. In addition, our applications for the registration of these trademarks may be opposed by third parties. If we are unable to obtain registration of our trademarks we may not be able to successfully enforce or protect our intellectual property rights and obtain statutory protections available under the Trade Mark Act, 1999, as otherwise available for registered marks. This could have a material adverse effect on our business, financial condition and results of operations. For further details in respect of our intellectual property, please refer to section titled “Intellectual Property Rights” appearing on page no. 99 of this Red Herring Prospectus.

***18. Our Company may not be able to obtain registration for its products in regulatory markets which may restrict our Company's ability to sell those products in these markets which may in turn affect our business and operations.***

In most markets, including the United States and EU, crop protection products must be registered after being tested for safety, efficacy and environmental impact. Currently, we have 43 registrations in 20 countries in which local firms / parties have obtained the registration based on our Company being the approved source of supply and three registrations in our own name in Australia (2) and Vietnam (1). Also, some of our existing registered products need to be renewed after their expiry. Therefore, our local firms/ parties have to apply for the proposed registration or renew those products 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 local firms / parties 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.

In Europe recently, the registration standards / procedures / formalities have been changed / modified / amended. Consequent to which, we are required to re-register our existing 16

registrations through our local firms / parties, the steps for which we have already taken. If we are unable to re-register our products for reasons beyond our control, it could impact our ability to sell those products in Europe. Further, some other countries in which registrations for our products may undergo similar changes in standards as in Europe by which re-registration of our products in those countries is required. Any inability to get the re-registration or meet new standards could adversely impact our business, financial condition and operations.

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

The following renewal applications are pending in respect of our existing operations:

| Sr. No. | Name of the consent / registration                                                                                                                                                                                                                                                                                                                                                                               | Issuing Authority                   | Date of application                                                                                                                       |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| 1.      | Consent to operate under the provisions of Section 26 of the Water (Prevention & Control of Pollution) Act, 1974 & under Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 and Authorization/ Renewal of Authorization under Rule 5 of the Hazardous Wastes (Management & Handling) Rules, 1989 and Amendment Rules, 2003 for our units located at B-16, MIDC, Mahad and F-39, MIDC, Dombivli. | Maharashtra Pollution Control Board | Renewal application dated June 15, 2009 for unit located at B-16, MIDC, Mahad and June 20, 2009 for unit located at F-39, MIDC, Dombivli. |
| 2.      | Certificate of registration for contract labour under Section 7(2) of the Contract Labour (Regulation and Abolition) Act, 1970 for our units located at B-16, 17, 18, 21, MIDC, Mahad                                                                                                                                                                                                                            | Registering and Licensing Authority | Renewal applications dated April 3, 2009.                                                                                                 |

Further, for our proposed expansion project, we have received the consent for manufacture of Pentanediol (organic intermediate) from MIDC and made an application to Maharashtra Pollution Control Board, MIDC on June 27, 2008 for obtaining consent to operate for manufacturing of Pentanediol (organic intermediate). Except for this, we have neither applied nor received any approvals for the proposed expansion project. The necessary application for various licenses/approvals would be made to the respective authorities at various stages of project implementation. There can be no assurance that we will receive the approvals on a timely basis, or at all. If we do not receive the requisite approvals for our proposed expansion or if such approvals are delayed, our proposed expansion plans may be adversely affected.

For status of all such licenses/approvals relating to our existing operations and proposed expansion, please refer to the section titled 'Government Approvals' on page number 171 of the Red Herring Prospectus.

***20. We occupy the premises wherein our Registered Office is located on leave and license basis and any termination of this agreement and/or non renewal could adversely affect our operations.***

We do not own the premises on which our Registered Office is located. We have acquired the premises pursuant to a leave and license agreement, which is valid for a period of 3 years i.e. upto February 28, 2011. If this agreement is terminated by the licensor or we are required to vacate the premises, we may have to identify other premises to relocate our Registered Office, which could disrupt our business operations. Further, we cannot assure that we will be able to obtain alternate premises on terms favourable to us, which may also adversely affect our financial condition.

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

Some of our raw materials such as Hexane, Methanol, Toluene, Dimethyl sulfide and Heptane are highly flammable. We are susceptible to the risk of fire and/ or other accidents while dealing with/storing the aforesaid. There was a fire at our Dombivli unit in May, 2004 which resulted in damage to our factory premises, loss of stocks and caused death of our employee. Each of our plants is insured against fire and other risks. However, the occurrence of a major accident could damage our inventories and operating premises and may disrupt our operations and in turn would adversely affect our financial performance.

***22. Our insurance cover may be inadequate to fully protect us from all losses and this may have material adverse affect on our business and financial operations.***

We have various insurance policies covering stocks, buildings, furniture, plant & machinery, laboratory equipment, etc. for total insured amount of Rs. 6335.25 lakhs, details of which are disclosed on page number 94 of this Red Herring Prospectus. We have in the past claimed and received a sum of Rs. 436.16 lakhs on account of loss due to fire in the factory premises at Dombivli in the year 2004. However, our insurance policies may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverage. We cannot assure you that the insurance policies availed by us will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim, which have a material and adverse impact on our business operations and profitability.

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

We operate in a highly competitive environment. Our principal products in Agrochemical and Pharmaceutical sectors are produced by a number of other producers. Players in this market generally compete with each other on key attributes such as technical competence, quality of products and services, pricing and track record. Besides international producers, there are competitors in India having similar products as our Company. We compete against our competitors on quality, technical competence, distribution channels, logistics facilities, after sales

service and customer relationships. There is no assurance that we will continue to compete successfully in future.

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

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

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

- synchronizing availability of raw material and the competitive pricing of raw material
- seasonality of business;
- unanticipated changes in regulatory policies in the jurisdictions in which we operate;
- delays in receipt of payment from customers or level of bad debts;
- our customer's requirements, and their future plans;
- unanticipated cancellations or deferrals of orders, or non-renewal or termination of any contracts by our customers; and
- changes in pricing policies of our competitors;

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

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

Our success depends on our ability to continue developing new products. We cannot assure you that we shall make enhanced R&D investments or continue the current level of R&D investments in our business, or that this investment will yield satisfactory results in terms of new and improved products, or will yield any results at all. The development process for new products is lengthy and costly. Despite investments in this area, our research and development efforts may not result in the discovery or successful development of new products. There can be no assurance that a new product will be commercially successful. In addition, research undertaken by competitors may lead

to the launch of competing or improved products that may affect the sales of our products. If our R&D efforts do not result in a pipeline of products that can be commercially exploited, our business, results of operations and financial condition may be adversely affected.

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

As per our audited accounts for the period April 1, 2009 to June 30, 2009, outstanding contingent liabilities as on June 30, 2009 are as under:

| (Rs. in Lakhs)                    |                               |
|-----------------------------------|-------------------------------|
| Particulars                       | Period ended<br>June 30, 2009 |
| Bank Guarantees outstanding       | 55.29                         |
| Letters of Credit with banks      | 759.00                        |
| Bills discounted but not realized | 134.96                        |
| Total                             | 949.25                        |

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

**27. *We are susceptible to foreign exchange fluctuations, as a result of which we may incur foreign exchange losses.***

During financial year 2007-08 and 2008-09, our imported raw material was to the extent of Rs. 994.25 lakhs and Rs. 1,513.29 lakhs respectively. Our Company's sales are also denominated in several currencies. During 2007-08 and 2008-09, our export sales (including deemed exports) was 25.63% and 29.52% respectively. To the extent of our sales, purchases and operating expenses are not matched in the same currency, we are susceptible to foreign exchange losses. In the past during financial year 2006-07, we have incurred loss of Rs. 2.68 lakhs on account of foreign exchange fluctuation. Any significant adverse fluctuation in foreign currency in future against INR may result in foreign exchange losses and may adversely impact our performance.

In addition, given that the reporting currency of our Company is INR, we convert our non-INR denominated revenue such as US\$ and Euros revenue into INR using the exchange rates prevailing on the dates of the sale transactions. Therefore, revenue derived from our customers outside India (who pay us in currencies such as US\$ and Euros) as converted to INR in our financial statements may be lower when the US\$ and Euros depreciate against INR. This variation in the exchange rate may adversely affect our operating results.

**28. *We have entered into certain related party transactions and may continue to do so. There could be no assurance that in future such transactions will not have any adverse effect on our financial condition and results of operation.***

We have entered into related party transactions aggregating to Rs. 8.73 lakhs for the period ended June 30, 2009 with our Promoters, Directors and Promoter Group Company. While we believe that all such transactions have been conducted on the arms length basis, there can be no assurance that we could not have been achieved more favourable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate,

will not have an adverse effect on our financial condition and results of operation. For details, please refer to section titled “Related Party Transactions” at page no. 127 of this Red Herring Prospectus.

***29. There are restrictive covenants under our loan agreements, which could influence our ability to expand, in turn affecting our business and results of operations.***

We have entered into agreements with Axis Bank, IDBI Bank and State Bank of Hyderabad for short term loans and long term borrowings. Our Company is subject to certain restrictive covenants of loan agreements entered into with our Bankers. These restrictive covenants require our Company to seek the prior consent of the banks for various activities, including amongst others, effect any change in the capital structure, not to sell, assign, mortgage or otherwise dispose of any of the fixed assets charged to bank or to take up new project or any large scale expansion or make any changes in its management setup, formulate any scheme of amalgamation, merger or reconstitution, enter into additional borrowing arrangements, implement any scheme of expansion or acquire fixed assets of substantial value, undertake any guarantee obligations on behalf of any other company/ firm, declare dividend more than the net profit of the year, making investments in or granting loans to subordinates, associate concerns individuals etc. These covenants may have an adverse effect on the functioning of our Company.

Furthermore, our Company has created a charge in favor of our Bankers against the fixed assets of the Company. In case of default by our Company in repayment of the loans, our Bankers may exercise their rights over the security, which may be detrimental to the interest of our Company.

For details of restrictive covenants, please refer to paragraph “Restrictive Covenants” appearing on page no. 31 of this Red Herring Prospectus under Section titled “Capital Structure”.

***30. Misuse of our proprietary information/ data may adversely impact our business and revenues.***

There are existing 43 product registrations in 20 countries in which local firms / parties have obtained the registrations based on our Company being the approved source of supply. We incur considerable expenditure for obtaining such registrations. In case of any misuse of our proprietary information / data by the local firms / parties, we may not be able to adequately protect ourselves, in turn adversely impacting our business and revenues. Further, we may have to incur additional expenditure for any legal recourse that we may decide to take in such circumstances, which could also adversely impact our financial condition.

***31. Any non-compliance of any laws/ regulations of the countries, where our products are supplied and distributed, may result in claims by way of damages, penalties and other claims which may have a material adverse impact on our Company. Further, any dispute with our distributors and agents could adversely affect our business and results of operations.***

Our Company may be subject to various laws and regulations where our products are supplied and distributed. Our Company may have to adhere to laws of these overseas jurisdictions to enable us to carry on our business in these territories. Any non-compliance of such laws and regulations on our part may result in claims by way of damages, penalties and other claims which may have a material adverse impact on our Company.

In the event of any dispute with our distributors and agents, we may be required to litigate in overseas jurisdictions. International litigation is often expensive and time consuming and could distract management's attention away from the operations of our business. Our failure to address these risks adequately could materially and adversely affect our business, results of operations and financial condition.

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

Our manufacturing facilities are subject to operating risks, such as breakdown or failure of equipment, interruption in power supply or processes, shortage of raw materials, performance below expected levels of output or efficiency, natural disasters, obsolescence, labour disputes, strikes, lock-outs, severe weather, industrial accidents, our inability to respond to technological advances and emerging industry standards and practices in the industry and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results, and the loss or shutdown of operations at our manufacturing facility will have a material adverse affect on our business, financial condition and results of operations. There was an outbreak of fire in R&D Unit in the year 2004 which had led to the disruption of operations and financial losses. Although, we have taken necessary precautions against fire, we cannot assure that such incidents will not happen in the future.

***33. Our manufacturing facilities are geographically located in and around the State of Maharashtra. Any social unrest or natural disaster or breakdown of services and utilities in Maharashtra could have material adverse effect on our business and financial condition.***

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

***34. We are dependent on a number of key personnel and the loss of, or our inability to attract or retain such persons could adversely affect us.***

Our Company recruits and trains personnel in the areas of research & development, production and development of new products. We believe that there is significant demand for personnel who possess the skills needed to perform the services we offer. Our inability to hire and retain additional qualified personnel will impair our ability to continue to expand our business. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of technical personnel with the requisite skills to replace those technical personnel who leave. We believe our relationship with our employees is generally good, but we cannot guarantee that we will not experience any strike, work stoppage or other industrial action in the future

**35. *We have not tied up for the additional bank borrowings for working capital. Our inability to arrange such additional borrowings from banks could affect our operations and the profitability.***

Our projected level of bank borrowings for the fiscal year 2011 are of Rs. 4000 lakhs. We envisage to borrow upto Rs.1200 lakhs, in addition to our existing borrowings to meet the said working capital requirement. As on date we have not tied up this additional borrowing from the banks. Our inability to arrange this additional working capital requirement from banks on terms favourable to us, could adversely affect our operations and the profitability.

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

The countries, to which we export our goods, may impose anti dumping duties on such goods exported by us. We may be required to pay additional duty on the goods exported by us, or we may not be able to export such products in future to the concerned countries. In that scenario, our financial condition could be adversely affected.

**37. *Our Promoter Group Companies have incurred losses during the last three financial years.***

Our Promoter Group Companies viz. Opus Chemicals Private Limited and Astec Europe have incurred losses during the last three financial years, details of which are as under:

(Rs. in lakhs)

| Name of the Company            | Profit / (Loss) |                |                |
|--------------------------------|-----------------|----------------|----------------|
|                                | March 31, 2009  | March 31, 2008 | March 31, 2007 |
| Opus Chemicals Private Limited | 0.08            | (0.02)         | (3.43)         |

(Rs. in lakhs)

| Name of the Company | Profit / (Loss)   |                   |                               |
|---------------------|-------------------|-------------------|-------------------------------|
|                     | December 31, 2008 | December 31, 2007 | December 31, 2006             |
| Astec Europe        | 2.39              | (2.42)            | Incorporated in January, 2007 |

**38. *The objects clauses of our Subsidiary Company viz. Behram Chemicals Private Limited and our Promoter Group Company viz. Opus Chemicals Private Limited permit them to undertake business similar to our business and thereby causing a potential conflict of interest situation.***

We have entered into an agreement with Behram Chemicals Private Limited under which our Company has got the right to use the manufacturing facilities of Behram Chemicals Private Limited. The agreement is valid till January 31, 2010. At present, Behram Chemicals Private Limited is not engaged in any business activity. However, the objects clause of Behram Chemicals Private Limited permit them to carry on business similar to that carried on by us. Similarly, objects clause of our Promoter Group Company viz. Opus Chemicals Private Limited also permit them to carry on business similar to that carried on by us, as detailed in the section titled "Our Promoter Group" beginning on page no. 123 of the Red Herring Prospectus. In future if these entities or other such entities, which may then form part of our Promoter Group, may carry on business

similar to that of our Company. This may result in a conflict of interest with respect to business strategies of our Company.

***39. On account of non-disclosure of information relating to companies / entities promoted by Mr. Jai Hiremath, brother of one of our Promoter, our financials may be adversely affected.***

Mr. Ashok Hiremath, Promoter of our Company, has three brothers namely Mr. Suresh Hiremath, Mr. Jai Hiremath and Mr. Prabhu Hiremath. Mr. Prabhu Hiremath and Mr. Suresh Hiremath are NRIs and are not involved in affairs of our Company since incorporation. Mr. Jai Hiremath, is the promoter of Hikal Limited, a listed company on BSE and NSE, and is engaged in R&D, manufacturing and marketing of fine chemicals for the pharmaceutical and agrochemical sector. Our Company's promoter Mr. Ashok Hiremath does not have any business interest in Hikal Limited. Mr. Jai Hiremath and Mr. Ashok Hiremath have signed a disassociation agreement on September 20, 2005 wherein both the parties have agreed to run their businesses independently and there will not be any business relation and / or business transaction with them in any manner. They also agreed that there will not be any right, title, interest whatsoever nature in assets and liabilities of both the parties. A copy of the disassociation agreement has been disclosed as part of material contracts and document for inspection.

We do not have any access to any information or documents relating to outstanding litigations, financial information and shareholding (other than the information available in the public domain) of the entities promoted by Mr. Jai Hiremath, therefore disclosures in this regard have not been made. We are therefore, not in a position to confirm if any such undisclosed details regarding such companies and / or entities, including pending litigations against them, would have an adverse impact on our performance or results. We may be vulnerable to claims of non-disclosure and may have to incur expenditure to defend any such claims, which in turn could adversely affect our financials to that extent.

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

After completion of the Issue, the Promoters and promoter group will continue to hold approximately 55.69% of post-issued paid up share capital. So long as the Promoters and promoter group holds a majority of our Company's Equity Shares, they will be able to control most matters affecting our Company, including the appointment and removal of our Directors; our business strategy and policies; any determinations with respect to mergers, business combinations and acquisitions; our dividend payout and financing. Further, the extent of Promoters and promoter group shareholding may result in delay or prevention of a change of management or control of our Company, even if such a transaction may be beneficial to our other shareholders.

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

Any future issuances of our Equity Shares may dilute the positions of investors in our Equity Shares, which could adversely affect the market price of our Equity Shares. Additionally, sales of a large number of our Equity Shares by the members of our Promoter Group could adversely affect

the market price of our Equity Shares. Any such primary or secondary sale of Equity Shares may adversely affect the market price of our Equity Shares.

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

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

## **EXTERNAL RISK FACTORS**

- 1. Changes in the policies of the Government for agriculture sector or any international organizations may prove unfavourable to our business.***

Any changes in the policy of the Government of India and foreign tax legislation or other policies pertaining to agrochemical industry or other related industry can have an adverse effect on our Company's performance.

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

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

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

Our projects are subject to government and environmental laws and regulations which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from the operations of our businesses. These laws and regulations include the Environmental Protection Act 1986, the Air (Prevention and Control of Pollution) Act 1981, the Water (Prevention and Control of Pollution) Act 1974, Hazardous Wastes (Management and Handling) Rules, 1989 and other regulations promulgated by the Ministry of Environment and the Pollution Control Boards of the relevant states. In addition, some of our operations are subject to

risks involving personal injury, loss of life, environmental damage and severe damage to property.

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

**4. *A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact our financial performance.***

Any decline in foreign exchange reserves could negatively impact the valuation of the rupee. Further, this could result in reduced liquidity and higher interest rates that could adversely affect our future financial performance.

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

The Equity Shares will be listed on NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity shares can be listed and trading may commence. Investors' book entry or demat accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. Thereafter, upon receipt of final approval of the stock exchanges, trading in the equity shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to their demat accounts, or that trading will commence, within the time periods specified above.

**6. *The Issue price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue.***

The Issue Price of our Equity Shares will be determined by the Book Building Process. This price will be based on numerous factors (discussed in the section "Basis for Issue Price" on page no. 51 of this Red Herring Prospectus and may not be indicative of the market price of our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure you that you will be able to resell your Equity Shares at or above the Issue Price. Among the factors that could affect our share price are:

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

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

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

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

### **NOTES TO RISK FACTORS**

1. The Net worth of our Company as on March 31, 2009 and June 30, 2009 is Rs. 3051.14 lakhs and Rs. 3395.41 lakhs respectively as per our restated audited financial statements under Indian GAAP. The size of the Issue is Rs. [•] lakhs.
2. The Book value per share as on March 31, 2009 and June 30, 2009 is Rs. 32.36 and Rs. 36.01 per Equity Share respectively.
3. The average cost of acquisition of Equity shares of the Promoters is as per the details given below (including issue of bonus shares).

| <b>Name of Promoter</b> | <b>Total number of Equity Shares</b> | <b>Average Cost of Acquisition - Per Equity Share (Rs.)</b> |
|-------------------------|--------------------------------------|-------------------------------------------------------------|
| Mr. Ashok Hiremath      | 6115780                              | 4.46                                                        |
| Dr. P. L. Tiwari        | 1650000                              | 0.91                                                        |

4. Public issue is of 7500000 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] per Equity Share (including a share premium of Rs. [•] per Equity Share) aggregating to Rs. [•] Lakhs. The Issue comprises of a Net Issue of 74,00,000 Equity Shares to the public and a reservation of 1,00,000 Equity Shares for subscription by the eligible employees (The Employee Reservation Portion). The Issue will constitute 44.30% of the fully diluted post-Issue paid up capital of our Company.

5. This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Issue to Public shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Net Issue to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
6. For interest of our Promoters/Directors/Key Managerial Personnel and other ventures promoted by Promoters, please refer to section titled "Risk Factors", "Our Promoters", "Our Promoter Group", "Our Management", "Related Party Transactions" and "Financial Statements of the Company" beginning on page numbers iii, 121, 123, 110, 127 & 129 of this Red Herring Prospectus.
7. We have entered into various related party transactions with related parties including various Promoter group companies amounting to Rs. 8.73 lakhs for the period ended June 30, 2009. For related party transaction refer to section titled "Related Party Transactions" beginning on page no. 127 of this Red Herring Prospectus.
8. Our Promoters/ Promoter Group/Directors have not purchased / sold / financed / acquired any shares of the Company during the past 6 months.
9. No loans and advances have been made to any person(s) / Companies in which the Director(s) of our Company are interested except as stated in the Auditors Report. For details of loans and advances, please refer to Annexure-VIII of Auditors Report under section titled "Financial Statements" appearing on page no. 129 of this Red Herring Prospectus.
10. Any clarification or information relating to the Issue shall be made available by the BRLM or Co-BRLM, our Company and our Compliance Officer to the investors at large and no selective or additional information would be available for a section of investors in any matter whatsoever. Investor may contact the BRLM for any complaint pertaining to the Issue.
11. The Investors are advised to refer to the Para on "Basis for Issue Price" on page no. 51 of this Red Herring Prospectus before making any investment in this Issue.
12. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
13. No part of the Issue proceeds will be paid as consideration to promoters, directors, key managerial personnel, associate or Group Companies.

14. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders, Retail Bidders and Bidders in Employee Reservation Portion shall be on a proportionate basis. For, more information, please refer section titled “Basis of Allocation” on page no. 228 of the Red Herring Prospectus.

## SECTION III: INTRODUCTION

### SUMMARY

This is only a summary and does not contain all the information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information contained in the chapter titled “Risk Factors” and “Financial Statements” and related notes beginning on page nos. iii and 129 of this Red Herring Prospectus before deciding to invest in our Equity Shares.

#### **Summary of our Industry**

We have two major business segments, i.e. Agrochemicals and Pharmaceuticals. Following is a brief overview of the industries in which we operate:

#### **Agrochemical Sector**

Agrochemicals are used for preventing destruction of crops from pests, insects, weeds, rodents, fungus, etc. Agrochemical industry plays a vital role in ensuring food security and economic benefits to the farmers. Agrochemicals are the last input in agricultural operation and essential for sustainable development in agriculture.

Agrochemicals are first manufactured as technical grade products having higher commercial purity. These are not used as such and the successful use to control harmful insects, weeds, etc depends to a large extent on their formulation. The active ingredients are mixed with solvents, adjuvants and fillers necessary to achieve the desired formulation. The main purpose of agrochemical formulation is to manufacture a product that has optimum biological efficiency, is convenient to use and minimizes environmental impacts.

In volume terms, the Indian agrochemical industry is second in Asia (after China) and twelfth globally. In spite of India primarily being an agricultural economy & agrochemicals being an essential ingredient for ensuring food security, consumption of agrochemicals is low in India. The industry (domestic and exports) registered a CAGR of 5.37% in last 6 years ended FY 2006 with most of the growth coming from exports. India is also a net exporter of agrochemicals with exports valued at Rs. 2,800 crores in 2005-06. The domestic market grew @ 7.72% in FY 2007 to achieve a turnover of Rs.4463 crores. (Source: CARE Research Report – August, 2009)

#### **Pharmaceutical Sector**

The global pharmaceutical market was valued at US\$ 773bn during calendar year 2008 recording a y-o-y growth of 8.42%. The pharmaceutical market globally is largely being driven by the N. American and the European nations which together constituted approximately 68.8% of the total global pharma sales during calendar year 2008. However the contribution to the growth of global pharma sales by these regions has remained subdued in recent times owing to fewer new product launches, less-than expected demand of recently launched products and of late with the indirect effects of economic slowdown such as reduction in the number of visits to clinics.

The Indian pharmaceutical market was valued at Rs. 62,500 crores during FY08. With the y-o-y growth of Indian pharma sales at 10.62% surpassing the y-o-y growth of global pharma sales at 8.42% during FY08, India represents one of the fastest growing pharma markets in the world.

The Indian pharma industry consists of nearly 330 units in the organised sector and more than 15000 units in the unorganised sector. The organised sector accounts for 96% of the industry with the top 15 companies constituting almost 63% of the total industry sales.

The pharma manufacturers can be classified into bulk & intermediate manufacturers and formulators. In value terms, formulations command nearly 78% share of the Indian pharma market. In addition to the domestic consumption, the industry's exports have grown phenomenally at a Cagr of nearly 20% during the period FY02-FY-08. Significantly during FY08, the exports accounted for 46.6% of the total pharma sales during the year of which the share of exports to US stood highest at 19%. (Source: CARE Research Report – August, 2009).

### **Our Business Overview**

The business of our Company presently comprises of the following two major segments:

- a) Agrochemicals
- b) Pharmaceuticals

Under the Agrochemical segment, we manufacture active ingredients, intermediates and formulations. Active ingredients are sold to crop protection formulators. Intermediates are supplied to technical grade product manufacturers. Formulations are sold in bulk quantities to companies engaged in retail marketing.

Under the Pharmaceutical segment, our Company carries out manufacturing of intermediates which are supplied to Active Pharma Ingredients (API) manufacturers.

Our Company is primarily involved in the production of active ingredients and intermediates for agrochemicals and pharmaceutical segment. Hexaconazole, Tebuconazole, Metalaxyl and Propiconazole are some of our key products in agrochemical segment which are generally used in crop protection and Dicap is one of our key Pharmaceutical intermediate which is used in manufacture of antifungal agents. Triazole fungicides, which includes Hexaconazole, Tebuconazole, and Propiconazole is one of our major product in the agrochemical segment, and has contributed 65.81% to our total sales whereas Dicap, a key product in pharmaceutical segment has contributed 14.14% during FY 2008-09.

### **Our Strengths:**

#### ***Diversified product range***

Our Company has a diverse product range comprising a mix of high volume-medium margin and low volume-high margin products. We have more than six products in our product portfolio which consists of different kinds of active ingredients, intermediates and formulations. Our products are available in various sizes of packaging catering to the needs of a wide range of customers.

### ***Focus on Research & Development***

Our focus is to make improvements to our existing products and to develop processes for new products. With this objective, we have established our in-house R&D centre at Dombivli, Maharashtra. Our in-house R&D facilities are recognized by Department of Science and Industrial Research. Our Company has a team of 10 chemists who are engaged in research and development activities. Our Company's continuous focus on R&D has enabled us to develop products to the satisfaction of our domestic and international customers. With continuous focus on research and development, the R&D team has been able to develop processes for various new products like Tebuconazole, Propiconazole and Metalaxyl. For the year ended March 31, 2009, we have invested Rs. 32.14 lakhs amounting to 0.36% of our turnover on Research & Development.

### ***Customer base***

We have a diverse customer base from different industry segment like agro chemicals and pharmaceutical applications. Further, our products are also used in manufacturing shampoos and disinfectants.

### ***Existing product registrations***

To export Agrochemical products, we require registration of the product with a local authority to enable us to get the license to sell and distribute the product in the foreign territory. For the purpose of registration, we are required to enter into an arrangement with local firms / parties who obtains the registration based on our Company being the approved source of supply of the active ingredient. There are existing 43 registrations in 20 countries in which local firms / parties have obtained the registration based on our Company being the approved source of supply and three registrations in our own name in Australia (2) and Vietnam (1). These registrations will give us access to large markets.

In addition to overseas registrations, we have 69 CIB registrations for various products in the Indian market. These registrations help us to market the products in India.

### ***Our quality standards***

Our Company has been granted ISO 9001:2000 Certificate of Assessment by International Standards Certification Pty limited, Australia for "Design, Development, Manufacture and Supply of Organic Chemical and Intermediates for Pharmaceutical and Agrochemical Industry".

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

Our Company is managed by a team of experienced and professional personnel with exposure in various aspects of agrochemical and pharmaceutical Industry including production, research & development, marketing and finance. Mr. Ashok Hiremath, Chairman and Managing Director is a Masters of Arts from University of Oxford and Post Graduate Diploma holder in Chemical Engineering from University College, University of London. He has 29 years of experience in various fields of management. Mr. D.K. Joshi, Vice President, Operations is a Chemical Technologist with 30 years of experience in the field of agrochemicals production, pesticide manufacturing and managing operations of agrochemical units. Mr. Javed Syed, Vice President, Marketing is a Science graduate with 34 years experience in domestic and export marketing. Dr. Ranjan Shastri, Vice President (R&D) has more than 40 years of experience in the field of research & development covering agrochemicals, pesticides, etc.

## **Our Strategy:**

### ***Expansion of our manufacturing capacities***

We started manufacturing operations with an installed capacity of 120 MT in 1994 and at present have an installed production capacity of 2800 MT per annum. Our Company further proposes to expand our existing manufacturing facilities at Mahad, Maharashtra and with the implementation of proposed expansion, the installed production capacity would increase to 3950 MT per annum.

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

Our Company started export of their products in the year 1994 to South Africa followed by exports to Europe, USA, West Asia, East Asia, Japan and South America. Currently our export (including deemed exports) comprises 29.52% of the total revenue. With the implementation of the proposed expansion of our existing manufacturing facilities at Unit number 2, Mahad, Maharashtra, which is an export oriented unit, our geographical presence in international markets would increase. Our Company plans to enter into long-term supply contracts for their products with potential customers. This will enable us to scale up our exports.

### ***Increasing our product range***

The implementation of the proposed expansion will enable us to produce a diverse range of products. We believe that some of these new products will be based on our proprietary technologies which will lead to an increase in sales and profitability. Towards this end, we are in negotiation with a number of international clients for such products.

### ***Contract Manufacturing***

Contract manufacturing involves manufacturing of products for customers based on technology and process either owned by the company or provided by the customer. Contract manufacturing involves manufacture of products on an exclusive basis for specific customers. We have identified contract manufacturing as one of the options to maintain growth and profitability as it provides a predictable pattern of demand. At present our Company carries out contract manufacture for one of our US based customer. We believe that our technical skills, safety and environment systems, understanding of intellectual property issues provides us a platform to attract such business.

### ***Develop CRAMS business model***

We also propose to expand and enhance our R&D capabilities with a view to undertake contract research and manufacturing. Innovator companies purchase small quantities of products for their trials during their early testing phases. If the products are successful during these trials they are commercialized and the innovator companies purchase their commercial quantities from the partner that provided them with the trial quantities. By entering into such partnerships at an early stage of a product cycle with our customers we intend to build a stable and sustainable business model.

### ***Increasing product registration activities***

The key to sustain our operations is the ability to register our products, particularly in regulated markets. We propose to register our products in regulated markets such as Europe, Brazil, other South American countries, South East Asia and in India. We believe that these registrations would enable us to tap these markets at higher margins.

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

Our Company has a dedicated research & development centre at Dombivli, Maharashtra. The Research & Development team is engaged in development of processes for new products and improving the processes for existing products. Presently the research focuses on process development of agrochemicals and pharma intermediates. The proposed expansion will enable us to enhance our process development capabilities and to undertake contract research activities.

### ***Overseas expansion***

Our Company along with a team of European scientists promoted 'Astec Europe' in Tournai, Belgium. With an objective to participate in the European generics market, 'Astec Europe' was incorporated in January, 2007. This will make 'Astec Europe' eligible for local government grants. 'Astec Europe' also intends to register some of its products in Europe which will enable quick market access.

### ***Cost effectiveness***

Our Company intends to improve efficiencies to achieve cost reductions so that they can be globally competitive. We believe that this can be done through process innovations, economies of scale and through vertical and horizontal integration. As a result of these measures, our Company will be able to increase its market share and profitability.

## SUMMARY OF FINANCIAL DATA

### Consolidated Restated Statement of Assets and Liabilities

(Rs. In Lakhs)

| Year ended on                                    | 2007-08         | 2008-09         | 30-06-09        |
|--------------------------------------------------|-----------------|-----------------|-----------------|
| <b>Fixed Assets</b>                              |                 |                 |                 |
| Gross Block                                      | 4,024.25        | 4,297.55        | 4,338.05        |
| Less : Depreciation                              | 674.01          | 998.79          | 1,093.72        |
| <b>Net Block (A)</b>                             | <b>3,350.24</b> | <b>3,298.76</b> | <b>3,244.33</b> |
|                                                  |                 |                 |                 |
| <b>Investments (B)</b>                           | <b>12.40</b>    | <b>12.40</b>    | <b>12.40</b>    |
| <b>Current Assets Loans and Advances (C)</b>     |                 |                 |                 |
| Inventories                                      | 1,883.44        | 2,905.65        | 2,803.82        |
| Receivables / Sundry Debtors                     | 1,797.01        | 2,875.39        | 2,969.37        |
| Cash and Bank Balances                           | 156.97          | 108.73          | 249.93          |
| Loans and Advances                               | 566.49          | 433.37          | 578.26          |
| <b>Total (C)</b>                                 | <b>4,403.91</b> | <b>6,323.14</b> | <b>6,601.38</b> |
| <b>Total Assets ( A+B+C)</b>                     | <b>7,766.55</b> | <b>9,634.30</b> | <b>9,858.11</b> |
|                                                  |                 |                 |                 |
| <b>Liabilities and Provisions (D)</b>            |                 |                 |                 |
| Secured Loans                                    | 3,217.10        | 4,106.79        | 3,758.65        |
| Unsecured Loans                                  | 97.88           | 289.86          | 286.97          |
| Current Liabilities and provisions               | 2,166.12        | 2,020.61        | 2,254.46        |
| Deferred Tax Liability                           | 124.86          | 142.34          | 138.98          |
| <b>Total (D)</b>                                 | <b>5,605.96</b> | <b>6,559.60</b> | <b>6,439.06</b> |
|                                                  |                 |                 |                 |
| <b>Minority Interest (E)</b>                     | <b>22.39</b>    | <b>22.59</b>    | <b>22.62</b>    |
|                                                  |                 |                 |                 |
| <b>Net Worth (A+B+C-D-E) = (F)</b>               | <b>2,138.20</b> | <b>3,052.11</b> | <b>3,396.43</b> |
| <b>Represented by</b>                            |                 |                 |                 |
| Share Capital                                    | 942.90          | 942.90          | 942.90          |
| Reserve & Surplus                                | 1,282.51        | 2,237.26        | 2,580.06        |
| Less : Miscellaneous Expenditure Not Written Off | 87.21           | 128.05          | 126.53          |
| <b>Net Worth</b>                                 | <b>2,138.20</b> | <b>3,052.11</b> | <b>3,396.43</b> |

**Consolidated Restated Statement of Profits & Losses**

(Rs. In Lakhs)

| <b>Year ended on</b>                                       | <b>2007-08</b>  | <b>2008-09</b>  | <b>30-06-09</b> |
|------------------------------------------------------------|-----------------|-----------------|-----------------|
| <b>Income</b>                                              |                 |                 |                 |
| Sales :                                                    |                 |                 |                 |
| Products manufactured by the company                       | 6,046.27        | 8,933.05        | 3,012.34        |
| Products traded by the company                             | -               | -               |                 |
| Less : Excise Duty                                         | 537.42          | 491.59          | 91.31           |
| <b>Net Sales</b>                                           | <b>5,508.85</b> | <b>8,441.46</b> | <b>2,921.03</b> |
| Other Income                                               | 26.91           | 52.20           | 6.86            |
| Accretion / (Depletion) of Stocks                          | 585.02          | 894.41          | (177.30)        |
| <b>Total Income</b>                                        | <b>6,120.78</b> | <b>9,388.07</b> | <b>2,750.59</b> |
| <b>Expenditure</b>                                         |                 |                 |                 |
| Raw Materials consumed                                     | 3,716.59        | 6,240.98        | 1,855.28        |
| Employee Cost                                              | 166.59          | 248.96          | 63.89           |
| Other Manufacturing Expenses                               | 271.83          | 340.28          | 85.61           |
| Administrative, Selling & Distribution Costs               | 383.29          | 380.47          | 74.97           |
| Interest / Financial Charges                               | 422.79          | 609.14          | 174.37          |
| Depreciation                                               | 228.50          | 326.67          | 94.93           |
| <b>Total Expenditure</b>                                   | <b>5,189.59</b> | <b>8,146.50</b> | <b>2,349.05</b> |
| <b>Net Profit before tax and extraordinary items</b>       | <b>931.19</b>   | <b>1,241.57</b> | <b>401.54</b>   |
| <b>Provision for</b>                                       |                 |                 |                 |
| Provision for Taxation                                     | 107.07          | 148.64          | 62.03           |
| Provision for Fringe Benefit Tax                           | 4.20            | 2.47            | -               |
| Provision for Deferred Tax                                 | 26.28           | 17.48           | (3.38)          |
| <b>Net Profit after tax and before extraordinary items</b> | <b>793.64</b>   | <b>1,072.98</b> | <b>342.89</b>   |
| Extraordinary items                                        | -               | -               | -               |
| <b>Net Profit after tax &amp; Extraordinary items</b>      | <b>793.64</b>   | <b>1,072.98</b> | <b>342.89</b>   |
| Less : Minority Interest                                   | 0.12            | 0.20            | 0.03            |
| <b>Net Profit after tax and minority interest</b>          | <b>793.52</b>   | <b>1,072.78</b> | <b>342.86</b>   |

# **Unconsolidated Restated Statement of Assets and Liabilities**

**(Rs. In Lakhs)**

| <b>Year ended on</b>                                   | <b>2004-05</b>  | <b>2005-06</b>  | <b>2006-07</b>  | <b>2007-08</b>  | <b>2008-09</b>  | <b>30-06-09</b> |
|--------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Fixed Assets (A)</b>                                |                 |                 |                 |                 |                 |                 |
| Gross Block                                            | 699.01          | 1,444.15        | 2,442.66        | 3,790.93        | 4,064.23        | 4,104.73        |
| Less : Depreciation                                    | 84.38           | 147.54          | 288.50          | 512.33          | 829.95          | 923.38          |
| <b>Net Block</b>                                       | <b>614.63</b>   | <b>1,296.61</b> | <b>2,154.16</b> | <b>3,278.60</b> | <b>3,234.28</b> | <b>3,181.35</b> |
| <b>Investments (B)</b>                                 | <b>2.84</b>     | <b>0.93</b>     | <b>5.40</b>     | <b>47.57</b>    | <b>47.57</b>    | <b>47.57</b>    |
| <b>Current Assets<br/>Loans and<br/>Advances (C)</b>   |                 |                 |                 |                 |                 |                 |
| Inventories                                            | 535.49          | 1,209.93        | 1,235.23        | 1,883.44        | 2,905.65        | 2,803.82        |
| Receivables /<br>Sundry Debtors                        | 552.36          | 554.27          | 1,107.65        | 1,797.01        | 2,870.38        | 2,965.77        |
| Cash and Bank<br>Balances                              | 37.78           | 89.20           | 117.23          | 153.51          | 105.22          | 246.91          |
| Loans and<br>Advances                                  | 319.62          | 371.99          | 581.60          | 560.64          | 426.98          | 571.68          |
| <b>Total (C)</b>                                       | <b>1,445.25</b> | <b>2,225.39</b> | <b>3,041.71</b> | <b>4,394.60</b> | <b>6,308.23</b> | <b>6,588.18</b> |
| <b>Total Assets<br/>(A+B+C)</b>                        | <b>2062.72</b>  | <b>3522.93</b>  | <b>5201.27</b>  | <b>7720.77</b>  | <b>9,590.08</b> | <b>9,817.10</b> |
| <b>Liabilities and<br/>Provisions (D)</b>              |                 |                 |                 |                 |                 |                 |
| Secured Loans                                          | 449.88          | 1,509.64        | 2,243.14        | 3,196.28        | 4,093.18        | 3,746.84        |
| Unsecured Loans                                        | 13.25           | 15.65           | 64.00           | 97.88           | 289.86          | 286.97          |
| Current Liabilities<br>and provisions                  | 981.21          | 920.06          | 1,353.79        | 2,165.62        | 2,015.38        | 2,250.82        |
| Deferred Tax<br>Liability                              | 58.39           | 77.84           | 98.02           | 123.38          | 140.52          | 137.06          |
| <b>Total (D)</b>                                       | <b>1,502.73</b> | <b>2,523.19</b> | <b>3,758.95</b> | <b>5,583.16</b> | <b>6,538.94</b> | <b>6,421.69</b> |
| <b>Net Worth (A+B+C-<br/>D) = (E)</b>                  | <b>559.99</b>   | <b>999.74</b>   | <b>1,442.32</b> | <b>2,137.61</b> | <b>3,051.14</b> | <b>3,395.41</b> |
| <b>Represented by</b>                                  |                 |                 |                 |                 |                 |                 |
| Share Capital                                          | 53.11           | 53.11           | 85.72           | 942.90          | 942.90          | 942.90          |
| Share Application<br>Money                             | -               | 118.90          | -               | -               | -               | -               |
| Reserve & Surplus                                      | 536.88          | 850.94          | 1,413.78        | 1,281.92        | 2,236.30        | 2,579.04        |
| Less : Miscellaneous<br>Expenditure Not<br>Written Off | 30.00           | 23.21           | 57.18           | 87.21           | 128.05          | 126.53          |
| <b>Net Worth</b>                                       | <b>559.99</b>   | <b>999.74</b>   | <b>1,442.32</b> | <b>2,137.61</b> | <b>3,051.14</b> | <b>3,395.41</b> |

**Unconsolidated Restated Statement of Profit and Losses**

(Rs. In lakhs)

| <b>Year ended on</b>                                       | <b>2004-05</b>  | <b>2005-06</b>  | <b>2006-07</b>  | <b>2007-08</b>  | <b>2008-09</b>  | <b>30-06-09</b> |
|------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Income</b>                                              |                 |                 |                 |                 |                 |                 |
| Sales :                                                    |                 |                 |                 |                 |                 |                 |
| Products manufactured by the company                       | 2,187.46        | 2,669.92        | 3,437.76        | 6,046.27        | 8,933.05        | 3,012.34        |
| Products traded by the company                             | -               | -               | -               | -               | -               | -               |
| Less : Excise Duty                                         | 76.75           | 141.89          | 295.40          | 537.42          | 491.59          | 91.31           |
| <b>Net Sales</b>                                           | <b>2,110.71</b> | <b>2,528.03</b> | <b>3,142.36</b> | <b>5,508.85</b> | <b>8,441.46</b> | <b>2,921.03</b> |
| Other Income                                               | 9.10            | 16.50           | 3.22            | 15.41           | 36.39           | 3.96            |
| Accretion / (Depletion) of Stocks                          | 19.18           | 510.55          | 205.83          | 585.02          | 894.41          | (177.30)        |
| <b>Total Income</b>                                        | <b>2,138.99</b> | <b>3,055.08</b> | <b>3,351.41</b> | <b>6,109.28</b> | <b>9,372.26</b> | <b>2,747.69</b> |
| <b>Expenditure</b>                                         |                 |                 |                 |                 |                 |                 |
| Raw Materials consumed                                     | 1,484.77        | 2,146.08        | 2,224.04        | 3,716.59        | 6,240.98        | 1,855.28        |
| Employee Cost                                              | 73.76           | 86.51           | 98.35           | 165.84          | 248.96          | 63.89           |
| Other Manufacturing Expenses                               | 90.83           | 107.26          | 130.00          | 271.83          | 340.28          | 85.61           |
| Administrative, Selling & Distribution Costs               | 239.29          | 188.99          | 254.76          | 382.74          | 376.34          | 74.65           |
| Interest / Financial Charges                               | 45.42           | 62.49           | 97.00           | 418.67          | 605.65          | 173.49          |
| Depreciation                                               | 23.77           | 63.17           | 140.95          | 223.83          | 319.51          | 93.43           |
| <b>Total Expenditure</b>                                   | <b>1,957.84</b> | <b>2,654.50</b> | <b>2,945.10</b> | <b>5,179.50</b> | <b>8,131.72</b> | <b>2,346.35</b> |
| <b>Net Profit before tax and extraordinary items</b>       | <b>181.15</b>   | <b>400.58</b>   | <b>406.31</b>   | <b>929.78</b>   | <b>1,240.54</b> | <b>401.34</b>   |
| Provision for Taxation                                     | 33.25           | 43.82           | 20.27           | 106.91          | 148.54          | 62.01           |
| Provision for Fringe Benefit Tax                           | -               | 3.30            | 3.50            | 4.20            | 2.47            | -               |
| Provision for Deferred Tax                                 | 6.55            | 19.46           | 20.17           | 25.37           | 17.14           | (3.46)          |
| <b>Net Profit after tax but before extraordinary items</b> | <b>141.35</b>   | <b>334.00</b>   | <b>362.37</b>   | <b>793.30</b>   | <b>1,072.39</b> | <b>342.79</b>   |
| <b>Extra Ordinary Items</b>                                | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        |
| <b>Net Profit after tax and extraordinary items</b>        | <b>141.35</b>   | <b>334.00</b>   | <b>362.37</b>   | <b>793.30</b>   | <b>1,072.39</b> | <b>342.79</b>   |

## THE ISSUE

|                                              |                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity Shares offered:                       | 75,00,000 Equity Shares                                                                                                                                                                                                                                                                                                         |
| Out of Issue                                 |                                                                                                                                                                                                                                                                                                                                 |
| Employees Reservation Portion                | 1,00,000 Equity Shares                                                                                                                                                                                                                                                                                                          |
| Net Issue to Public                          | 74,00,000 Equity Shares                                                                                                                                                                                                                                                                                                         |
| QIB Portion including Mutual Funds*          | Not more than 37,00,000 Equity Shares constituting 50% of the Net Issue to the Public (Allocation on proportionate basis) out of which 5% i.e. 1,85,000 Equity Shares will be available for allocation to Mutual Funds only and the remaining QIB portion will be available for allocation to all QIBs, including Mutual Funds. |
| Non Institutional Portion*                   | At least 11,10,000 Equity Shares constituting 15% of the Net Issue to the Public (Allocation on proportionate basis)                                                                                                                                                                                                            |
| Retail Portion*                              | At least 25,90,000 Equity Shares constituting 35% of the Net Issue to the Public (Allocation on proportionate basis)                                                                                                                                                                                                            |
| Equity Shares outstanding prior to the Issue | 94,28,980 Equity Shares                                                                                                                                                                                                                                                                                                         |
| Equity Shares outstanding after the Issue    | 1,69,28,980 Equity Shares                                                                                                                                                                                                                                                                                                       |
| Objects to the Issue                         | Please see the section entitled "Objects of the Issue" beginning on page no. 33 of this Red Herring Prospectus.                                                                                                                                                                                                                 |

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

The unsubscribed portion in the Employee Reservation Portion, if any, shall be added back to the Net Issue to the public.

In case of under subscription in the Net Issue to the Public Portion, spill over to the extent of under subscription shall be permitted from the reserved category to the Net Issue to the Public.

## GENERAL INFORMATION

We were originally incorporated under the Companies Act, 1956 as Urshila Traders Private Limited on January 25, 1994 and registered with the Registrar of Companies, Maharashtra. The name of our Company was changed to Astec Chemicals Private Limited with effect from August 19, 1994. The name of our Company was further changed to Astec LifeSciences Private Limited and a fresh certificate of incorporation was issued by the RoC on March 3, 2006. Pursuant to our Company being converted into a Public Limited Company, the word "Private" was deleted from the name of our Company by the RoC on April 27, 2006.

### Registered & Corporate Office of our Company:

5-5A, 4<sup>th</sup> floor, Kamanwala Chambers,

Sir P. M. Road, Mumbai-400001

Tel. No. +91-22-2261 8212-13

Fax No: +91-22-2261 8289

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

**Registration Number of the Company:** 11-76236

**Company Identification Number (CIN):** U99999MH1994PLC076236

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

| Period                                    | Address                                                                           |
|-------------------------------------------|-----------------------------------------------------------------------------------|
| Since Incorporation till January 30, 1994 | 303, Maker Chambers-V, Nariman Point, Mumbai - 400 021                            |
| January 31, 1994 to August 23, 2006       | 6, Nawab Building, 327, Dr. D.N. Road, Mumbai - 400 001                           |
| August 24, 2006 to February 27, 2008      | 802, Raheja Chambers, Free Press Journal Road, Nariman Point, Mumbai - 400 021    |
| From February 28, 2008 till date          | 5-5A, 4 <sup>th</sup> Floor, Kamanwala Chambers, Sir P. M. Road, Mumbai - 400 001 |

### Address of the Registrar of Companies

The Registrar of Companies, Maharashtra

100, Everest, Marine Lines,

Mumbai - 400 002

### Board of Directors

| Sr. No. | Name                | Designation                  | Nature of Directorship                   |
|---------|---------------------|------------------------------|------------------------------------------|
| 1       | Mr. Ashok Hiremath  | Chairman & Managing Director | Executive Director                       |
| 2       | Dr. P. L. Tiwari    | Director                     | Non-Executive & Non-Independent Director |
| 3       | Mr. Laxmikant Kabra | Director                     | Non-Executive & Non-Independent Director |
| 4       | Mr. Mohammed Zakir  | Director                     | Non-Executive Independent Director       |
| 5       | Mr. Sitendu Sharma  | Director                     | Non-Executive Independent Director       |
| 6       | Dr. Vinod Malshe    | Director                     | Non-Executive Independent Director       |

**Mr. Ashok Hiremath**

Mr. Ashok Hiremath, Chairman and Managing Director, aged 54 years, is a Masters of Arts graduate from University of Oxford and Post Graduate in Chemical Engineering from University College, University of London. He started his career as Project Engineer in 1978 with GEA Airexchangers Limited, London. He returned to India in 1980 and joined Hiremath Chemicals Limited, a company promoted by his brother as Technical Manager where he was responsible for manufacturing and business development. After leaving this company in 1994 from the post of Technical Manager, he started our Company and since then he has been actively involved in the affairs of our Company and has played a key role in the growth of the Company with his inputs in strategic planning and business development.

For details of our other Board of Directors, see "Our Management" on page no. 110 of this Red Herring Prospectus.

**Company Secretary & Compliance Officer****Ms. Nikita Jain**

5-5A, 4<sup>th</sup> floor, Kamanwala Chambers,

Sir P. M. Road,

Mumbai-400001

Tel. No. +91-22-2261 8212-13

Fax No: +91-22-2261 8289

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

Email: [nikita@astecls.com](mailto:nikita@astecls.com) or [ipo@astecls.com](mailto:ipo@astecls.com)

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

| <b>Book Running Lead Manager</b>                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Co-Book Running Lead Manager</b>                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Almondz Global Securities Limited</b><br>33, Vaswani Mansion, 6 <sup>th</sup> Floor<br>Dinsha Vachha Road<br>Churchgate, Mumbai – 400 020<br>Tel: +91-22-2287 0580<br>Fax: +91-22-2287 0581<br>Email: <a href="mailto:astec.ipo@almondz.com">astec.ipo@almondz.com</a><br>Website: <a href="http://www.almondzglobal.com">www.almondzglobal.com</a><br>SEBI Registration No: INM000000834<br>Contact Person: Ms. Khushboo Anandita / Ms. Archana Narkhede | <b>IDBI Capital Market Services Limited</b><br>5 <sup>th</sup> Floor, Mafatlal Centre, Nariman Point,<br>Mumbai – 400 021<br>Tel: +91-22-4322 1212<br>Fax: +91-22-2283 8782<br>Website: <a href="http://www.idbicapital.com">www.idbicapital.com</a><br>Email: <a href="mailto:astec.ipo@idbicapital.com">astec.ipo@idbicapital.com</a><br>SEBI Registration No.:INM000010866<br>Contact Person: Mr. Piyush Bansal / Mr. Keyur Desai |

**Statement of Inter-se Allocation of Responsibilities for the Issue**

Inter-se allocation of responsibilities between the Book Running Lead Manager, Almondz Global Securities Limited ("Almondz") and Co-Book Running Lead Manager, IDBI Capital Market Services Limited ("IDBI CAPS") is set forth below:

| <b><u>Inter-se allocation of responsibilities</u></b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                       |                     |
|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------|
| <b>No.</b>                                            | <b>Activities</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>Responsibility</b> | <b>Co-ordinator</b> |
| 1                                                     | Capital structuring with relative components and formalities such as type of instruments, etc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Almondz               | Almondz             |
| 2                                                     | Due diligence of Company's operations/ management/ business plans/ legal etc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Almondz               | Almondz             |
| 3                                                     | Drafting and design of Red Herring Prospectus, statutory advertisement including newspaper advertisement and memorandum containing salient features of the Prospectus. The BRLMs 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.                                                                                                                                                                                                                                   | Almondz               | Almondz             |
| 4                                                     | Drafting and approval of all publicity material other than statutory advertisement as mentioned in (3) above including corporate advertisement, brochure, etc.                                                                                                                                                                                                                                                                                                                                                                                                                                               | Almondz               | Almondz             |
| 5                                                     | Appointment of other intermediaries i.e. Registrar to the Issue, printers, Advertising agency, Escrow bankers and Bankers to the Issue, etc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Almondz               | Almondz             |
| 6                                                     | Company positioning and pre-marketing exercise                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Almondz<br>IDBI CAPS  | Almondz             |
| 7                                                     | Formulating the marketing strategy to tap respective investor categories including: <ul style="list-style-type: none"> <li>• Foreign Institutional Investors</li> <li>• Domestic Institutional Investors</li> <li>• Retail Investors/HNIs</li> </ul>                                                                                                                                                                                                                                                                                                                                                         | Almondz<br>IDBI CAPS  | Almondz             |
| 8                                                     | Marketing of the Issue, which will cover, <i>inter alia</i> , <ul style="list-style-type: none"> <li>• Formulating marketing strategies, preparation of publicity budget;</li> <li>• Finalizing Media and PR strategy;</li> <li>• Finalizing centres for holding conferences for brokers, press, investors etc.</li> <li>• Selection of underwriters and finalisation of underwriting agreement</li> <li>• Follow-up on distribution of publicity and issuer material including form, prospectus and deciding on the quantum of the Issue material; and</li> <li>• Finalizing collection centres.</li> </ul> | Almondz<br>IDBI CAPS  | Almondz             |
| 9                                                     | Finalizing the list of QIBs, division of QIBs for one to one meetings, road show related activities including preparation of road show presentation and order procurement                                                                                                                                                                                                                                                                                                                                                                                                                                    | Almondz<br>IDBI CAPS  | Almondz             |
| 10                                                    | Running the book, deciding pricing and finalising institutional allocation of shares in consultation with the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Almondz<br>IDBI CAPS  | Almondz             |
| 11                                                    | Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Escrow Bankers to the Issue, Self Certified Syndicate Bankers, Refund to Bidders, etc. The post Issue activities of the Issue will involve essential follow up steps, which must include finalization of basis of allotment, weeding out of multiple applications, listing of instruments and dispatch of certificates or demat credit and refunds, with the various agencies                                                                                                                              | Almondz               | Almondz             |

| <b><i>Inter-se allocation of responsibilities</i></b> |                                                                                                                                                                                                                                                                                                        |                       |                     |
|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------|
| <b>No.</b>                                            | <b>Activities</b>                                                                                                                                                                                                                                                                                      | <b>Responsibility</b> | <b>Co-ordinator</b> |
|                                                       | connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Company. |                       |                     |

#### **Syndicate Members**

|                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Almondz Global Securities Limited</b><br>33, Vaswani Mansion, 6 <sup>th</sup> Floor<br>Dinsha Vachha Road<br>Churchgate, Mumbai – 400 020<br>Tel: +91-22-2287 0580<br>Fax: +91-22-2287 0581<br>Email: <a href="mailto:astec.ipo@almondz.com">astec.ipo@almondz.com</a><br>Website: <a href="http://www.almondzglobal.com">www.almondzglobal.com</a><br>SEBI Registration No: INM000000834<br>Contact Person: Mr. Surendra Tare | <b>IDBI Capital Market Services Limited</b><br>5 <sup>th</sup> Floor, Mafatlal Centre, Nariman Point,<br>Mumbai – 400 021<br>Tel: +91-22-4322 1212<br>Fax: +91-22-22838782<br>Website: <a href="http://www.idbicapital.com">www.idbicapital.com</a><br>Email: <a href="mailto:astec.ipo@idbicapital.com">astec.ipo@idbicapital.com</a><br>SEBI Registration No.:INM000010866<br>Contact Person: Mr. Piyush Bansal / Mr. Keyur Desai |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### **Registrars to the Issue**

##### **Bigshare Services Private Limited**

E/2, Ansal Industrial Estate, Saki Vihar Road,  
Saki Naka, Andheri (E),  
Mumbai-400 072  
Tel: +91-22-40430200  
Fax: +91-22-2847 5207  
Email: [ipo@bigshareonline.com](mailto:ipo@bigshareonline.com)  
Website: [www.bigshareonline.com](http://www.bigshareonline.com)  
SEBI Registration Number: INR/000001385  
Contact Person: Mr. Ashok Shetty

#### **Legal Advisor to the Issue**

##### **Rajani Associates**

Advocates and solicitors,  
204-207 Krishna Chambers,  
59 New Marine Lines,  
Churchgate, Mumbai- 400 020  
Tel: +91-22-4096 1000  
Fax: +91-22-4096 1010  
Email: [info@rajaniassociates.net](mailto:info@rajaniassociates.net)

#### **Bankers to the Company**

##### **Axis Bank Limited**

Atlanta, Ground Floor  
209, Nariman Point,  
Mumbai -400 020

Tel: +91-22-2287 0238/ 2283  
Fax: +91-22-6639 0935  
Email: [ravikumar.chakravarthy@axisbank.com](mailto:ravikumar.chakravarthy@axisbank.com)  
Website: [www.axisbank.com](http://www.axisbank.com)  
Contact Person: Mr. C. Ravikumar

**IDBI Bank Limited**

Unit No.2, Corporate Park,  
Near Swastik Chambers,  
Sion-Trmbay Road, Chembur,Mumbai – 400 071  
Tel: +91-22-66908402 Fax: +91-22-66908424  
Email: [mnn.kamat@idbi.co.in](mailto:mnn.kamat@idbi.co.in)  
Website: [www.idbibank.com](http://www.idbibank.com)  
Contact Person: Mr. M. N. Kamat

**State Bank of Hyderabad**

Overseas Branch  
1204, Ashok Mahal  
Mumbai-400039  
Tel: +91-22-2282 0177  
Fax: +91-22-22851321  
Email: [overseas\\_mum@sbhyd.co.in](mailto:overseas_mum@sbhyd.co.in)  
Website: [www.sbhyd.com](http://www.sbhyd.com)  
Contact Person: Mr. Rajendra Babu

**Statutory Auditors to the Issue**

**M/s P. M. Kathariya & Co.**

Chartered Accountants  
Room No. 6, Kermani Building,  
4<sup>th</sup> floor, 27, Sir P. M.Road,  
Fort, Mumbai- 400 001  
Tel: +91-22-66315862  
Fax: +91-22-22856615  
Email: [pmkathariya@rediffmail.com](mailto:pmkathariya@rediffmail.com)

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

**Axis Bank Limited**

Jeevan Praksh Building,  
Sir P. M. Road, Fort,  
Mumbai – 400 001  
Tel: +91-22-66107353  
Fax: +91-22-66107293  
Email: [rajesh.khandelwal@axisbank.com](mailto:rajesh.khandelwal@axisbank.com)  
Website : [www.axisbank.com](http://www.axisbank.com)  
Contact Person : Mr. Rajesh Khandelwal/Mr.Viraj Vaidya

**ICICI Bank Limited**

Capital Markets Division,  
30, Mumbai Samachar marg,  
Mumbai – 400 001  
Tel: +91-22-22627600  
Fax : +91-22- 22611138  
Email : [venkataraghavan.t@icicibank.com](mailto:venkataraghavan.t@icicibank.com)  
Website : [www.icicibank.com](http://www.icicibank.com)  
Contact Person : Mr. Venkataraghavan T.A.

|                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>IDBI Bank Limited</b><br>Unit No.2, Corporate Park,<br>Near Swastik Chambers,<br>Sion-Trombay Road, Chembur, Mumbai – 400 071<br>Tel: +91-22-66908402 Fax: +91-22-66908424<br>Email: <a href="mailto:mn.kamat@idbi.co.in">mn.kamat@idbi.co.in</a><br>Website: <a href="http://www.idbibank.com">www.idbibank.com</a><br>Contact Person: Mr. M. N. Kamat | <b>The Hongkong and Shanghai Banking Corporation Limited</b><br>HSBC, 52/60, M.G.Road Fort, Mumbai 400001<br>Tel: +91 22 4035 7458<br>Fax: +91 22 4035 7657<br>Email: <a href="mailto:swapnilpavale@hsbc.co.in">swapnilpavale@hsbc.co.in</a><br>Website: <a href="http://www.hsbc.co.in">www.hsbc.co.in</a><br>Contact Person: Mr. Swapnil Pavale |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### **Self Certified Syndicate Banks**

The list of banks who have been notified by SEBI to act as SCSBs for ASBA process are provided at <http://www.sebi.gov.in/pmd/scsb.pdf>

### **IPO Grading**

Our Company has appointed Credit Analysis and Research Limited (CARE) for grading. CARE has assigned a “CARE IPO Grade 2 [Grade Two]” to the proposed initial public offering of the our Company. “CARE IPO Grade 2” indicates below average fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE has assigned the grade vide their letter dated September 24, 2008 which was further revalidated vide their letter dated August 27, 2009.

### **Rationale for CARE IPO Grading**

The grading factors in promoters’ experience in the agro chemicals and pharmaceuticals sectors, long track record in operations, favourable industry scenario for agro chemicals, diversified presence across markets and clients, good profitability margins in past financial years and expected improvement in technical capabilities of the company post expansion .

However, the grading is constrained by ALSL’s relatively small size of operations, dependence on IPO proceeds for the proposed project completion, absence of long term contracts with raw material suppliers and clients, pre-dominant control by a single family member, various pending court cases against the company and the promoter and moderate corporate governance practices. The grading is also constrained by risks associated with proposed deployment of funds from the IPO in setting up new manufacturing units.

For details of rationale of grading and Disclaimer Clause of CARE, please refer to page no. 252 & 184 respectively of this Red Herring Prospectus.

### **Credit Rating**

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

### **Trustees**

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

### **Monitoring Agency**

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

**Book Building Process**

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

The principal parties involved in the Book Building Process are:

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

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

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

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

The process of bidding through the ASBA process by ASBA Investors under the SEBI Circular dated July 30, 2008 may be subject to change from time to time which may either be of a clarificatory nature or otherwise and ASBA Investors are advised to make their own judgment about investment through this process prior to submitting a Bid-cum-ASBA Form to SCSB.

**QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date.** In addition, QIBs are now required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. Please refer to the section titled "Issue Procedure" beginning on page no. 193 of this Red Herring Prospectus for more details.

**Steps to be taken by the Bidder for bidding:**

- Check eligibility for making a bid, see the section titled "Issue Procedure-Who Can Bid?" beginning on page no. 203 of this Red Herring Prospectus;
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form

- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid-cum-Application Form and
- Ensure that the Bid-cum-Application Form is accompanied by the Permanent Account Number. For details please refer to the section titled “Issue Procedure” beginning on page no. 193 of this Red Herring Prospectus. Bidders are specifically requested not to submit their General Index Register number instead of Permanent Account Number as the Bid is liable to be rejected on those grounds.
- Bids by ASBA Bidders will only have to be submitted to the SCSB. ASBA Bidders should ensure that their bank accounts have adequate credit balance at the time of submission to the SCSB to ensure that their Bid cum ASBA Form is not rejected.

### **Illustration of Book Building and Price Discovery Process**

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

Bidders (excluding the ASBA Bidders who can only Bid at Cut-off Price) can bid at any price within the price band. For instance, assume a price band of Rs 30 to Rs. 34 per share, issue size of 3,000 equity shares and receipt of five bids from Bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

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

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

### **Bid/Issue Programme**

#### **Bidding Period/Issue Period**

|                     |                  |
|---------------------|------------------|
| BID/ISSUE OPENS ON  | October 29, 2009 |
| BID/ISSUE CLOSES ON | November 4, 2009 |

Bids and any revision in Bids will be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centers mentioned in the Bid cum application Form except that on the Bid/Issue Closing Date, Bids (excluding Bids by ASBA Bidders) shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) and (i) uploaded until 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000 and (ii) A standard cut-off time of 5.00 P.M for uploading of Bids received from Retail Individual Bidders and Employees bidding under the Employee Reservation Portion where the Bid Amount is up to Rs. 100,000 which may be extended up to such time as deemed fit by the BSE and the NSE after taking into account the total number of

applications received upto the closure of timings and reported by BRLM to the Exchange within half an hour of such closure. Bids will be accepted only on working days i.e. Monday to Friday (excluding public holidays). Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 1.00 p. m.(Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue and the Issuer / BRLM / Co-BRLM and the Syndicate Member will not be responsible for such Bids not being uploaded. Bids will only be accepted on working days i.e. Monday to Friday (excluding any public holiday).

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

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

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

### **Underwriting Agreement**

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with the ROC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through this Issue except for ASBA bids. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM and Co-BRLM shall be responsible for bringing in the amount devolved in the event that their respective Syndicate Members do not fulfill their underwriting obligations, save and except for underwriting obligations resulting from ASBA Bids. Pursuant to the terms of Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

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

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

| Name and Address of the Underwriters                                                                                                                                                       | Indicative Number of Equity Shares to be Underwritten | Amount Underwritten (Rs. Lakhs) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------|
| <b>Almondz Global Securities Limited</b><br>33 Vaswani Mansion, 6 <sup>th</sup> Floor<br>Dinsha Vachha Road<br>Churchgate, Mumbai – 400 020<br>Tel: +91-22-2287 0580 Fax: +91-22-2287 0581 | [•]                                                   | [•]                             |
| <b>IDBI Capital Market Services Limited</b><br>5 <sup>th</sup> Floor, Mafatlal Centre, Nariman Point,<br>Mumbai – 400 021<br>Tel: +91-22-4322 1212 Fax: +91-22-22850785                    |                                                       |                                 |
| <b>TOTAL</b>                                                                                                                                                                               | [•]                                                   | [•]                             |

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

In the opinion of the Board of Directors (based on certificates given to them by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s).

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments.

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

## CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of this Red Herring Prospectus with SEBI is as set forth below: (Rs. in lakhs)

| Particulars |                                                                            | Aggregate Nominal Value | Aggregate Value at Issue Price |
|-------------|----------------------------------------------------------------------------|-------------------------|--------------------------------|
| <b>A</b>    | <b>Authorized Capital</b>                                                  |                         |                                |
|             | 1,70,00,000 Equity Shares of Rs. 10/- each                                 | 1700.00                 |                                |
| <b>B</b>    | <b>Issued, Subscribed and Paid-up Capital</b>                              |                         |                                |
|             | 94,28,980 Equity Shares of Rs. 10/- each                                   | 942.898                 |                                |
| <b>C</b>    | <b>Present Issue to the Public in terms of this Red Herring Prospectus</b> |                         |                                |
|             | 75,00,000 Equity shares of Rs. 10/- each fully paid up                     | 750.00                  | [•]                            |
|             | <b>Out of which: Employee Reservation</b>                                  |                         |                                |
|             | 1,00,000 Equity Shares of Rs. 10/- each fully paid up                      | 10.00                   | [•]                            |
| <b>D</b>    | <b>Net Issue to the Public</b>                                             |                         |                                |
|             | 74,00,000 Equity Shares of Rs. 10/- each fully paid up                     | 740.00                  | [•]                            |
| <b>E</b>    | <b>Paid up Capital after the Issue</b>                                     |                         |                                |
|             | 1,69,28,980 Equity Shares of Rs. 10/- each                                 | 1692.898                |                                |
| <b>F</b>    | <b>Share Premium Account</b>                                               |                         |                                |
|             | Before the issue                                                           | 217.16                  |                                |
|             | After the issue                                                            | [•]                     |                                |

### Details of Changes in the Authorized share capital of our Company

The Authorized Share Capital of our Company comprises of Class A Shares and Class B Shares. The Class B equity shares provided for two voting rights for each Class B equity share. The changes in the Authorized Share Capital viz. Class A and Class B are as under:

#### a) Equity Share Capital – Class A Shares

| Date             | Increased/ Decreased From (Rs) | Increased/ Decreased to (Rs.) | Particulars                                                                                                                                                        |
|------------------|--------------------------------|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| January 25, 1994 | -                              | 70,000                        | On Incorporation 700 Equity Shares of Rs. 100/- each                                                                                                               |
| August 6, 1994   | 70,000                         | 79,70,000                     | Increased from Rs. 0.70 lakhs divided into 700 Equity shares of Rs. 100/- each to Rs. 79.70 lakhs divided into 79,700 equity shares of Rs. 100/- each              |
| June 28, 2002    | 79,70,000                      | 71,58,800                     | Pursuant to classification of authorized capital into Class A and Class B shares, authorised capital of Class A shares decreased from Rs. 79.70 lakhs divided into |

| Date               | Increased/<br>Decreased From<br>(Rs) | Increased/<br>Decreased<br>to<br>(Rs.) | Particulars                                                                                                                                                                                                                                                                          |
|--------------------|--------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                    |                                      |                                        | 79,700 Equity shares of Rs. 100/- each to Rs. 71.59 lakhs divided into 71,588 shares of Rs. 100/- each                                                                                                                                                                               |
| November 29, 2005  | 71,58,800                            | 1,16,58,800                            | Increased from Rs. 71.59 lakhs divided into 71,588 shares of Rs. 100/- each to Rs. 116.59 lakhs divided into 1,16,588 equity shares of Rs. 100/- each                                                                                                                                |
| September 27, 2007 | 1,16,58,800                          | 1,24,70,000                            | Pursuant to merging of Class A and Class B Shares, total authorized capital changed to Rs. 124.70 lakhs divided into 1,24,700 equity shares of Rs. 100/- each.                                                                                                                       |
| September 27, 2007 | 1,24,70,000                          | 1,25,00,000                            | Pursuant to conversion of 300 11% Non Cumulative Redeemable Preference Shares into Equity Shares, authorized capital increased from Rs. 124.70 lakhs divided into 1,24,700 equity shares of Rs. 100/- each to Rs. 125.00 lakhs divided into 1,25,000 equity shares of Rs. 100/- each |
| September 27, 2007 | Sub- Division*                       | -                                      | Existing nominal value of Rs. 100/- per share sub-divided into Rs. 10/- per share resulting in 12,50,000 equity shares of Rs. 10 each                                                                                                                                                |
| March 10, 2008     | 1,25,00,000                          | 17,00,00,000                           | Increased from Rs. 125 lakhs divided into 12,50,000 equity shares of Rs. 10/- each to Rs. 1700 lakhs divided into 1,70,00,000 equity shares of Rs. 10/- each                                                                                                                         |

\*Our Company, vide resolution passed by the shareholders of our Company at the AGM held on September 27, 2007, subdivided the face value of Equity Shares from one equity share of the face value of Rs. 100/- per equity share to 10 equity shares of face value of Rs. 10/- per equity share.

#### b) Equity Share Capital - Class B Shares

| Date               | Increased/<br>Decreased<br>From (Rs) | Increased/<br>Decreased to<br>(Rs.) | Particulars                                                                                                                                                             |
|--------------------|--------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| June 28, 2002      | -                                    | 8,11,200                            | Pursuant to classification of Class A and Class B shares, authorised capital of Class B shares stood at Rs. 8.11 lakhs divided into 8112 Equity Shares of Rs 100/- each |
| September 27, 2007 | 8,11,200                             | -                                   | Pursuant to merging of Class A and Class B Shares having pari-passu rights.                                                                                             |

**c) 11% Non Cumulative Redeemable Preference Shares**

| Date               | Increased/<br>Decreased<br>From (Rs) | Increased/<br>Decreased<br>to<br>(Rs.) | Particulars                                                         |
|--------------------|--------------------------------------|----------------------------------------|---------------------------------------------------------------------|
| January 25, 1994   | -                                    | 30,000                                 | On Incorporation 300 Redeemable Preference Shares of Rs. 100/- each |
| September 27, 2007 | 30,000                               | -                                      | Preference Shares converted into Equity Shares                      |

**NOTES TO CAPITAL STRUCTURE**

**1. Capital Build-up**

**a) Equity Share Capital History**

**i) Class A Shares**

| Date of Allotment / Fully Paid-up | No. of Equity Shares | Face Value per share (Rs.) | Issue Price per share (Rs.) | Consideration | Reasons for Allotment / Reduction                           | Cumulative Securities Premium Account (Rs.) | Cumulative No. of Equity Shares | Cumulative Paid-up Capital (Rs.) |
|-----------------------------------|----------------------|----------------------------|-----------------------------|---------------|-------------------------------------------------------------|---------------------------------------------|---------------------------------|----------------------------------|
| January 25, 1994                  | 2                    | 100                        | 100                         | Cash          | Subscribers to the Memorandum                               | Nil                                         | 2                               | 200                              |
| May 6, 1994                       | 698                  | 100                        | 100                         | Cash          | Further issue of Equity Shares to Promoters                 | Nil                                         | 700                             | 70,000                           |
| March 20, 1995                    | 44300                | 100                        | 100                         | Cash          | Further issue of Equity Shares to Promoter & Promoter Group | Nil                                         | 45,000                          | 45,00,000                        |
| September 8, 2006                 | 32,606               | 100                        | 766                         | Cash          | Further issue of Equity Shares to Promoters                 | 2,17,15,596                                 | 77,606                          | 77,60,600                        |
| September                         | 8,112                | 100                        |                             |               | Merging                                                     | 2,17,15,596                                 | 85,718                          | 85,71,800                        |

|                    |                |    |     |       |                                                                                   |             |           |             |
|--------------------|----------------|----|-----|-------|-----------------------------------------------------------------------------------|-------------|-----------|-------------|
| 27, 2007           |                |    |     |       | of Class A and Class B Shares                                                     |             |           |             |
| September 27, 2007 | Shares Split** | 10 | -   | -     | Existing Nominal value of Rs. 100/- per share sub-divided into Rs. 10/- per share | 2,17,15,596 | 8,57,180  | 85,71,800   |
| March 28, 2008     | 85,71,800      | 10 | Nil | Bonus | Issue of Bonus Shares in the ratio 10:1                                           | 2,17,15,596 | 94,28,980 | 9,42,89,800 |

\*\*The Equity Share capital of our Company constituting of 85,718 equity shares of face value Rs. 100/- each was sub-divided into 8,57,180 equity shares of the face value of Rs. 10/- each pursuant to the resolution passed by the shareholders at the AGM held on September 27, 2007.

#### ii) Class B Equity Shares

| Date of Allotment / Fully Paid-up | No. of Equity Shares | Face Value per share (Rs.) | Issue Price per share (Rs.) | Consideration | Reasons for Allotment / Reduction           | Cumulative Securities Premium Account (Rs.) | Cumulative No. of Equity Shares | Cumulative Paid-up Capital (Rs.) |
|-----------------------------------|----------------------|----------------------------|-----------------------------|---------------|---------------------------------------------|---------------------------------------------|---------------------------------|----------------------------------|
| July 2, 2002                      | 1                    | 100                        | 627                         | Cash          | Further issue of Equity Shares to Promoters | 527*                                        | 1                               | 100                              |
| July 31, 2002                     | 8,111                | 100                        | 100                         | Cash          | Further issue of Equity Shares to Promoters | 527                                         | 8,112                           | 8,11,200                         |
| September 27, 2007                | (8,112)              | 100                        |                             |               | Merger of Class A and Class B shares        | 527                                         | -                               | -                                |

\* In Form 2 dated July 2, 2002 filed with Registrar of Companies, Maharashtra securities premium amount has been inadvertently mentioned as Rs. 427.

**(b) Preference Share Capital History**

| Date of Allotment / Fully Paid-up | No. of Preference Shares | Face Value per share (Rs.) | Issue Price per share (Rs.) | Consideration | Reasons for Allotment/Reduction             | Cumulative Securities Premium Account (Rs.) | Cumulative No. of Preference Shares | Cumulative Paid-up Capital (Rs.) |
|-----------------------------------|--------------------------|----------------------------|-----------------------------|---------------|---------------------------------------------|---------------------------------------------|-------------------------------------|----------------------------------|
| May 6, 1994                       | 300                      | 100                        | 100                         | Cash          | Allotment of preference shares to Promoters | Nil                                         | 300                                 | 30,000                           |
| March 31, 2005                    | (300)                    | 100                        | 100                         | Cash          | Redemption                                  | Nil                                         | -                                   | -                                |

Notes:

- The Company had issued Class B equity shares to one of the Promoters Mr. Ashok Hiremath which provided for two voting rights for each Class B equity share. The Class B equity shares have since been converted into Equity Shares of Rs. 10 each having pari-passu rights with effect from September 27, 2007. We confirm that the aforesaid issuances of shares were done in compliance with applicable rules and regulations.
- The Company passed a resolution at its AGM held on September 27, 2007 making the Equity Shares of the Company rank pari-passu w.e.f. September 27, 2007.

**2. Details of promoters' contribution and lock in****(a) Build up of Promoters**

| Name               | Date of Allotment/Transfer/Acquisition | Date when made fully paid up | Consideration (cash/bonus/kind etc) | No. of Equity Shares | Face value (Rs.) | Issue/Acquisition price | % of Post Issue Paid up Capital | Lock-in period (years) | No. of Pledged Shares | % of Pledged Shares |
|--------------------|----------------------------------------|------------------------------|-------------------------------------|----------------------|------------------|-------------------------|---------------------------------|------------------------|-----------------------|---------------------|
| Mr. Ashok Hiremath | February 11, 1994                      | -                            | Transfer (Purchase)                 | 1                    | 100              | 100                     | 36.13                           |                        | NIL                   | NIL                 |
|                    | May 6, 1994                            | May 6, 1994                  | Cash                                | 698                  | 100              | 100                     |                                 |                        |                       |                     |
|                    | March 20, 1995                         | -                            | Transfer (Purchase)                 | 1                    | 100              | 100                     |                                 |                        |                       |                     |
|                    | March 20, 1995                         | March 20, 1995               | Cash                                | 14,300               | 100              | 100                     |                                 |                        |                       |                     |
|                    | March 4, 2002                          | -                            | Transfer (Sale)                     | (100)                | 100              | 100                     |                                 |                        |                       |                     |
|                    | July 2, 2002                           | July 2, 2002                 | Cash                                | 1                    | 100              | 627                     |                                 |                        |                       |                     |
|                    | July 31, 2002                          | July 31, 2002                | Cash                                | 8,111                | 100              | 100                     |                                 |                        |                       |                     |
|                    | April 1,                               | -                            | Transfer                            | (20)                 | 100              | 100                     |                                 |                        |                       |                     |

|                 |                    |                                                    |                     |                  |            |     |      |         |     |
|-----------------|--------------------|----------------------------------------------------|---------------------|------------------|------------|-----|------|---------|-----|
|                 | 2006               |                                                    | (Sale)              |                  |            |     |      |         |     |
|                 | September 8, 2006  | September 8, 2006                                  | Cash                | 32,606           | 100        | 766 |      |         |     |
|                 | August 14, 2007    | -                                                  | Transfer (Purchase) | 10               | 100        | 100 |      |         |     |
|                 | <b>Sub Total</b>   |                                                    |                     | <b>55,608</b>    | <b>100</b> |     |      |         |     |
|                 | September 27, 2007 | *Sub Division of face value from Rs. 100 to Rs. 10 |                     | 5,56,080         | 10         |     |      | 1 year  |     |
|                 | March 28, 2008     | March 28, 2008                                     | Bonus               | 37,59,700        | 10         | Nil |      | 1 year  |     |
|                 | March 28, 2008     | March 28, 2008                                     | Bonus               | 1100             | 10         | NIL |      | -       |     |
|                 | March 28, 2008     | March 28, 2008                                     | Bonus               | 18,00,000        |            | NIL |      | 3 years |     |
|                 | March 29, 2008     | March 29, 2008                                     | Transfer (Sale)     | (1100)           | 10         | 10  |      |         |     |
|                 | <b>Total</b>       |                                                    |                     | <b>61,15,780</b> |            |     |      |         |     |
| Dr. P.L. Tiwari | March 20, 1995     | March 20, 1995                                     | Cash                | 15,000           | 100        | 100 |      |         | NIL |
|                 | September 27, 2007 | *Sub Division of face value from Rs. 100 to Rs. 10 |                     | 1,50,000         | 10         |     |      | 3 years |     |
|                 | March 28, 2008     | March 28, 2008                                     | Bonus               | 15,00,000        | 10         |     |      | 3 years |     |
|                 | <b>Total</b>       |                                                    |                     | <b>16,50,000</b> |            |     | 9.75 |         |     |
|                 |                    |                                                    |                     |                  |            |     |      |         | NIL |

\* Our Company, vide resolution passed by the shareholders of our Company at the AGM held on September 27, 2007, subdivided the face value of Equity Shares from one equity share of the face value of Rs. 100/- per equity share to 10 equity shares of face value of Rs. 10/- per equity share.

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

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

| Sr. No | Name of Promoter   | No. of Shares | Face Value (Rs.) | % of Post Issue paid up capital | Lock-in Period |
|--------|--------------------|---------------|------------------|---------------------------------|----------------|
| 1      | Mr. Ashok Hiremath | 18,00,000     | 10               | 10.63                           | 3 years        |

|   |                  |           |    |       |         |
|---|------------------|-----------|----|-------|---------|
| 2 | Dr. P. L. Tiwari | 16,50,000 | 10 | 9.75  | 3 years |
|   | <b>Total</b>     | 34,50,000 |    | 20.38 |         |

- i. The Equity Shares to be locked-in for a period of three years have been computed as 20.38% of Equity Share Capital after the Issue. It is confirmed that the Equity Shares offered for by the Promoters for three years lock-in are not pledged. Further all the Equity Shares, which are being lock in for 3 years, are not ineligible for computation of promoters' contribution and lock-in as per Regulation 33(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- ii. The Promoters have vide their letter dated July 14, 2008 given their consent for lock-in of shares as stated above. The lock-in shall start from the date of allotment in the public issue and the last date of the lock-in shall be reckoned as three years from the date of commencement of commercial production or the date of allotment in the issue, whichever is later.
- iii. In addition to above promoters contribution which is locked in for a period of three years, the entire remaining pre-Issue Equity Capital of the Company i.e. 59,78,980 Equity Shares will be locked in for a period of one year from the date of allotment of Equity Shares in this Issue constituting 35.32% of the post issue equity share capital of the Company.
- iv. In terms of Regulation 39 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, locked in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, subject to the condition that (i) if the equity shares are locked-in in terms of clause (a) of Regulation 36, the loan has been granted by such bank or institution for the purpose of financing one or more of the objects of the issue and pledge of equity shares is one of the terms of sanction of loan; and (ii) if the equity shares are locked-in in terms of clause (b) of Regulation 36 and the pledge of equity shares is one of the terms of sanction of the loan.
- v. In terms of Regulation 40 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, Equity Shares held by the Promoter may be transferred to and amongst the Promoters / Promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover Regulations), 1997 as applicable. Further, in terms of Regulation 40 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and in compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, locked in Equity Shares held by persons other than the Promoters may be transferred to any other person holding shares which are locked-in as per Regulation 37 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, subject to continuation of the lock-in in the hands of the transferees for the remaining period and such transferee shall not be eligible to transfer them till the lock-in period stipulated under the Regulations has expired.
- vi. The Equity Shares forming part of promoter's contribution do not consist of any private placement made by solicitation of subscription from unrelated persons, either directly or

through any intermediary. For the purpose of calculating Promoter's contribution, the same has been brought in the specified minimum lot of Rs. 25,000/- per application from each individual and from persons defined as Promoters under the SEBI (ICDR) Regulations. Further, shares considered for promoter's contribution have not been acquired for consideration other than cash and revaluation of assets or resulting from bonus issue out of revaluation reserves or reserves created without accrual of cash resources or against shares which are other wise ineligible for promoter's contribution. Also, promoter's contribution does not include any shares acquired during last one year at a price lower than the Issue price.

2. There is no "buyback" or "standby" arrangement for purchase of Equity Shares by our Company, their Directors, their Promoters, or the BRLM or the Co-BRLM for the Equity Shares offered through this Red Herring Prospectus.
3. Our Company has not issued any equity shares for consideration other than cash except for bonus issue as set out in this Capital structure chapter.
4. An over-subscription to the extent of 10% of Net Issue to the Public can be retained for the purpose of rounding off to the nearer multiple of 1, while finalizing the Basis of Allotment. Consequently, the actual allotment may go up by a maximum of 10% of the Net Offer to Public, as a result of which, the post Issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Equity Shares held by our Promoters and subject to lock-in shall be suitably increased, so as to ensure that 20% of the post Issue paid-up capital is locked in.
5. As on date of filing of this Red Herring Prospectus with SEBI, the entire issued share capital of our Company is fully paid-up.
6. The Equity Shares offered through this public issue shall be made fully paid up and the unpaid equity shares may be forfeited within 12 months from the date of allotment of shares in the manner specified as per Regulation 4(2)(f) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
7. Undersubscription, if any, in any category would be met with spillover from other categories of at the sole discretion of our Company, in consultation with the BRLM and Co-BRLM. Any undersubscription, in the Employee Reservation Portion, would be included in the Net Issue to the Public and will be allocated in accordance with the process disclosed in the section titled "Basis of Allocation" appearing on page no. 228 of this Red Herring Prospectus.
8. **(a) Details of top ten shareholders of the Company on the date of filing this Red Herring Prospectus with SEBI are as follows:**

| S. No. | Name of the shareholder | No. of Equity Shares | % of Shareholding |
|--------|-------------------------|----------------------|-------------------|
| 1      | Mr. Ashok Hiremath      | 61,15,780            | 64.86             |
| 2      | Mr. Suresh Hiremath     | 16,50,000            | 17.50             |
| 3      | Dr. P. L. Tiwari        | 16,50,000            | 17.50             |
| 4      | Ashok Hiremath HUF      | 5,500                | 0.06              |
| 5      | Ms. Chitra A. Hiremath  | 5,500                | 0.06              |

| S. No.       | Name of the shareholder | No. of Equity Shares | % of Shareholding |
|--------------|-------------------------|----------------------|-------------------|
| 6            | Ms. Supriya Hiremath    | 1,100                | 0.01              |
| 7            | Mr. Laxmikant Kabra     | 1,100                | 0.01              |
| <b>Total</b> |                         | <b>94,28,980</b>     | <b>100.00</b>     |

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

| S. No.       | Name of the shareholder | No. of Equity Shares | % of Shareholding |
|--------------|-------------------------|----------------------|-------------------|
| 1            | Mr. Ashok Hiremath      | 61,15,780            | 64.86             |
| 2            | Mr. Suresh Hiremath     | 16,50,000            | 17.50             |
| 3            | Dr. P. L. Tiwari        | 16,50,000            | 17.50             |
| 4            | Ashok Hiremath HUF      | 5,500                | 0.06              |
| 5            | Ms. Chitra A. Hiremath  | 5,500                | 0.06              |
| 6            | Ms. Supriya Hiremath    | 1,100                | 0.01              |
| 7            | Mr. Laxmikant Kabra     | 1,100                | 0.01              |
| <b>Total</b> |                         | <b>94,28,980</b>     | <b>100.00</b>     |

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

| S. No.       | Name of the shareholder | No. of Equity Shares | % of Shareholding |
|--------------|-------------------------|----------------------|-------------------|
| 1            | Mr. Ashok Hiremath      | 55,608               | 64.87             |
| 2            | Mr. Suresh Hiremath     | 15,000               | 17.50             |
| 3            | Dr. P. L. Tiwari        | 15,000               | 17.50             |
| 4            | Ashok Hiremath HUF      | 50                   | 0.06              |
| 5            | Ms. Chitra A. Hiremath  | 50                   | 0.06              |
| 6            | Ms. Supriya Hiremath    | 10                   | 0.01              |
| <b>Total</b> |                         | <b>85,718</b>        | <b>100.00</b>     |

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

| S. No.                               | Name                | Shareholding     | % of Pre-Issue Shareholding |
|--------------------------------------|---------------------|------------------|-----------------------------|
| <b>(A) Promoter - Core Promoters</b> |                     |                  |                             |
|                                      | Mr. Ashok Hiremath  | 61,15,780        | 64.86                       |
|                                      | Dr. P. L. Tiwari    | 16,50,000        | 17.50                       |
| <b>Sub-Total (A)</b>                 |                     | <b>77,65,780</b> | <b>82.36</b>                |
| <b>(B) Promoter Group</b>            |                     |                  |                             |
|                                      | Mr. Suresh Hiremath | 16,50,000        | 17.50                       |
|                                      | Ashok Hiremath HUF  | 5,500            | 0.06                        |

| S. No.                 | Name                   | Shareholding     | % of Pre-Issue Shareholding |
|------------------------|------------------------|------------------|-----------------------------|
|                        | Ms. Chitra A. Hiremath | 5,500            | 0.06                        |
|                        | Ms. Supriya Hiremath   | 1,100            | 0.01                        |
| <b>Sub-Total (B)</b>   |                        | <b>16,62,100</b> | <b>17.63</b>                |
| <b>Total (A) + (B)</b> |                        | <b>94,27,880</b> | <b>99.99</b>                |

10. (b) Details of Pre-Issue shareholding of other shareholders in our Company which are not related to Promoter/Promoter Group as on date of filing of this Red Herring Prospectus are as follows:

| Sr. No. | Name                | Shareholding | % of Pre-Issue Shareholding |
|---------|---------------------|--------------|-----------------------------|
| 1       | Mr. Laxmikant Kabra | 1100         | 0.01                        |

#### 11. Pre-Issue and Post-Issue Shareholding of our Company

| Particulars                                              | Pre-Issue            |                                | Post -Issue*         |                               |
|----------------------------------------------------------|----------------------|--------------------------------|----------------------|-------------------------------|
|                                                          | No. of Equity Shares | % to the present share capital | No. of Equity Shares | % of post issue Share Capital |
| <b>Promoters' Holding</b>                                |                      |                                |                      |                               |
| Promoter / Core Promoter                                 | 7765780              | 82.36                          | 7765780              | 45.87                         |
| Promoter Group                                           | 1662100              | 17.63                          | 1662100              | 9.82                          |
| <b>Total Promoter and Promoter Group</b>                 | <b>94,27,880</b>     | <b>99.99</b>                   | <b>94,27,880</b>     | <b>55.69</b>                  |
| <b>Others - Not related to Promoter / Promoter Group</b> |                      |                                |                      |                               |
| <b>Director (Mr. Laxmikant Kabra)</b>                    | 1,100                | 0.01                           | 1,100                | 0.01                          |
| Public                                                   | Nil                  | Nil                            | 74,00,000            | 43.71                         |
| Employees                                                | Nil                  | Nil                            | 1,00,000             | 0.59                          |
| <b>Sub-Total</b>                                         | <b>1100</b>          | <b>0.01</b>                    | <b>75,01,100</b>     | <b>44.31</b>                  |
| <b>Total</b>                                             | <b>94,28,980</b>     | <b>100.00</b>                  | <b>1,69,28,980</b>   | <b>100.00</b>                 |

\*Post Issue Shareholding pattern may change if any Pre-Issue Equity Shareholder mentioned hereinabove is allotted Equity Shares in the Issue.

12. As on the date of this Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debenture, loans or other financial instruments into Equity Shares of the Company. The Shares locked in by Promoters are not pledged to any one.
13. Our Promoters/ Promoter Group/Directors have not purchased / sold / financed / acquired any shares of the Company during the past 6 months.
14. The Company has not raised any bridge loan against the proceeds of the present issue.
15. There would be no further issue of capital in any manner whether by way of issue of bonus shares, preferential allotment, rights issue, public issue or otherwise during the period commencing from submission of this Red Herring Prospectus with SEBI till the Equity Shares offered through this Red Herring Prospectus have been listed.

16. At present, our Company does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or issue of specified securities on a preferential basis or issue of bonus or rights or further public issue of specified securities or qualified institutional placement, except that the Company may issue options to its employees pursuant to any employee Stock Option plan, or if the Company go for acquisitions and joint ventures, the Company may consider raising additional capital to fund such activity or use shares as currency for acquisition and / or participation in such joint venture.
17. Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any shares to our employees under ESOS/ESPS scheme from the proposed issue. As and when, options are granted to our employees under the ESOP scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.
18. The Company has not issued any shares out of revaluation reserves.
19. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
20. The Company has 7 shareholders as on the date of filing of this Red Herring Prospectus with SEBI.
21. The Issue is being made through 100% Book-Building process wherein not more than 50% of the Net Issue to the public shall be allocated to QIBs on a proportionate basis out of which 5% shall be available for allocation on proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 35% of the Net Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price. Under-subscription, if any, in any category would be met with spill over from other categories at our sole discretion, in consultation with the BRLM and Co-BRLM.
22. An applicant in the public category cannot make an application for the number of Equity Shares exceeding the number of Equity Shares offered to the public.
23. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in para on "Basis of Allocation" on page no. 228 of this Red Herring Prospectus.
24. **Restrictive covenants of lenders**  
Our Company is subject to certain restrictive covenants of loan agreements entered into with our Bankers. These restrictive covenants require our Company to seek the prior consent of the banks for various activities, including amongst others, effect any change in the capital structure, not to sell, assign, mortgage or otherwise dispose of any of the fixed assets charged to bank or to take up new project or any large scale expansion or make any changes in its management setup, formulate any scheme of amalgamation, merger or

reconstitution, enter into additional borrowing arrangements, implement any scheme of expansion or acquire fixed assets of substantial value, undertake any guarantee obligations on behalf of any other company/ firm, declare dividend more than the net profit of the year , making investments in or granting loans to subordinates, associate concerns individuals etc.

## Objects of the Issue

Our Company is engaged in the manufacture and sale of intermediates, active ingredients and formulations in the off patent-proprietary category with a focus on agrochemical and pharmaceutical sector.

In order to diversify and expand our business operations, we are implementing the following:

1. Expansion of our existing manufacturing facilities at Mahad, Maharashtra
2. Expansion of our existing Research and Development facility at Dombivli, Maharashtra
3. Meeting Product Registration expenses
4. Meeting long-term working capital requirements
5. General Corporate Purposes
6. Issue Expenses

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

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

## Requirement of Funds

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

|         |                                                                                      | (Rs. in lakhs) |
|---------|--------------------------------------------------------------------------------------|----------------|
| Sr. No. | Fund Requirement                                                                     | Amount         |
| 1.      | Expansion of our existing manufacturing facilities at Mahad, Maharashtra             | 3256.15        |
| 2.      | Expansion of our existing Research and Development facility at Dombivli, Maharashtra | 255.46         |
|         | Contingencies @ 2.5% of the above expansion project                                  | 87.79          |
| 3.      | Meeting Product Registration expenses                                                | 375.52         |
| 4.      | Meeting long-term working capital requirements                                       | 1100.00        |
| 5.      | General Corporate Purposes                                                           | [•]            |
| 6.      | Issue Expenses                                                                       | [•]            |
|         | <b>Total</b>                                                                         | [•]            |

## Means of Finance

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

| (Rs. in lakhs) |                        |        |
|----------------|------------------------|--------|
| S. No.         | Means of Finance       | Amount |
| 1.             | Proceeds of the Issue* | [•]    |
| 2.             | Internal Accruals**    | 300.00 |
|                | <b>Total</b>           | [•]    |

\* Will be incorporated after finalization of Issue Price.

\*\*As on June 30, 2009 our Company has cash & bank balance of Rs. 246.91 lakhs and total reserves and surplus of Rs. 2579.04 lakhs which will form part of internal accruals.

The entire requirement of funds of Rs. [•] lakhs is proposed to be financed through the proceeds of this public issue and internal accruals. Shortfall, if any, will be met through internal accruals. In case of any excess funds raised over and above the mentioned requirement of funds, the same will be used for general corporate purposes.

The public issue proceeds will be determined based on the Issue Price discovered through the 100% Book-Building process. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with surplus funds, if any, available in the other areas and/or our internal accruals, and /or the term loans/working capital loans that may be availed from the banks/financial institutions.

The net proceeds of the issue would be used to meet all or any of the uses of the funds described above.

Pursuant to Regulations (VII)(C)(1) of Schedule VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 we confirm that firm arrangements of finance through verifiable means towards 75% of the stated means of finance excluding the amount to be raised through proposed public issue and existing identifiable internal accruals have been made. The estimated proceeds of the issue would sufficiently cover the estimated funds required towards the Objects of the Issue.

The fund requirements and the intended use of the net proceeds as described herein are based on management estimates and various quotations received by us from different suppliers and have not been appraised by any bank or financial institution or any independent organisation. We may have to revise our expenditure and fund requirements as a result of variations in the cost structure, changes in estimates and external factors, which may not be within the control of our management. This may entail rescheduling or revising the planned expenditure and increasing or decreasing the expenditure for a particular purpose from its planned expenditure at the discretion of our management. In addition, the estimated dates of completion of the expansion project as described herein are based on management's current expectations and are subject to change due to various factors, some of which may not be in our control.

## Details of Utilization of Issue Proceeds

### 1. Expansion of our existing manufacturing facilities at Mahad, Maharashtra

We plan to expand our manufacturing facilities at Mahad, Maharashtra thereby increasing the capacity of our existing operations and further expand our product range in Agrochemical segment. For the year 2008-2009, the capacity utilisation of our Company is 92.84% vis-à-vis our total installed capacity of 2800 MT. This new manufacturing facility will be 100% Export Oriented Unit, for which we propose to obtain the necessary approval from the SEEPZ Special Economic Zone, Ministry of Commerce & Industry, Mumbai. The details of our total installed capacities are as under:

| (unit in Metric Tonnes)              |                                   |                                          |                                             |
|--------------------------------------|-----------------------------------|------------------------------------------|---------------------------------------------|
| Particulars                          | Total Existing Installed capacity | Proposed Expansion in Installed capacity | Proposed Installed Capacity after Expansion |
| Agrochemicals & Pharma Intermediates | 2800                              | 1150                                     | 3950                                        |

The total cost of above expansion is estimated at Rs. 3256.15 lakhs, details of which are as under:

| (Rs. in lakhs) |                          |                |
|----------------|--------------------------|----------------|
| Sr. No.        | Particulars              | Amount         |
| a)             | Site Development         | 10.00          |
| b)             | Building & Civil works   | 380.96         |
| c)             | Plant & Machinery        | 1685.19        |
| d)             | Miscellaneous Equipments | 25.00          |
| e)             | Utilities                | 1155.00        |
|                | <b>Total</b>             | <b>3256.15</b> |

#### a) Site Development

Our Company proposes to expand our existing manufacturing facilities at Plot no. B-18, MIDC, Mahad, Maharashtra admeasuring 4050 sq.mtrs. which is adjacent to our existing manufacturing facilities at Mahad, Maharashtra. The said land for expansion has already been acquired on lease from MIDC for a period of 95 years with effect from March, 2005.

As per estimate received from the A. P. Rege, Civil & Structural Engineering Consultant, vide its letter dated July 28, 2009, the cost of site development for the above expansion is estimated at Rs. 10 lakhs which includes plot leveling, construction of compound walls, and plantations.

#### b) Building & civil works

As per estimate received vide letter dated July 28, 2009 from A. P. Rege, Civil & Structural Engineering Consultant, , the cost of civil works and construction of buildings is estimated at Rs. 380.96 lakhs including the architect and structural engineer fees of Rs. 15.03 lakhs. The details of estimates are as under:

| Sr. No. | Particulars | Area | Cost per Sq. mt. | Amount (Rs. In lakhs) |
|---------|-------------|------|------------------|-----------------------|
|---------|-------------|------|------------------|-----------------------|

|   |                                                                           |      |       |               |
|---|---------------------------------------------------------------------------|------|-------|---------------|
| 1 | Construction of process plant                                             | 1550 | 14000 | 217.00        |
| 2 | Construction of utility building                                          | 160  | 11000 | 17.60         |
| 3 | Construction of warehouse for raw materials and finished products storage | 810  | 12500 | 101.25        |
| 4 | Construction of motor control centre room                                 | 48   | 12500 | 6.00          |
| 5 | Cooling tower basin                                                       | -    | -     | 3.60          |
| 6 | Structures for equipment mounting                                         | -    | -     | 4.00          |
| 7 | Miscellaneous structures including roads, drains, AR tiling, etc.         | -    | -     | 16.48         |
| 8 | Architect fees                                                            |      |       | 15.03         |
|   | <b>Total</b>                                                              |      |       | <b>380.96</b> |

### c) Plant & Machinery

The total cost of plant & machinery for the project aggregates to Rs. 1685.19 lakhs, the details of which are as under:

| Sr. No.                           | Description of Equipment/Machinery                               | Name of Supplier                  | Date of Quotation | Qty (Nos) | Total Amount (including duties & taxes) Rs. in lakhs |
|-----------------------------------|------------------------------------------------------------------|-----------------------------------|-------------------|-----------|------------------------------------------------------|
| <b>Plant &amp; Machinery cost</b> |                                                                  |                                   |                   |           |                                                      |
| 1                                 | Reactors of various capacities                                   | GMM Pfaudler Ltd                  | August 12, 2009   | 15        | 571.56                                               |
|                                   |                                                                  | Jyoti Engineers & Constructions   | August 12, 2009   |           |                                                      |
|                                   |                                                                  |                                   | August 12, 2009   |           |                                                      |
|                                   |                                                                  | Prakin Equipments Private Limited | August 5, 2009    |           |                                                      |
| 2                                 | Nutsche Filter (various capacities and material of construction) | GMM Pfaudler Ltd                  | August 12, 2009   | 02        | 216.14                                               |
|                                   |                                                                  |                                   | August 12, 2009   |           |                                                      |
| 3                                 | Nutsche Filter Cum Dryer                                         | Ultra Drytech Engineering Ltd     | July 28, 2009     | 01        | 46.97                                                |
| 4                                 | Condensers (various capacities and material of construction)     | Graphite India Ltd                | August 5, 2009    | 24        | 215.76                                               |
|                                   |                                                                  | Jyoti Engineers & Constructions   | August 12, 2009   |           |                                                      |
| 5                                 | Rotary Double cone Vac Dryer System                              | Ultra Drytech Engineering Limited | July 28, 2009     | 01        | 32.34                                                |
| 6                                 | Dist Column (various capacities and material of construction)    | GMM Pfaudler Ltd                  | August 12, 2009   | 01        | 4.08                                                 |

|              |                                                                 |                                             |                   |    |                |
|--------------|-----------------------------------------------------------------|---------------------------------------------|-------------------|----|----------------|
| 7            | Ejectors (various capacities and material of construction)      | Mazda Ltd                                   | July 24, 2009     | 06 | 10.17          |
| 8            | Pumps (various capacities and material of construction)         | Anticorrosive Equipment Private Ltd         | July 27, 2009     | 28 | 33.49          |
|              |                                                                 | Microfinish Pumps Private Ltd               | August 4, 2009    |    |                |
| 9            | Scrubbing System (150 Kg/hr, PP/FRP)                            | Thermoset Poly Products (I) Private Limited | September 2, 2009 | 01 | 7.03           |
| 10           | Vessels (various capacities and material of construction)       | GMM Pfaudler Ltd                            | August 12, 2009   | 33 | 329.18         |
|              |                                                                 | Jyoti Engineers & Constructions             | August 12, 2009   |    |                |
|              |                                                                 |                                             | August 12, 2009   |    |                |
| 11           | Storage Tanks (various capacities and material of construction) | Guru Fabtech P Ltd                          | August 6, 2009    | 07 | 63.30          |
|              |                                                                 | Thermoset Poly Products (I) Private Limited | September 2, 2009 |    |                |
| 12           | Cooling Tower                                                   | Blue Chip Cooling Tower                     | August 4, 2009    | 02 | 9.39           |
| 13           | Chilling Units (water & brine of 100 TR & 40 TR respectively)   | Cooling People (Pune) P Limited             | August 6, 2009    | 02 | 34.88          |
| 14           | Expansion cost of Effluent Treatment Plant                      | Aditya Kumar Saxena                         | July 29, 2009     | -  | 86.90          |
| 15           | Packing, forwarding and transportation charges*                 |                                             |                   |    | 24.00          |
| <b>Total</b> |                                                                 |                                             |                   |    | <b>1685.19</b> |

(Source: Quotations received by our Company)

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

**d) Miscellaneous Equipments**

| Sr. No | Description           | Estimated Cost*<br>(Rs. In lakhs) |
|--------|-----------------------|-----------------------------------|
| 1      | Laboratory Equipments | 20.00                             |
| 2      | Safety Equipments     | 5.00                              |
|        | <b>Total</b>          | <b>25.00</b>                      |

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

**e) Utilities**

As per estimate received from Aditya Kumar Saxena, Chartered Engineer (Chem), Navi Mumbai, vide their letter dated July 29, 2009, the cost of utilities for the above expansion is estimated at Rs. 1155.00 lakhs, details of which are as under:

| Sr. No. | Description                                                                                                                                                                                | Estimated Cost (Rs. In lakhs) |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| 1       | Cost of piping and installation; erection of various equipments; piping, fittings, valves of various material of construction, etc. for various reactors, condensers, pumps, etc.          | 580.00                        |
| 2       | Cost of flame proof electrical motors, electrical fittings, push button stations, lighting, motor control centre, power and earthing cables and their installations                        | 255.00                        |
| 3       | Cost of various instruments like temperature, pressure level and flow transmitters, instrument cables, instrument air tubing and their installations                                       | 170.00                        |
| 4       | Cost of hot, cold and dual insulation of reactors, vessels, distillation columns, utility and process piping with pre-coated metallic sheet cladding, painting of various structures, etc. | 125.00                        |
| 5.      | Cost of expansion of fire hydrant system                                                                                                                                                   | 25.00                         |
|         | Total                                                                                                                                                                                      | 1155.00                       |

**2. Expansion of our existing research & development facility at Dombivli, Maharashtra**

Our Company has a dedicated research & development centre at Dombivli, Maharashtra. Our in-house R&D facilities are recognized by Department of Science and Industrial Research. We propose to expand bench scale capabilities, improve analytical capabilities and to expand our pilot plant. The proposed expansion will enable us to carry out research on more complex molecules and to undertake contract research activities.

The detailed cost of the proposed expansion is as under:

| Sr. No.                     | Description of Equipment/Machinery | Name of Supplier                | Date of Quotation | Qty (Nos) | Amount including duties & taxes (Rs. In lakhs) |
|-----------------------------|------------------------------------|---------------------------------|-------------------|-----------|------------------------------------------------|
| <b>Indigenous Machinery</b> |                                    |                                 |                   |           |                                                |
| 1                           | Reactor 200 litres – SS 316        | Jyoti Engineers & Constructions | August 12, 2009   | 1         | 3.97                                           |
| 2                           | Reactor 150 litres – Hast C        | Jyoti Engineers & Constructions | August 12, 2009   | 1         | 37.85                                          |
| 3                           | Condenser 5m <sup>2</sup> – SS 316 | Jyoti Engineers & Constructions | August 12, 2009   | 1         | 1.86                                           |

|                           |                                                |                                 |                 |      |               |
|---------------------------|------------------------------------------------|---------------------------------|-----------------|------|---------------|
| 4                         | Condenser 5m <sup>2</sup> – Hast C             | Jyoti Engineers & Constructions | August 12, 2009 | 1    | 18.61         |
| 5                         | Metering Tank 150 litres – SS 316              | Jyoti Engineers & Constructions | August 12, 2009 | 1    | 1.12          |
| 6                         | Receiver 500 litres – SS 316                   | Jyoti Engineers & Constructions | August 12, 2009 | 1    | 2.23          |
| 7                         | Nutsche Filter – Hast C                        | Jyoti Engineers & Constructions | August 12, 2009 | 1    | 60.68         |
| 8                         | Piping, Electricity Installation *             | N.A.                            | N.A.            | N.A. | 16.00         |
| 9                         | Extension of existing building and other works | A.P. Rege                       | July 28, 2009   | N.A. | 22.86         |
| 10                        | Expansion cost of Effluent Treatment Plant     | Aditya Kumar Saxena             | July 29, 2009   | -    | 11.90         |
| <b>Sub Total (A)</b>      |                                                |                                 |                 |      | <b>177.08</b> |
| <b>Imported Machinery</b> |                                                |                                 |                 |      |               |
| 1                         | Gas Chromatograph Model GC-2014AF              | Toshvin Analytical              | August 13, 2009 | 3    | 29.49         |
| 2                         | Gas Chromatograph Model GC-2014 AFSC           | Toshvin Analytical              | August 13, 2009 | 3    | 48.89         |
| <b>Sub Total (B)#</b>     |                                                |                                 |                 |      | <b>78.38</b>  |
| <b>Total</b>              |                                                |                                 |                 |      | <b>255.46</b> |

*(Source: Quotations received by our Company)*

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

*#Imported machinery costing at Rs. 78.38 lakhs i.e. 15549600 Yens converted at 1.98390 Yen for one INR as on August 14, 2009.*

The final break-up of indigenous and imported machinery is as under:

| <b>Particulars</b>       | <b>Total Amount (Rs in lakhs)</b> |
|--------------------------|-----------------------------------|
| Indigenous machinery (A) | 177.08                            |
| Imported machinery (B)   | 78.38                             |
| <b>Total (A+B)</b>       | <b>255.46</b>                     |

We confirm that none of the plant & machinery or equipment that we propose to purchase out of the Issue proceeds are second hand in nature.

We have relied on quotations received from various suppliers for orders of plant and machinery yet to be placed. Where more than one quotation has been sought, we have indicated the lowest of such quotations. We are also negotiating with several suppliers and the actual supplier may vary from the one mentioned above. Further, the specification of equipment may also differ considering the conditions prevailing at the time of placing the orders. We have not yet placed any orders for purchase of plant & machinery or any equipment for our proposed expansion project.

#### **Provision for contingencies**

In the event of any cost overrun due to any changes in the quoted price of plant & machinery for which orders have not been placed, time variations, transportation cost, insurance, unexpected

price rise due to factors beyond our control, contingencies have been provided for to cover any eventuality which may occur. Contingencies have been estimated at 2.50% of capital expenditure for which orders have yet to be placed and are estimated at Rs. 87.79 lakhs.

### 3. Meeting Product Registrations expenses

The key to sustain our operations is the ability to register our products, particularly in regulated markets. Registration involves the preparation and submission of data dossiers to, and subsequent negotiations with, registration authorities in the intended markets with the aim of obtaining approval to market a new product in these markets. Studies on the chemistry, toxicology, residual effect, environmental effect, ecological effect and efficacy of the new product are generally required to be conducted in accordance with Good Laboratory Practice (GLP) standards and details of the results of these studies are submitted as part of the registration process. The cost of carrying these studies varies from country to country depending upon the type and source of data generation (GLP or non-GLP).

There are existing 43 registrations in 20 countries in which local firms / parties have obtained the registration based on our Company being the approved source of supply and three registrations in our own name in Australia (2) and Vietnam (1). For details in respect of "Registration", please refer to paragraph "Product Registration" appearing on page no. 86 of this Red Herring Prospectus.

Now we propose to register two products in Brazil and six products in India in our own name, as part of our expansion programme.

The total cost of registration activities which will cover costs for domestic and international registrations are estimated at Rs. 375.52 lakhs, the details of which are as under:

| Sr. No.      | Particulars                   | Amount (Rs. In lakhs) |
|--------------|-------------------------------|-----------------------|
| A            | Cost of overseas registration | 310.92                |
| B            | Cost of registration in India | 64.60                 |
| <b>Total</b> |                               | <b>375.52</b>         |

#### (A) Cost of overseas registration

Our Company intends to register two products in Brazil. The cost of overseas registration is estimated at Rs. 310.92 lakhs, the details of which are as under:

| Sr. No. | Parameters                                                                    | Estimates by                                         | Amount in US Dollars# | Amount (Rs. In lakhs) |
|---------|-------------------------------------------------------------------------------|------------------------------------------------------|-----------------------|-----------------------|
| 1       | Chemistry and Toxicology Studies                                              | Jai Research Foundation (letter dated July 23, 2009) | -                     | 272.10                |
| 2       | Government Fees for Experimental Unit Permission (EUP) and Registration costs | *                                                    | 2800                  | 1.34                  |
| 3       | Other Expenses (Label Inscriptions,                                           | *                                                    | 11400                 | 5.45                  |

|   |                                         |   |       |               |
|---|-----------------------------------------|---|-------|---------------|
|   | Translation and Traveling charges, etc) |   |       |               |
| 4 | Consultation Fees                       | * | 67000 | 32.03         |
|   | <b>TOTAL</b>                            |   |       | <b>310.92</b> |

\* Our management's estimate

#Conversion index 1 USD = Rs. 47.81 (as on August 6, 2009)

#### **(B) Cost of Registration in India**

Our Company intends to register six products in India. As per estimate received from the Agro Consultants, vide their letter dated August 12, 2009 the cost of data generation for registration of six products is estimated at Rs. 64.60 lakhs, the details of which are as under:

| <b>Sr. No.</b> | <b>Data Requirement</b>                                            | <b>Amount (Rs. In lakhs)</b> |
|----------------|--------------------------------------------------------------------|------------------------------|
| 1              | Chemistry Data                                                     | 14.70                        |
| 2              | Bio-efficacy and Residue                                           | 22.50                        |
| 3              | Toxicity                                                           | 18.60                        |
| 4              | Packaging (container compatibility and container performance test) | 8.80                         |
| <b>Total</b>   |                                                                    | <b>64.60</b>                 |

#### **4. Meeting long-term working capital requirements**

Presently our Company enjoys working capital credit limits to the extent of Rs. 2800 lakhs as stated in the paragraph "Our Indebtedness" appearing on page no. 96 of the Red Herring Prospectus under section "Our Business". We have estimated our total working capital requirements for the financial year 2010-11, details of which are as under:

|                                         |                                 | <b>(Rs. In lakhs)</b>           |
|-----------------------------------------|---------------------------------|---------------------------------|
| <b>Particulars</b>                      | <b>F.Y. 2010-11 (Estimates)</b> | <b>March 31, 2009 (Audited)</b> |
| Current Assets                          |                                 |                                 |
| Raw Materials                           | 923.39                          | 437.98                          |
| Work in Progress                        | 2158.43                         | 1582.41                         |
| Finished Goods                          | 1348.01                         | 885.26                          |
| Total Inventories                       | 4429.83                         | 2905.65                         |
| Receivables                             | 4044.03                         | 2870.39                         |
| Total Current Assets                    | 8473.85                         | 5776.04                         |
| Less: Current Liabilities               |                                 |                                 |
| Creditors                               | 2834.35                         | 1533.36                         |
| Net Working Capital Requirements        | 5639.50                         | 4242.68                         |
| Funding pattern                         |                                 |                                 |
| Estimated bank finance available        | 4000.00                         |                                 |
| Proposed to be funded from Public Issue | 1100.00                         |                                 |
| Internal accruals                       | 539.50                          |                                 |
| Total                                   | 5639.50                         |                                 |

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

| Particulars      | Period (In months) |
|------------------|--------------------|
| Raw Materials    | 1.00               |
| Work in Progress | 1.25               |
| Finished Goods   | 1.25               |
| Sundry Debtors   | 3.00               |
| Sundry Creditors | 3.00               |

- The net working capital for 2008-09 is based on the position of the current assets and current liabilities as per the audited financial position of our Company for the financial year ended 2008-09.
- Taking into consideration the actual holding period of various components of current assets as well as current liabilities as at March 31, 2009, we have worked out the projected level of holding of the current assets and current liabilities for the financial year 2010-11.
- The projected levels of holding periods of various items of current assets and current liabilities are shown in the above table.

We have projected the bank borrowings for the year 2010-11 at the level of Rs. 4000 lakhs against the net working capital requirement of Rs. 5639.50lakhs, which is to be met through internal accruals of Rs. 539.50 lakhs and the balance long term working capital requirement of Rs. 1100 lakhs to be met from IPO proceeds.

## 5. General Corporate Purposes

We, in accordance with the policies set up by the Board will have flexibility in applying the net proceeds of the Issue for general corporate purposes including but not restricted to offsetting secured loan borrowings, strategic initiatives, expanding into new geographies, brand building exercise, strengthening of infrastructure / market capabilities, future projects and meeting exigencies which we in the ordinary course may not foresee. As on the date of this Red Herring Prospectus, we have not entered into any letter of intent or any other commitment for any joint venture or definitive commitment for any strategic initiatives. The Board of Directors will review various opportunities from time to time.

## 6. Issue Expenses

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

| (Rs. In lakhs) |                                       |        |                       |                     |
|----------------|---------------------------------------|--------|-----------------------|---------------------|
| Sr. No.        | Activity                              | Amount | % of Total Issue size | % of Issue Expenses |
| 1              | Issue Management Fees, Underwriting & | [•]    | [•]                   | [•]                 |

|   |                                                                                                                                                              |            |            |            |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|
|   | Selling Commission & Brokerage                                                                                                                               |            |            |            |
| 2 | Registrars fees                                                                                                                                              | [•]        | [•]        | [•]        |
| 3 | Fees for Legal Counsel to the Issue                                                                                                                          | [•]        | [•]        | [•]        |
| 3 | Fees payable to Grading Agency for grading the Issue                                                                                                         | [•]        | [•]        | [•]        |
| 4 | Printing and Distribution of Issue Stationery                                                                                                                | [•]        | [•]        | [•]        |
| 5 | Advertising and Marketing expenses                                                                                                                           | [•]        | [•]        | [•]        |
| 6 | Other expenses (stamp duty, initial listing fees, depository fees, charges for using the book building software of the exchanges and other related expenses) | [•]        | [•]        | [•]        |
|   | <b>Total</b>                                                                                                                                                 | <b>[•]</b> | <b>[•]</b> | <b>[•]</b> |

\*Will be incorporated after finalization of Issue Price

### Raw Materials

The major raw materials required for manufacture of Flutriafol are 4-Fluoro-2'-Fluoro-benzophenone and 1,2,4-Triazole. We plan to import 4-Fluoro-2'-Fluoro-benzophenone whereas 1,2,4-Triazole are available indigenously. For manufacture of Pentanediol, we will be importing 1-Pentene. Similarly, for manufacture of Difenconazole, we propose to import 4'-(4-Chlorophenoxy)-2'-chloro-acetophenone and for bromine, we propose to source it from indigenous suppliers. We do not foresee any problem in sourcing quantities of our raw material requirement.

### Infrastructural facilities

#### Power

The total requirement of power will be 250 KVA, which we propose to source from Maharashtra State Electricity Distribution Company Limited. We plan to apply for the same once the construction of the building starts. In addition we already have diesel generators of 125 KVA and 250 KVA at our Dombivli and Mahad units respectively to ensure uninterrupted supply of power.

#### Water

Water is required for our manufacturing processes, cooling arrangements, steam generation and general purposes. Total water requirement for the proposed expansion is 90 m<sup>3</sup>/day which will be met by supply from MIDC.

#### Fuel

We require High Speed Diesel (HSD) as fuel for our DG sets, furnace oil for thermic fluid heaters / package steam boilers and bio-coal / coal for shell and tube steam boiler. These fuels are easily available in the local market.

#### Utilities

Utilities like boilers, cooling towers, brine compressors, heaters and water chilling units are required to maintain the designed process condition during the reactions. We will be installing a chilled water unit, a chilled brine unit and a cooling tower (400 TR) for our proposed expansion. Our existing utilities like coal fired boilers, oil fired boilers and thermic fluid heaters will take care of the additional requirements.

### Manpower

The details of additional manpower for the proposed expansion are as follows:

| Sr. No. | Category of Employees | Proposed Number of employees |
|---------|-----------------------|------------------------------|
| 1       | Managerial            | 5                            |
| 2       | Technical             | 25                           |
| 3       | Skilled labour        | 30                           |
| 4       | Unskilled labour      | 50                           |
|         | <b>Total</b>          | <b>110</b>                   |

Our Company will be recruiting the above additional manpower in due course for which we do not envisage any difficulties as the same is easily available in and around the proposed expansion facilities.

### Effluent treatment

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

The primary treatment will be carried out in-house. This will involve pH adjustment, sedimentation, filtration, aeration and clarification. The secondary and tertiary treatment will be carried out at the local CETP (managed by MMA CETP Co-operative Society Limited).

Airborne emissions will be scrubbed in primary and secondary scrubbers. The by-products obtained from the scrubbers will be captively used or sold or sent for recoveries.

Solid / hazardous waste will be sent to CHW-TSDF (Common Hazardous Waste Treatment Storage Disposal facility), managed by Mumbai Waste Management Limited. The processes will be optimized to focus on minimizing the generation of waste and thereby preventing pollution at source.

We will be applying for all the necessary licenses/approvals from Maharashtra Pollution Control Board (MPCB) for our proposed expansion.

### Schedule of Implementation

| Sr. No                                                                 | Activity          | Expected date/month of Commencement | Expected date/month of Completion |
|------------------------------------------------------------------------|-------------------|-------------------------------------|-----------------------------------|
| <b>Expansion of our manufacturing facilities at Mahad, Maharashtra</b> |                   |                                     |                                   |
| (i)                                                                    | Site development  | October, 2009                       | November, 2009                    |
| (ii)                                                                   | Factory Buildings | November, 2009                      | March, 2010                       |
| (iii)                                                                  | Plant & Machinery |                                     |                                   |

|                                                                                      |                         |                   |                 |
|--------------------------------------------------------------------------------------|-------------------------|-------------------|-----------------|
|                                                                                      | (a) Placement of Orders | December, 2009    | February, 2010  |
|                                                                                      | (b) Delivery            | March, 2010       | April, 2010     |
|                                                                                      | (c) Installation        | March, 2010       | August, 2010    |
| (iv)                                                                                 | Trial Runs              | September, 2010   | September, 2010 |
| (v)                                                                                  | Commercial Production   | October, 2010     |                 |
| <b>Expansion of our Research and Development facilities at Dombivli, Maharashtra</b> |                         |                   |                 |
| (i)                                                                                  | R&D Building            | December, 2009    | March, 2010     |
| (ii)                                                                                 | Plant & Machinery       |                   |                 |
|                                                                                      | (a) Placement of Orders | February, 2010    | March, 2010     |
|                                                                                      | (b) Delivery            | April, 2010       | May, 2010       |
|                                                                                      | (c) Installation        | April, 2010       | July, 2010      |
| (iii)                                                                                | Commencement            | July, 2010        |                 |
| <b>Product Registrations</b>                                                         |                         |                   |                 |
| (i)                                                                                  | Registrations in India  | Already commenced | September, 2011 |
| (ii)                                                                                 | Overseas registrations  | Already commenced | September, 2011 |

#### **Funds deployed till date**

The details of the amount spent by our Company as of August 31, 2009 on projects as part of the "Objects of the Issue" and as certified by our Statutory Auditors, P. M. Katharia & Company, Chartered Accountants vide certificate dated September 2, 2009 are provided in the table below:

| <b>Particulars</b>      | <b>Amount<br/>(Rs. In lakhs)</b> |
|-------------------------|----------------------------------|
| <b>Funds Deployed</b>   |                                  |
| Issue Expenses          | 97.61                            |
| <b>Sources of Funds</b> |                                  |
| Internal Accruals       | 97.61                            |

#### **Proposed Deployment of funds in the project**

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

| Particulars                                                     | Already Incurred till Date | Fiscal year 2009-10 |        | Fiscal year 2010-11 |    |    |    | Fiscal year 2011-12 |    | Total  |
|-----------------------------------------------------------------|----------------------------|---------------------|--------|---------------------|----|----|----|---------------------|----|--------|
|                                                                 |                            | Q3                  | Q4     | Q1                  | Q2 | Q3 | Q4 | Q1                  | Q2 |        |
| Expansion of our Manufacturing facilities at Mahad, Maharashtra |                            |                     |        |                     |    |    |    |                     |    |        |
| Site development                                                | -                          | 10.00               |        |                     |    |    |    |                     |    | 10.00  |
| Factory                                                         | -                          | 210.0               | 100.00 | 70.96               |    |    |    |                     |    | 380.96 |

|                                                                                      |       |        |        |        |        |        |       |       |       |         |
|--------------------------------------------------------------------------------------|-------|--------|--------|--------|--------|--------|-------|-------|-------|---------|
| Buildings                                                                            |       | 0      |        |        |        |        |       |       |       |         |
| Plant & Machinery                                                                    | -     | 400.00 | 600.00 | 595.08 | 90.11  |        |       |       |       | 1685.19 |
| Miscellaneous Equipments and Utilities                                               | -     | 210.00 | 300.00 | 411.00 | 259.00 |        |       |       |       | 1180.00 |
| <b>Expansion of our Research and Development facilities at Dombivli, Maharashtra</b> |       |        |        |        |        |        |       |       |       |         |
| Indigenous & Imported Machinery                                                      | -     | -      | 60.00  | 70.00  | 102.59 | -      | -     | -     | -     | 232.59  |
| R&D Building Expansion                                                               | -     | -      | 5.00   | 10.00  | 7.87   | -      | -     | -     | -     | 22.87   |
| Contingencies                                                                        | -     | -      | -      | -      | -      | 87.79  | -     | -     | -     | 87.79   |
| Product Registrations Expenses                                                       | -     | 6.00   | 3.00   | 70.00  | 60.00  | 110.00 | 70.00 | 39.00 | 17.52 | 375.52  |
| Working Capital Requirements                                                         | -     |        | 100.00 | 350.00 | 350.00 | 300.00 | -     | -     | -     | 1100.00 |
| General Corporate Purpose                                                            | -     | [•]    | [•]    | [•]    | [•]    | [•]    | [•]   | [•]   | [•]   | [•]     |
| Public Issue Expenses                                                                | 97.61 | [•]    | [•]    |        |        |        |       |       |       | [•]     |
| <b>Total</b>                                                                         | 97.61 | [•]    | [•]    | [•]    | [•]    | [•]    | [•]   | [•]   | [•]   | [•]     |

### Interim Use of Proceeds

Our Company's management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilisation of the proceeds out of the Issue for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including money market mutual funds and deposits with banks. Such investments would be in accordance with the investment policies approved by the Board from time to time.

### Monitoring of Utilisation of funds

The appointment of monitoring agency is not required in accordance with Regulation 16(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. We have therefore not appointed any Monitoring Agency for the purpose of monitoring the utilization of issue proceeds. We will disclose the utilization of the proceeds under a separate head in our Company's balance sheet for the financial year 2010, 2011 and 2012 clearly specifying the purpose for which such proceeds have been utilized. We, in our balance sheet for the fiscal 2010, 2011 and 2012, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any of such unutilized proceeds of the Issue.

Pursuant to clause 49 of the Listing Agreement, the Company shall on a quarterly basis disclose to the Audit Committee the uses and applications of the proceeds of the Issue. On an annual basis, the Company shall prepare a statement of funds utilized for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee. Such disclosure shall be made only until such time that all the proceeds of the Issue have been utilized in full. The statement shall be certified by the statutory auditors of the Company. Furthermore, in accordance with clause 43A of the Listing Agreement the Company shall furnish to the stock exchanges on a quarterly basis, a statement including material deviations if any, in the utilization of the process of the Issue from the objects of the Issue as stated above.

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

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

## BASIC TERMS OF ISSUE

Public Issue of 75,00,000 Equity Shares of Rs 10/- each for cash at a Price of Rs. [•] per Equity Share, aggregating Rs. [•] Lakhs (The “Issue”). The Issue comprises a reservation of 1,00,000 Equity Shares of Rs. 10/- each aggregating Rs. [•] Lakhs for eligible employees (The “Employee Reservation Portion”), and Net Issue of 74,00,000 Equity Shares of Rs. 10/- each aggregating Rs. [•] Lakhs. The Issue constitutes 44.30% of the fully diluted post-issue paid-up capital of our Company.

|                                                              | <b>QIBs</b>                                                                                                                                                                                                                                                                  | <b>Non-Institutional Bidders</b>                                                                                 | <b>Retail individual Bidders</b>                                                                                | <b>Employee Reservation Portion</b> |
|--------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------------------|
| Number of Equity Shares available for Allocation*            | Not more than 37,00,000 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.                                                                                                                                               | Not less than 11,10,000 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders. | Not less than 25,90,000 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders | Upto 1,00,000 Equity Shares         |
| Percentage of Issue Size Available for allocation            | Not more than 50% of the Net Issue or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders of which 5% will be available for allocation to Mutual Funds only.                                                                                | Not less than 15% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders         | Not less than 35% of Net Issue or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders        | Upto 1.33% of Issue Size            |
| Basis of Allocation if respective category is oversubscribed | Proportionate as follows:<br>a. Equity Shares shall be allocated on proportionate basis to Mutual Funds in the Mutual Funds Portion;<br>b. Equity Shares shall be allocated on proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above. | Proportionate                                                                                                    | Proportionate                                                                                                   | Proportionate                       |

|                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                            |                                                                                                                                                          |                                                                  |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Minimum Bid       | Such number of Equity Shares in multiples of 75 Equity Shares so that the Bid Amount exceeds Rs. 1,00,000.                                                                                                                                                                                                                                                                                                                                                                                        | Such number of Equity Shares in multiples of 75 Equity Shares so that the Bid Amount exceeds Rs. 1,00,000.                                 | 75 Equity Shares                                                                                                                                         | 75 Equity Shares                                                 |
| Maximum Bid       | Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.                                                                                                                                                                                                                                                                                                                                                                                                           | Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.                                                    | Such number of Equity Shares whereby the Bid amount does not exceed Rs. 1,00,000                                                                         | Not exceeding 100,000 Equity Shares.                             |
| Mode of Allotment | Compulsorily in dematerialised mode                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Compulsorily in dematerialised mode                                                                                                        | Compulsorily in dematerialised mode                                                                                                                      | Compulsorily in dematerialized mode                              |
| Allotment Lot     | 75 Equity Shares and in multiples of one Equity Share thereafter                                                                                                                                                                                                                                                                                                                                                                                                                                  | 75 Equity Shares and in multiples of one Equity Share thereafter                                                                           | 75 Equity Shares and in multiples of one Equity Share thereafter                                                                                         | 75 Equity Shares and in multiples of one Equity Share thereafter |
| Trading Lot       | One Equity Share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | One Equity Share                                                                                                                           | One Equity Share                                                                                                                                         | One Equity Share                                                 |
| Who can apply**   | Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors and sub-accounts registered with SEBI other than a sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development | Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions, societies and trusts. | Individuals including NRIs and HUFs (in the name of the Karta) applying for Equity Shares such that the Bid amount does not exceed Rs. 100,000 in value. | Eligible Employees                                               |

|                     |                                                                                                                                                                                                                                                                                                 |                                                                                                                                      |                                                                                                                                      |                                                                                                                               |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
|                     | Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 lakhs and pension funds with minimum corpus of Rs. 2500 lakhs in accordance with applicable laws, and National Investment Fund. |                                                                                                                                      |                                                                                                                                      |                                                                                                                               |
| Terms of Payment*** | Margin Money applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.                                                                                                                                                                          | Margin Money applicable to Non institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members. | Margin Money applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members. | Margin Money applicable to Eligible Employees at the time of submission of Bid cum Application Form to the Syndicate Members. |
| Margin Amount       | 10% of the bid amount                                                                                                                                                                                                                                                                           | 100% of the Bid amount                                                                                                               | 100% of the Bid amount                                                                                                               | 100% of the Bid amount                                                                                                        |

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

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

Any under-subscription, in the Employee Reservation Portion, would be included in the Net Issue to the Public and will be allocated in accordance with the description in the section titled “Basis of Allocation” beginning on page no. 228 of this Red Herring Prospectus.

\*\* In case the Bid-cum-Application form / ASBA Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application form / ASBA Form.

\*\*\* In case of ASBA Bidders, SCSB shall be authorized to block such funds in the bank account of the ASBA Bidders that are specified in the Bid-cum-ASBA Forms.

## BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM and Co-BRLM on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10 and Issue Price is Rs. [●] per Equity Share and is [●] times the face value.

Investors should read the following summary with the risk factors beginning from page no. iii of this Red Herring Prospectus and the details about our Company and its financial statements included in this Red Herring Prospectus. The trading price of the Equity Shares of our Company could decline due to these risk factors and you may lose all or part of your investments.

### **Key Business Strengths:**

#### ***Diversified product range***

Our Company has a diverse product range comprising a mix of high volume-medium margin and low volume-high margin products. We have more than six products in our product portfolio which consists of different kinds of active ingredients, intermediates and formulations. Our products are available in various sizes of packaging catering to the needs of a wide range of customers.

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

We have a diverse customer base from different industry segment like agro chemicals and pharmaceutical applications. Further, our products are also used in manufacturing shampoos and disinfectants.

#### ***Existing product registrations***

There are existing 43 registrations in 20 countries in which local firms / parties have obtained the registration based on our Company being the approved source of supply and three registrations in our own name in Australia (2) and Vietnam (1). These registrations will give us access to large markets. In addition to overseas registrations, we have 69 CIB registrations for various products in the Indian market. These registrations help us to market the products in India.

#### ***Our quality standards***

Our Company has been granted ISO 9001:2000 Certificate of Assessment by International Standards Certification Pty limited, Australia for “Design, Development, Manufacture and Supply of Organic Chemical and Intermediates for Pharmaceutical and Agrochemical Industry”.

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

Our Company is managed by a team of experienced and professional personnel with exposure in various aspects of agrochemical and pharmaceutical Industry including production, research & development, marketing and finance.

## Quantitative Factors:

### 1. Adjusted Earning Per Equity Share

| Period (Financial Year)                   | On Stand-alone basis                      |        | On Consolidated basis    |        |
|-------------------------------------------|-------------------------------------------|--------|--------------------------|--------|
|                                           | Earnings Per Equity Share (Diluted) (Rs.) | Weight | Earnings Per Share (Rs.) | Weight |
| April 1, 2009 to June 30, 2009 (3 months) | 3.64                                      | -      | 3.64                     | -      |
| 2008-09                                   | 11.37                                     | 3      | 11.38                    | 2      |
| 2007-08                                   | 8.41                                      | 2      | 8.42                     | 1      |
| 2006-07                                   | 3.90                                      | 1      | Not applicable           | -      |
| <b>Weighted Average</b>                   | 9.14                                      |        | 10.39                    |        |

### 2. Price / Earning Ratio (P/E)

| Particulars                                                 | On Stand-alone basis                         |                                              | On Consolidated basis                        |                                              |
|-------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|
|                                                             | At the Lower Band of Rs. 77 per Equity Share | At the Upper Band of Rs. 82 per Equity Share | At the Lower Band of Rs. 77 per Equity Share | At the Upper Band of Rs. 82 per Equity Share |
| Based on the Adjusted EPS for the year ended March 31, 2009 | 6.77                                         | 7.21                                         | 6.77                                         | 7.21                                         |
| Based on the weighted average EPS                           | 8.42                                         | 8.97                                         | 7.49                                         | 7.89                                         |

### Industry P/E

| Sr.No                                 | Particulars | Industry P/E |
|---------------------------------------|-------------|--------------|
| PESTICIDES/ AGROCHEMICALS - INDIAN    |             |              |
| (i)                                   | Highest     | 45.8         |
| (ii)                                  | Lowest      | 3.2          |
| (iii)                                 | Average     | 18.6         |
| PHARMACEUTICALS - Indian - Bulk Drugs |             |              |
| (i)                                   | Highest     | 97.2         |
| (ii)                                  | Lowest      | 4.5          |
| (iii)                                 | Average     | 15.4         |

(Source: Capital Market dated August 24 – September 06, 2009)

### 3. Return on Networth (RONW)

| Period (Financial Year)        | On stand-alone basis |        | On Consolidated basis |        |
|--------------------------------|----------------------|--------|-----------------------|--------|
|                                | RONW %               | Weight | RONW %                | Weight |
| April 1, 2009 to June 30, 2009 | 10.10                | -      | 10.09                 | -      |

|                         |       |   |                |   |
|-------------------------|-------|---|----------------|---|
| 2008-09                 | 35.15 | 3 | 35.15          | 2 |
| 2007-08                 | 37.11 | 2 | 37.11          | 1 |
| 2006-07                 | 25.12 | 1 | Not applicable | - |
| <b>Weighted Average</b> | 34.13 |   | 35.80          |   |

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

| Particulars                                              | On stand-alone basis                         |                                              | On Consolidated basis                        |                                              |
|----------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|
|                                                          | At the Lower Band of Rs. 77 per Equity Share | At the Upper Band of Rs. 82 per Equity Share | At the Lower Band of Rs. 77 per Equity Share | At the Upper Band of Rs. 82 per Equity Share |
| Minimum required RONW for maintaining EPS for FY 2008-09 | 20.99                                        | 20.16                                        | 21.01                                        | 20.18                                        |

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

| Particulars             | On Stand-alone basis | On Consolidated basis |
|-------------------------|----------------------|-----------------------|
|                         | Adjusted NAV         | Adjusted NAV          |
| a. As on March 31, 2009 | 32.36                | 32.37                 |
| b. As on June 30, 2009  | 36.01                | 36.02                 |
| c. After Issue          | [•]                  |                       |

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

#### 6. Comparison with Industry Peers

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

| Name of Company                                                                   | Face Value (Rs.) | Sales (Rs. In lakhs) | E.P.S. (Rs.) | P/E | Book Value (Rs.) | RONW (%) |
|-----------------------------------------------------------------------------------|------------------|----------------------|--------------|-----|------------------|----------|
| Astec Lifesceinces Limited (as on March 31, 2009) – [Unconsolidated], as restated | 10               | 8933.05              | 11.37        | [•] | 32.36            | 35.15    |
| Astec Lifesceinces Limited (as on March 31, 2009) – [Consolidated], as restated   | 10               | 8933.05              | 11.38        | [•] | 32.37            | 35.15    |
| <b>Peer Group – Agrochemical Sector</b>                                           |                  |                      |              |     |                  |          |
| Bharat Rasayan Limited                                                            | 10               | 10290.00             | 16.8         | 3.6 | 89.2             | 14.1     |

| Name of Company                           | Face Value (Rs.) | Sales (Rs. In lakhs) | E.P.S. (Rs.) | P/E  | Book Value (Rs.) | RONW (%) |
|-------------------------------------------|------------------|----------------------|--------------|------|------------------|----------|
| Sabero Organics limited                   | 10               | 36600.00             | 7.5          | 4.0  | 25.0             | 11.2     |
| <b>Peer Group - Pharmaceutical Sector</b> |                  |                      |              |      |                  |          |
| PI Drugs & Pharmaceuticals                | 10               | 10610.00             | 3.2          | 15.0 | 53.7             | 4.8      |
| Anu's Laboratories                        | 10               | 15970.00             | 0.70         | -    | 6.1              | 43.4     |

(Source: Capital Market dated August 24 – September 06, 2009), Industry – Pesticides/ Agrochemicals (Indian) & Pharmaceutical – Indian Bulk Drugs)

Note: The restated financial information of the industry peers is not ascertainable, the ratios disclosed in the Red Herring Prospectus for the purpose of comparison with the accounting ratios of our Company is not based on restated financial statements of the industry peers.

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

The BRLM believe that the Issue price of Rs. [●] is justified in view of the above qualitative and quantitative factors. See the section titled “Risk Factors” and “Financial Statements” beginning on page no. iii and 129 of this Red Herring Prospectus, including important profitability and return ratios, as set out in the Auditors Report beginning on page no. 129 for further information.

## STATEMENT OF TAX BENEFITS

**The Board of Directors,**  
**Astec Lifesciences Limited,**  
5-5A, 4<sup>th</sup> Floor,  
Kamanwala Chambers,  
Sir P.M. Road, Fort,  
Mumbai – 400 001.

Dear Sirs,

We hereby report that the enclosed annexure states the possible tax benefits available to **Astec LifeSciences Limited** (the “Company”) and its shareholders under the provisions of the Income tax Act, 1961 and other direct tax laws presently in force. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

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

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

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

The contents of this annexure are based on information/explanations, relevant documents as produced before us and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

This statement is provided solely for the purpose of assisting the Company to which it is addressed in discharging their responsibilities under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and paragraph B (1) of Part II of Schedule II to the Indian Companies Act.

**For P.M.Kathariya & Co.**  
**Chartered Accountants**

**P.M.Kathariya**  
**Proprietor**  
**Membership No. 31315**  
Place: Mumbai  
Date: September 4, 2009

## STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO ASTEC LIFESCIENCES LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS

### (I) SPECIAL TAX BENEFITS AVAILABLE TO ASTEC LIFESCIENCES LIMITED AND ITS SHAREHOLDERS

No special tax benefits are available to Astec LifeSciences Limited and its shareholders.

### (II) GENERAL TAX BENEFITS AVAILABLE TO ASTEC LIFESCIENCES LIMITED AND ITS SHAREHOLDERS

#### BENEFITS AVAILABLE TO THE COMPANY UNDER THE INCOME TAX ACT, 1961

1. Dividend exempt under Section 10(34)  
Under Section 10(34) to be read with Section 115O of the Act, dividend income (whether interim or final) in the hands of the company as distributed or paid by any other Company on or after April 1, 2004 is completely exempt from tax in the hands of the Company.
2. Exemption under Section 10(35)  
Under section 10(35) of the Act, the income received by the Company from distribution made by any mutual fund specified under section 10(23D) of the Act in respect of which tax is paid by such mutual fund u/s. 115R of the Act or from the Administrator of the specified undertaking or from the specified companies is exempt from tax.
3. Exemption under Section 10(23G)  
In accordance with and subject to the provisions of section 10(23G) of the Act, the Company will be eligible to claim exemption on any income by way of dividends (other than dividends exempt under section 10(34) of the Act), interest or long-term capital gains from investments made by way of shares or long - term finance in specified enterprise, wholly engaged in specified business or projects and which have been approved by the Central Government.
4. Lower Tax Rate under Section 112 on Long Term Capital Gains  
As per the provisions of Section 112 of the Act, long-term gains that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).
5. Exemption of Long Term Capital Gain under section 10(38)  
As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.

However, income by way of long-term capital gain of a company shall be taken into account in computing the book profit and income-tax payable under section 115JB.

6. Lower Tax Rate under Section 111A on Short Term Capital Gains

As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.

7. Exemption of Long Term Capital Gain under Section 54EC

In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the Company would be entitled to exemption from tax on gains arising from transfer of the long term capital asset (not covered by section 10(36) and section 10(38)) if such capital gain is invested in any of the long-term specified assets in the manner prescribed in the said section. Where the long term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.

8. Exemption of Long Term Capital Gain under Section 54ED

According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- a. the issue is made by a public company formed and registered in India; and
- b. the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

9. Preliminary Expenses under Section 35D

In accordance with and subject to the provisions of section 35D of the Income tax Act, the company will be entitled to amortize, over a period of five years, all expenditure in connection with the proposed public issue subject to the overall limit specified in the said section.

10. Depreciation under Section 32

In accordance with and subject to the provisions of section 32 of the Income tax Act, the company will be allowed to claim depreciation on specified tangible and intangible assets as per the rates specified. Besides normal depreciation, the company, in terms of section

32(1)(iia),  
shall be entitled to claim depreciation @ 20% of actual cost on new plant and machinery acquired after 31st March, 2005

11. MAT Credit under Section 115 JAA(1A)  
Under Section 115 JAA (1A) of the Act, tax credit shall be allowed of any tax paid (MAT) under Section 115JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 7 years succeeding the year in which the MAT becomes allowable.
12. Special Provisions in respect of newly established 100% EOU  
Subject to the provisions of section 10B, a deduction of such profit and gains as are derived by a 100% EOU from the export of articles or things or computer software for a period of ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles or things or computer software, as the case may be, shall be allowed from the total income of the company.

#### **BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961**

1. Dividend Exempt under Section 10(34)  
Under Section 10(34) to be read with Section 115O of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after 1st April 2004 is completely exempt from tax in the hands of the shareholders of the Company.
2. Lower Tax Rate under Section 112 on Long Term Capital Gains  
As per the provisions of Section 112 of the Act, long-term gains that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).
3. Lower Tax rate under Section 111A on Short Term Capital Gains  
As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
4. Exemption of Long Term Capital Gain under section 10(38)  
As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.

5. Exemption of Long Term Capital Gain under Section 54EC

In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified asset is transferred or converted into money.

6. Exemption of Long Term Capital Gain under Section 54ED

According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- i. the issue is made by a public company formed and registered in India; and
- ii. the shares forming part of the issue are offered for subscription to the public. However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.
- iii. The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED.
- iv. Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

7. Exemption under section 54F

In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase /construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

8. Rebate under Section 88E

As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.

## **BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS**

1. Dividend Exempt under Section 10(34)

Under Section 10(34) to be read with Section 115O of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after 1st April 2004 is completely exempt from tax in the hands of the shareholders of the Company.

2. Lower Tax Rate under Section 112 on Long Term Capital Gains

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

3. Lower Tax rate under Section 111A on short term capital gains

As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.

4. Options available under the Act

Where shares have been subscribed to in convertible foreign exchange - Option of taxation under Chapter XII-A of the Act:

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

- i. According to the provisions of section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
- ii. According to the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration

received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

- iii. As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- iv. Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XIIA shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- v. As per the provisions of Section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

5. Exemption of Long term capital gain under section 10(38)

As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.

6. Exemption of long term capital gain under Section 54EC

In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in

the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified asset is transferred or converted into money.

7. Exemption of Long term capital gain under Section 54ED

According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- i. the issue is made by a public company formed and registered in India; and
- ii. the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred. The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED.

- iii. Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

8. Exemption under section 54F

In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

9. Rebate under Section 88E

As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.

10. Tax Treaty Benefits  
As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

## **BENEFITS AVAILABLE TO OTHER NON-RESIDENTS**

1. Dividend Exempt under Section 10(34)  
Under Section 10(34) to be read with Section 115O of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after 1st April 2004 is completely exempt from tax in the hands of the shareholders of the Company.
2. Lower Tax Rate under Section 112 on Long Term Capital Gains  
As per the provisions of Section 112 of the Act, long-term gains that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).  
However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).
3. Lower Tax Rate under Section 111A on Short Term Capital Gains  
As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
4. Exemption of Long term Capital Gain under section 10(38)  
As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.
5. Exemption of Long Term Capital Gain under Section 54EC  
In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified asset is transferred or converted into money.
6. Exemption of Long Term Capital Gain under Section 54ED

According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- i. the issue is made by a public company formed and registered in India; and
- ii. the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred. The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED.

- iii Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

7. Exemption under section 54F

In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

8. Rebate under Section 88E

As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.

9. Tax Treaty Benefits

As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

## **BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FII')**

1. Dividend Exempt under Section 10(34)

Under Section 10(34) to be read with Section 115O of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after 1st April 2004 is completely exempt from tax in the hands of the shareholders of the Company.

2. Benefits on taxability of capital gain

In case of a shareholder being a Foreign Institutional Investor (FII), in accordance with and subject to the conditions and to the extent specified in Section 115AD of the Act, tax on long term capital gain (not covered by sections 10(36) and 10(38)) will be 10% and on short term capital gain will be 30% as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case. However short term capital gains on sale of Equity Shares of a company through a recognized stock exchange or a unit of an equity oriented mutual fund effected on or after 1st October 2004 and subject to Securities transaction tax shall be taxed @ 10% as per the provisions of section 111A. It is to be noted that the benefits of Indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to FII.

3. Exemption of Long term Capital Gain under section 10(38)

As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.

4. Exemption of Long term capital gain under Section 54ED

According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- i. the issue is made by a public company formed and registered in India; and
- ii. the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

5. Exemption under section 54F

In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net

consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

6. Rebate under Section 88E

As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income as provided in the said section.

7. Tax Treaty Benefits

As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

**BENEFITS AVAILABLE TO MUTUAL FUNDS**

In case of a shareholder being a Mutual fund, as per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from Income Tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

**BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES / FUNDS**

In case of a shareholder being a Venture Capital Company / Fund, as per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would exempt from Income Tax, subject to the conditions specified.

**BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957**

Asset as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax

**BENEFITS AVAILABLE UNDER THE GIFT-TAX ACT, 1958**

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

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares. The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date. Investors are

advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of equity shares.

**Notes:-**

1. All the above benefits are as per the current tax law as amended by the Finance Bill, 2009.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. In 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 issue.

**For P.M.Kathariya & Co.  
Chartered Accountants**

**P.M.Kathariya  
Proprietor  
Membership No. 31315**

Place: Mumbai

Date : September 4, 2009

## SECTION IV - ABOUT THE COMPANY

### INDUSTRY OVERVIEW

The information presented in this section has been obtained from publicly available documents from various sources, industry websites/publications and company estimates. Industry websites/publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and other data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company estimates, while believed by us to be reliable, have not been verified by any independent agencies.

Data used in this section has been sourced from the following:

- Report on Indian Pharmaceutical Industry and Indian Agrochemical Industry by Credit Analysis and Research Limited (CARE Research) –August, 2009
- Website [www.chemicals.nic.in](http://www.chemicals.nic.in) (Website of Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Government of India)

#### Overview

We have two major business segments, i.e. Agrochemicals and Pharmaceuticals. Following is a brief overview of the industries in which we operate:

#### Agrochemicals

Agrochemicals are used for preventing destruction of crops from pests, insects, weeds, rodents, fungus, etc. Agrochemical industry plays a vital role in ensuring food security and economic benefits to the farmers. Agrochemicals are the last input in agricultural operation and essential for sustainable development in agriculture.

Agrochemicals are first manufactured as technical grade products having higher commercial purity. These are not used as such and the successful use to control harmful insects, weeds, etc depends to a large extent on their formulation. The active ingredients are mixed with solvents, adjuvants and fillers necessary to achieve the desired formulation. The main purpose of agrochemical formulation is to manufacture a product that has optimum biological efficiency, is convenient to use and minimizes environmental impacts.

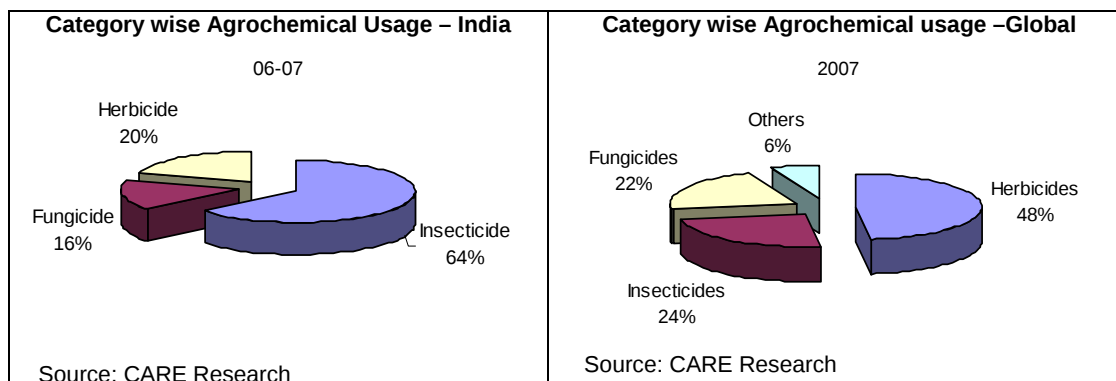
Depending on the type of pests these control, agrochemicals can be classified as follows:

- Insecticides – act against insects which feed on crops, roots, etc.
- Herbicides (weedicides) – act against weeds or unnecessary plants.
- Fungicides – act against fungi, bacteria, virus, etc.
- Rodenticides – control mice and other rodents.
- Nematicides – control snugs and snails.
- Fumigants – destroy pests in buildings/ storages or soil.

In volume terms, the Indian agrochemical industry is second in Asia (after China) and twelfth globally. In spite of India primarily being an agricultural economy & agrochemicals being an essential ingredient for ensuring food security, consumption of agrochemicals is low in India The

industry (domestic and exports) registered a CAGR of 5.37% in last 6 years ended FY 2006 with most of the growth coming from exports. India is also a net exporter of agrochemicals with exports valued at Rs. 2,800 crores in 2005-06. The domestic market grew @ 7.72% in FY 2007 to achieve a turnover of Rs.4463 crores.

The pesticide consumption pattern in India is dominated by Insecticides (64.21% in FY2007). This is due to tropical climate of India which is more conducive for growth of insects and higher cultivation of crops like cotton, rice, etc which are more prone to insect attack. Globally, herbicides and fungicides have higher market share.



## Industry Characteristics

### 1 Locally fragmented industry

The earlier process patent regime and low capital requirement to set up a formulation unit led to mushrooming of large number of such units. The Indian Agrochemical Industry today has about 400 formulators in addition to 30-40 large manufacturers. Herfindahl Index of Concentration for the industry is 0.048. Globally, due to consolidation in the industry, the top 5 MNC's control almost 60% of the global market.

### 2 Seasonality in demand

Demand for agrochemicals in India stems from agricultural production. As in India, the crops are mainly sown in two cropping seasons, namely Kharif (July – November) and Rabi (October – February), the demand for agrochemicals is seasonal. Also, the demand is skewed in favour of Kharif crops with about 70% of annual agrochemical consumption. Globally, due to advanced irrigation techniques and sustained availability of water throughout the year, demand is not highly seasonal.

### 3 Increasing emphasis on R&D

Hitherto, Indian manufacturers had focused on marketing generic and off-patent products. Hence, the R&D expense of Indian companies was far less compared to their global counterparts. The R&D expense as a percentage of turnover is about 1% for Indian companies compared to 11-12% for global players. MNC's have focused on high-end specialty products, dominating the market for proprietary products. With the implementation of product patent, in order to achieve sustainable growth, Indian companies will need to focus on R&D.

#### **4 Low Brand Awareness domestically unlike global**

The market for agrochemicals in India is low brand conscious and highly price sensitive. While making purchases, most farmers consider price as an important factor than brand. They largely depend on dealers for making purchases, which in certain cases, may prove detrimental to their interests. However, certain pockets of western and southern region have high brand loyalty. In order to educate the Indian farmers and spread awareness about use of quality products, many large companies have started creating brand awareness among farmers by organizing campaigns and adopting extensive marketing. Globally, in developed nations like US, UK, Europe, Japan the brand loyalty is very high. Even manufacturers have intensive marketing and distribution reach and are able to provide customized service to the farming community.

#### **Demand Drivers**

##### **a) Crop yield**

Higher crop yield increases the incidence of pest attack and leads to increased demand for agrochemicals. Irregular monsoons coupled with lack of irrigation results in lower agricultural yield in India. Crop yields per hectare in India are quite low compared to USA and China. Focus on use of modern techniques and good quality agricultural products, will lead to better productivity.

##### **b) Area under agricultural crops & production in India**

Area under agricultural crops has more or less remained stagnant over the last 4 years and with rising population, increasing agricultural yield and productivity is of utmost importance. Crop production has shown a mixed trend over the past five years. However, it increased to 230.67 mn tones in 2007-08.

##### **c) Trends in agricultural production of key crops:**

Rice, Wheat and pulses account for about 30% of agrochemical consumption in India. Continuous rise in key agricultural crops over the last 3 years is a healthy sign for the domestic agrochemical industry. Globally, too the area under cultivation has remained more or less stagnant. Also, cultivable land is diverted for use of commercial crops. This makes it imperative to increase food production from declining land resources and calls for better crop protection measures.

##### **d) Pest attack**

In India, the presence of more than 40,000 different types of insects has been recorded in India and of these about 1,000 have been listed as potential pests of economic plants, 500 pests have caused serious damage at some time or the other and 70 have been causing damage more often. Therefore, agrochemicals have been recognized in India as essential in increasing agricultural production by preventing crop losses before and after harvesting.

##### **e) Price realization from crops**

Better price realization benefits the farmers, thereby bringing higher investment in the entire agriculture operation which translates into higher demand for agrochemicals. Increase in average commodity prices for major crops in past five years is encouraging for the agrochemical industry.

##### **f) Low level of Farmer awareness in India unlike globally**

Educating the farmers about advantages of agrochemicals and their safe usage will lead to increase in demand for agrochemicals. Currently about 25% of the crop area in India is under plant

protection measures and with approximately Rs.44 bn of agrochemical consumption in India, agrochemical requirement is pegged at Rs.175 bn. The same is also reflected in lower per hectare agrochemical consumption in India.

**g) Availability of credit**

The industry attempts to increase the demand for agrochemicals, by making available credit to the farmers over a reasonable credit period. However, with better availability of rural bank credit to the sector, demand for agrochemicals may increase.

**h) Focus on bio fuels**

Focus on biofuels is expanding in Europe, Asia and the Americas. This has led to increased productivity of crops like sugarcane, maize, etc. This will also trigger demand for agrochemicals.

**Market Size - Domestic and Global:**

Category wise size of the Indian market

|              | Rs. crores   |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|--------------|
|              | 2002-03      | 2003-04      | 2004-05      | 2005-06      | 2006-07      |
| Insecticides | 2,240        | 2,860        | 2,350        | 2,725        | 2,866        |
| Fungicides   | 416          | 475          | 500          | 670          | 722          |
| Herbicides   | 544          | 665          | 650          | 749          | 875          |
| <b>Total</b> | <b>3,200</b> | <b>4,000</b> | <b>3,500</b> | <b>4,143</b> | <b>4,463</b> |

Domestic consumption grew at a CAGR of 8.67% during the five year period ending FY 2007. Domestic consumption in FY 2007 stood at Rs. 4,463 crores, an increase of 7.72% compared to previous year. The growth for two consecutive years viz. FY2006\FY2007 was due to good monsoons, good support prices of crops, pro agricultural policies by the GoI and higher agricultural produce. Insecticides constitute the largest proportion of agrochemicals consumption in India. However, its proportion has fallen from 70% in FY 2003 to 64% in FY 2007. Herbicides formed 19% of total domestic sales in FY 2007 grew at CAGR of 12.6% in last five years. Though, fungicides formed 16% of total domestic sales in FY 2007 it showed highest CAGR of 14.8% in the last five years amongst the three categories.

**Global Agrochemical market size:**

|           | 2003  | 2004  | 2005  | 2006  | 2007  |
|-----------|-------|-------|-------|-------|-------|
| In USD bn | 26.71 | 30.73 | 31.19 | 30.43 | 33.39 |

Global agrochemical consumption (for crop) increased by 9.7% to USD 33.4 bn in 2007. Growth in agrochemical market in 2007 was due to strong commodity prices, improved weather, growth in bio fuels, etc.

**Geographical market size:**

| Region | Pesticide Market (USD bn) | % contribution | Key Growth Drivers                        |
|--------|---------------------------|----------------|-------------------------------------------|
| Europe | 10.55                     | 31.6           | --Increase in cereal & rapeseed acreages. |
| Asia   | 7.81                      | 23.4           | --Improved monsoons in India.             |

|                        |      |      |                                                                                                                              |
|------------------------|------|------|------------------------------------------------------------------------------------------------------------------------------|
|                        |      |      | --Increased investments in grains in China.                                                                                  |
| NAFTA                  | 7.51 | 22.5 | --Increase in maize area driven by ethanol demand.<br>--Reduced GM cotton and soyabean area.                                 |
| Latin America          | 6.18 | 18.5 | -- Improving agricultural economies<br>--Increase in Brazilian maize area.<br>--Increase in use of sugarcane for bioethanol. |
| Africa/<br>Middle East | 1.34 | 4.0  | --Cotton prices improving.<br>--Development of specialty crop markets for export.                                            |

#### Domestic Agrochemical Capacity and Production Data

|                        | 02-03   | 03-04   | 04-05   | 05-06   | 06-07   |
|------------------------|---------|---------|---------|---------|---------|
| Installed Capacity(MT) | 138,200 | 145,000 | 145,681 | 148,551 | 145,391 |
| Production (MT)        | 67,900  | 85,118  | 93,966  | 82,240  | 84,701  |
| Capacity Utilization % | 49.1    | 58.7    | 64.5    | 55.4    | 58.3    |

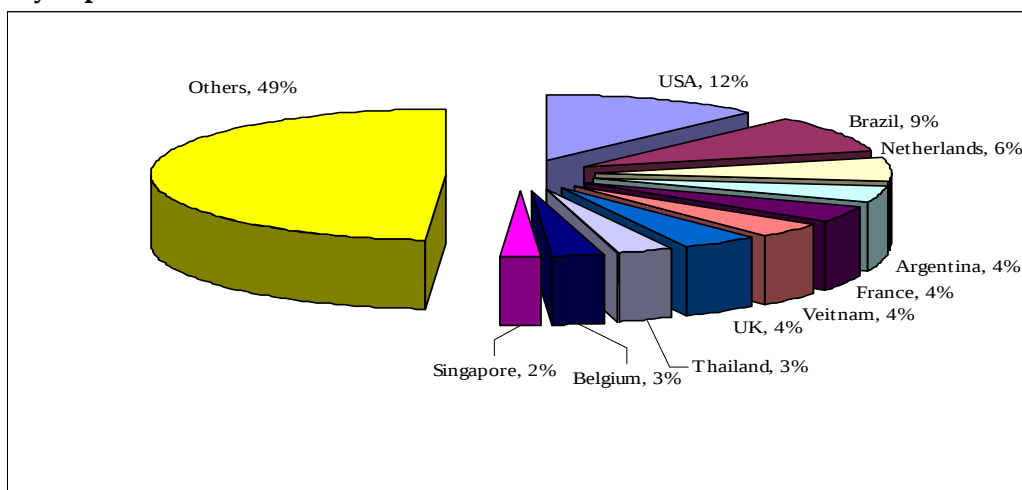
(Source: CARE Research)

Though, capacity utilization levels have been lower, it is set to improve as India will become a key outsourcing hub due to advantages of cost competitiveness and availability of skilled scientists. Also, the trend has been shifting to use low doses of higher potency.

#### Export - Import Trend

India is a net exporter of pesticides and is 13th largest exporter of pesticides and disinfectants in the world. India is currently exporting more than 35 generics to over 110 countries across the globe. Entry barrier for import lies in the form of lengthy and cumbersome registration norms. Exports grew at a CAGR of 15.84% in last five years. The increased export focus is due to better export realizations, global outsourcing due to low cost production, low or nil credit periods in export markets and tax sops.

#### Key export Destinations -FY08



(Source: CARE Research)

## **Outlook and Challenges**

With the current trend in population growth and agricultural productivity, industry experts feel that the agricultural sector needs to double food production by 2025 and triple it by 2050 that too on less per capita land, with less water and under increasingly challenging environmental conditions. Also, with rising economy, food consumption patterns are changing reflecting higher intake of fruits, vegetables, pulses, etc. GoI recognizing this serious concern has laid special emphasis on agriculture growth. The target for agricultural growth in XIth Five Year Plan is pegged at 4% p.a. Also, the Union Budget 2008-09 continues to focus on agriculture. The budget proposed additional investments on key inputs like irrigation, fertilizers and seeds. The growth in agricultural crops will augur well for the agrochemical industry. Amongst agrochemicals, fungicides and herbicides will continue to witness a higher growth rate as compared to Insecticides as these products are mainly used in fruits and vegetable cultivation. In the years to come, the consumption pattern of insecticides, herbicides and fungicides is likely to mirror the global consumption pattern. Exports as in the past will continue to grow at healthy rates.

Globally, the growth in agrochemical industry will be driven by growth in biofuels, increase in cropping area in Latin America, and higher commodity prices.

## **Pharmaceuticals**

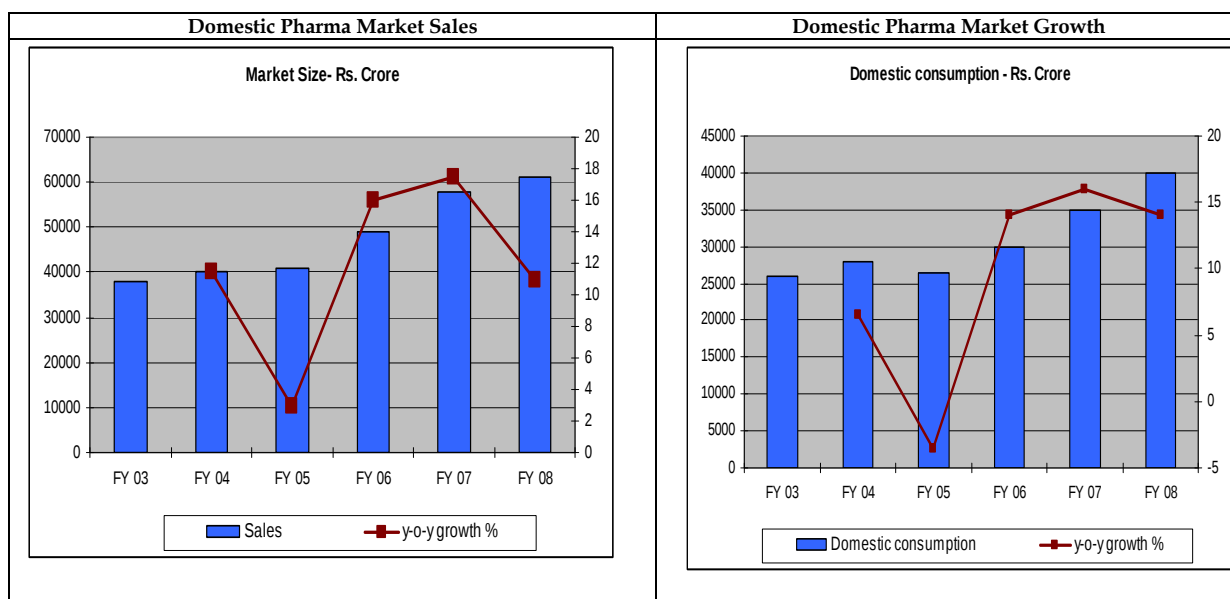
### **World Pharmaceutical Market**

The global pharmaceutical market was valued at US\$ 773bn during calendar year 2008 recording a y-o-y growth of 8.42.

The pharmaceutical market globally is largely being driven by the N. American and the European nations which together constituted approximately 68.8% of the total global pharma sales during calendar year 2008. However the contribution to the growth of global pharma sales by these regions has remained subdued in recent times owing to fewer new product launches, less-than expected demand of recently launched products and of late with the indirect effects of economic slowdown such as reduction in the number of visits to clinics.

### **Indian Pharmaceutical Market**

The Indian pharmaceutical market was valued at Rs. 62,500 crores during FY08. With the y-o-y growth of Indian pharma sales at 10.62% surpassing the y-o-y growth of global pharma sales at 8.42% during FY08, India represents one of the fastest growing pharma markets in the world.



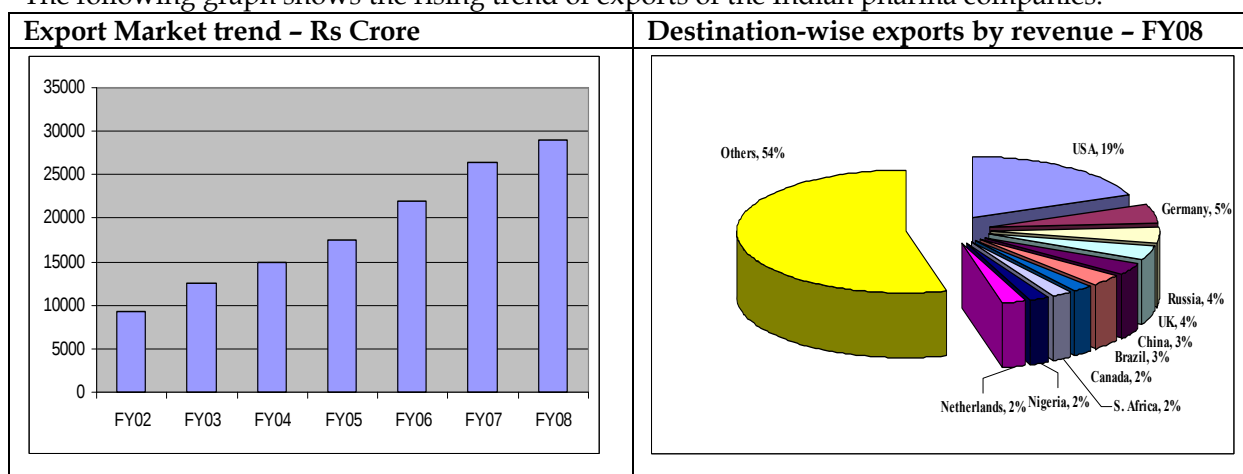
(Source: CMIE, CARE Research)

### Indian Pharma market structure

The Indian pharma industry consists of nearly 330 units in the organised sector and more than 15000 units in the unorganised sector. The organised sector accounts for 96% of the industry with the top 15 companies constituting almost 63% of the total industry sales.

The pharma manufacturers can be classified into bulk & intermediate manufacturers and formulators. In value terms, formulations command nearly 78% share of the Indian pharma market. In addition to the domestic consumption, the industry's exports have grown phenomenally at a Cagr of nearly 20% during the period FY02-FY-08. Significantly during FY08, the exports accounted for 46.6% of the total pharma sales during the year of which the share of exports to US stood highest at 19%.

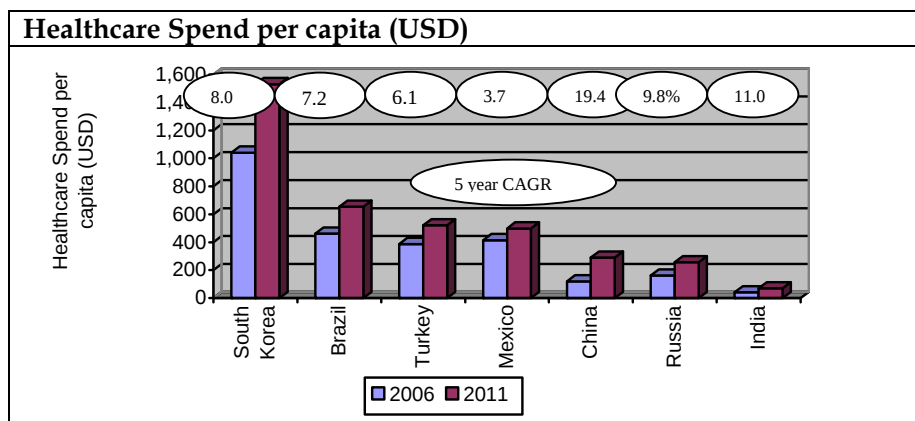
The following graph shows the rising trend of exports of the Indian pharma companies.



Source: CMIE, CARE Research

## Domestic Market Profile

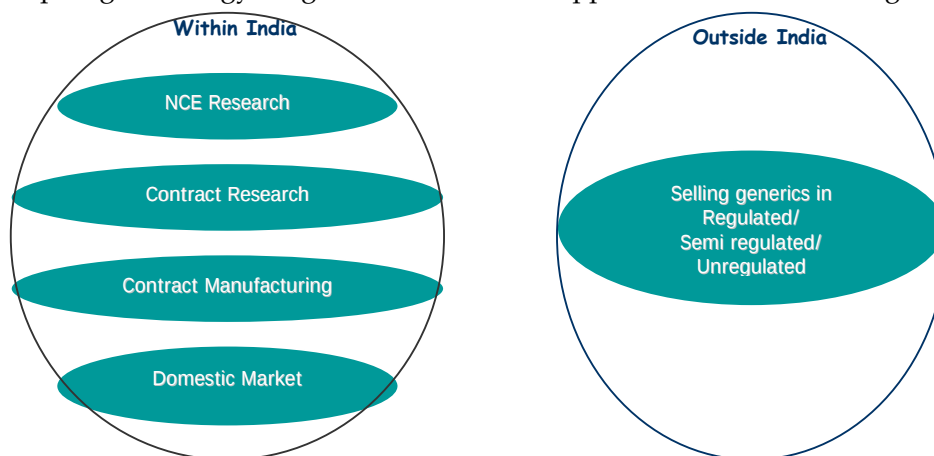
The 1.15bn strong population which is growing at an annual rate of 1.3-1.4% indicates the huge potential of the domestic market. With per capita healthcare spend averaging \$41 per annum, the India Pharma market yet remains untapped. The following graph indicates the projected growth in per capita healthcare spend expected in the next five years.



Source ORG-IMS, MAT 2007

## Pharma landscape in Product Patent Scenario

The implementation of the product patent regime has led the Indian pharma companies to develop multi-pronged strategy for growth. Some of the opportunities that are being explored are as under.



**Domestic Market:** Due to huge domestic pool of prospective customers, the Indian market remains a focus area for the pharma companies. Considering that the domestic market is expected to retain its pace of growth at a CAGR of 10-12% till 2015, it offers ample opportunities for Indian companies/foreign MNCs.

**CRAMS:** India's low cost skilled manpower and good manufacturing facilities (India has the largest number of USFDA approved facilities outside the US) together with the reality of rising

manufacturing and R&D cost in the developed countries have opened up Contract Research and Manufacturing (CRAM) opportunities for Indian companies. Piramal Healthcare, Dr. Reddy's laboratory, Divis laboratory, Cadilla Healthcare, Dishman are some companies which are operating in this domain. The global CRAMS opportunity is expected to reach USD 76bn by 2010 up from the USD 52bn in 2006.

**Export Market:**

With increasing pressure on the governments of USA, Europe and Japan to reduce the healthcare cost, generic opportunity in these markets will remain lucrative. The total world generic market is expected to register a CAGR of 12% in value terms in the period 2007-2011.

## OUR BUSINESS

### Business Overview

Our Company is engaged in the manufacture and sale of intermediates, active ingredients and formulations in the off patent-proprietary category with a focus on agrochemical and pharmaceutical Industry.

We carry out our manufacturing activities at two locations in Maharashtra, India comprising of three units viz. one unit at Dombivli, Maharashtra and two units at Mahad, Maharashtra (Unit 1 and Unit 2). We started our first manufacturing unit in August 1994 by acquiring a sick unit in Dombivli, Maharashtra having an installed capacity of 120 MT for the manufacture of Dicap, a pharmaceutical intermediate.

With a view to expand our operations, we entered into an agreement with Behram Chemicals Private Limited on February 18, 2002 for using and operating their manufacturing facilities located at B-16, Mahad Industrial Area, Sub-District Mahad, District Raigad, Maharashtra. Behram Chemicals Private Limited was engaged in manufacture of chemicals and pesticides with installed capacity of 130 MT. During 2003-04 we expanded the total installed capacity of our units (Dombivli and Mahad) from 250 MT to 500 MT. In 2004, we acquired a plot of land located at B-17, Mahad, Maharashtra and set up a new manufacturing facility as an Export Oriented Unit (EOU) in the year 2005 (as Unit 2), which is adjacent to Unit 1 with an installed capacity of 1000 MT. With the commissioning of Unit 2 our total installed capacity increased to 1500 MT. We further expanded our total capacities to 2000 MT during 2006-07, to 2500 MT during 2007-08 and to 2800 MT during 2008-09.

Our Company is primarily involved in the production of active ingredients and intermediates for agrochemicals and pharmaceutical segment. Hexaconazole, Tebuconazole, Metalaxyl and Propiconazole are some of our key products in agrochemical segment which are generally used in crop protection and Dicap is one of our key Pharmaceutical intermediate which is used in manufacture of antifungal agents. Triazole fungicides, which includes Hexaconazole, Tebuconazole, and Propiconazole is one of our major product in the agrochemical segment, and has contributed 65.81% to our total sales whereas Dicap, a key product in pharmaceutical segment has contributed 14.14% during FY 2008-09.

Our total income has increased from Rs. 3055.08 lakhs during FY 2006; Rs. 3351.41 lakhs during FY 2007; Rs. 6109.28 lakhs during FY 2008 and Rs. 9372.26 lakhs during FY 2009 showing a growth of 9.70%, 82.29% and 53.41% during FY 2007, 2008 and 2009 respectively.

We are currently exporting our products to East Asia, Europe, Middle East, and USA. The total exports constituted 40.52%, 25.63% and 29.52% of total revenue during FY 2007, FY 2008 and FY 2009 respectively.

Our Company has a team of 10 chemists who are engaged in research and development activities. Our in-house R&D facilities are recognized by the Department of Science and Industrial Research. With continuous focus on research and development, the R&D team has been able to develop processes for various new products like Tebuconazole, Propiconazole and Metalaxyl.

Our Company has been granted ISO 9001:2000 Certificate of Assessment by International Standards Certification Pty limited, Australia for “Design, Development, Manufacture and Supply of Organic Chemical and Intermediates for Pharmaceutical and Agrochemical Industry”.

## Business Segments

The business of our Company presently comprises of the following two major segments:

- a) Agrochemicals
- b) Pharmaceuticals

Under the Agrochemical segment, we manufacture active ingredients, intermediates and formulations. Active ingredients are sold to crop protection formulators. Intermediates are supplied to technical grade product manufacturers. Formulations are sold in bulk quantities to companies engaged in retail marketing.

Under the Pharmaceutical segment, our Company carries out manufacturing of intermediates which are supplied to Active Pharma Ingredients (API) manufacturers.

The revenue generated from the agrochemicals and pharmaceutical segment during the last three years is as under:

|                 | 2008-09        |               | 2007-08        |               | 2006-07        |               |
|-----------------|----------------|---------------|----------------|---------------|----------------|---------------|
|                 | Amount         | %             | Amount         | %             | Amount         | %             |
| Agrochemicals   | 7565.87        | 84.70         | 4959.95        | 82.03         | 2844.18        | 82.73         |
| Pharmaceuticals | 1367.18        | 15.30         | 1086.32        | 17.97         | 593.58         | 17.27         |
| <b>Total</b>    | <b>8933.05</b> | <b>100.00</b> | <b>6046.27</b> | <b>100.00</b> | <b>3437.76</b> | <b>100.00</b> |

(Rs. in lakhs)

## Details of existing facilities:

### Location

Our Company has three locations from where we carry on our existing manufacturing operations, the details of these are as under:

| Type of Facility                                                  | Location                                                                                | Total Area<br>( in square meters) | Products Manufactured                  |
|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------|
| Unit 1 (under an agreement with Behram Chemicals Private Limited) | Plot No. B-16, Mahad Industrial Area, Sub-District Mahad, District Raigad, Maharashtra. | 4050                              | Agrochemicals and Pharma intermediates |
| Unit 2                                                            | Plot No. B-17 Mahad Industrial Area, Sub-District Mahad, District Raigad, Maharashtra.  | 4050                              | Agrochemicals and Pharma intermediates |
| Manufacturing Unit and R&D Centre                                 | F-39 MIDC, Phase II, Dombivli (E), Dist. Thane - 421204 Maharashtra                     | 1652                              | Intermediates                          |

## Plant & Machinery

Our manufacturing facilities have indigenous plant & machinery, which includes stainless steel reactors, glass lined reactors, fractionating columns, centrifuges, thermic fluid heaters, cooling towers, ejectors, vacuum pumps, transfer pumps and support equipments like steam boilers, agitated filter driers, fluid bed driers. These machines are used for different processes including filtrations, reactions and distillations.

Our Research & Development Centre is equipped with plant and machinery like glasswares, condensers, distillation assemblies, stirrer motors, vacuum pumps, parr autoclave, and pilot plant.

## Our Product Portfolio:

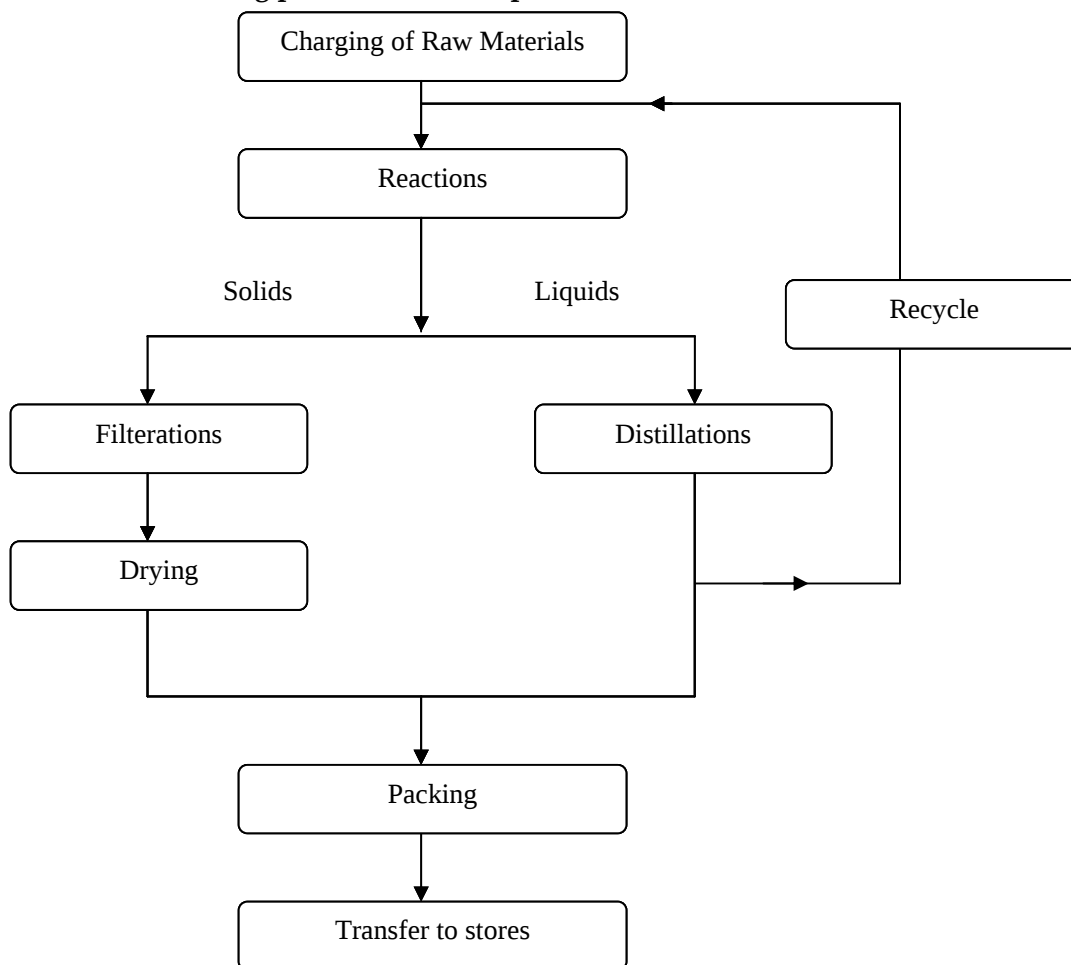
The products of our Company can be divided into the following categories:

- Agrochemicals (Intermediates, Active Ingredients, Formulations)
- Pharmaceuticals (Intermediates)

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

| Sr. No. | Product                    | Category             | Applications                                                                                |
|---------|----------------------------|----------------------|---------------------------------------------------------------------------------------------|
| 1       | Hexaconazole               | Active Ingredient    | Fungicide for control of sheath blight on paddy and powdery mildew on fruits and vegetables |
| 2       | Propiconazole              | Active Ingredient    | Fungicide for control of different types of rust on wheat and paddy                         |
| 3       | Metalaxyl                  | Active Ingredient    | Fungicide for control of mildew and rust mainly on potatoes                                 |
| 4       | Tebuconazole               | Active Ingredient    | Fungicide for broad spectrum fungal control primarily on cereals and soyabeans              |
| 5       | 1,2 Pentanediol            | Organic Intermediate | Intermediate for manufacture of agrochemicals and cosmetic products                         |
| 6       | Dicap                      | Pharma intermediate  | Anti fungals such as ketoconazole                                                           |
| 7       | 4-Fluoro phenacyl chloride | Pharma intermediate  | Anti fungals and other new applications                                                     |

### Brief manufacturing process of current products



#### Charging of raw materials

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

#### Reactions

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

#### Filtrations

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

#### Drying

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

#### Distillations

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

## **Infrastructural facilities and Utilities:**

### **Raw Materials**

The major raw material used in manufacturing of our products are meta dichlorobenzene, aluminium chloride, potassium hydroxide, sodium hydroxide, acetyl chloride, valeryl chloride, dimethyl formamide, pentanone, and 1,2,4- triazole. These raw materials are procured as per the production planning and are available from a number of suppliers from indigenous and overseas markets. We procure meta dichlorobenzene, potassium hydroxide, dimethyl formamide, pentanone, and 1,2,4-triazole from overseas markets and aluminium chloride, sodium hydroxide, acetyl chloride and valeryl chloride from indigenous sources. The ratio of imported and indigenous raw materials consumed in value terms was 23.94% and 76.06% respectively for the FY ended March 31, 2009.

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

### **Utilities**

#### **Power**

The total existing power requirement of our Company is 560 KW, break up of which is as under:

| <b>Details of the Unit</b> | <b>Sanctioned Load</b> |
|----------------------------|------------------------|
| Unit 1                     | 190 KW                 |
| Unit 2                     | 270 KW                 |
| Dombivli Unit              | 100 KW                 |

We also have 3 DG sets of capacity 125 KVA for Unit 1, 250 KVA for Unit 2 and 125 KVA for Dombivli Unit as standby arrangement for our power requirement.

#### **Water**

Our current water consumption is 60 m<sup>3</sup> / day which is sourced from MIDC. It is used for our manufacturing processes, for cooling arrangements, for steam generation and other general purposes.

#### **Steam & cooling arrangement**

Utilities like boilers, chilling plants and cooling towers are required to maintain the designed process conditions during the reactions. We currently have two 800 kgs / hr steam package units and one 200,000 Kcal / hour hot oil system for heating in Units at Mahad and another 600 kgs / hr steam boiler for heating at our Dombivli Unit.

Recently, we have installed 2500 kgs/hr coal/bio coal fired boiler at our Unit 2. This not only takes care of our additional steam requirements but also reduces our cost of steam generation. Due to installation of this bio coal fired boiler, our Company is now eligible for carbon credits as bio coal is a renewable energy resource.

Our cooling towers have a capacity of 200 Tonnes of Refrigeration (TR) presently and we will be installing additional cooling towers of 400 TR capacity.

#### **Fuel**

We currently use furnace oil for steam boilers and thermic fluid heaters and High Speed Diesel (HSD) for generators. Imported coal / bio coal is used as fuel for our new boiler. Our Company has not faced any problem in procurement of these fuels as they are easily available.

#### **Manpower**

As on July 31, 2009 our Company has 204 employees. The details of our employees are as under:

| Sr. No. | Category     |           | Unit 1    | Unit 2    | Dombivli Unit | Head Office | Total      |
|---------|--------------|-----------|-----------|-----------|---------------|-------------|------------|
| 1       | Managerial   |           | 1         | 1         | 3             | 9           | 14         |
| 2       | Production   | Skilled   | 10        | 18        | 3             | --          | 31         |
| 3       |              | Unskilled | 30        | 35        | 9             | --          | 74         |
| 4       | Technical    | Skilled   | 10        | 4         | 5             | -           | 19         |
| 5       |              | Unskilled | 8         | 19        | 15            | 3           | 45         |
| 6       | Clerical     |           | 2         | 5         | 1             | 13          | 21         |
|         | <b>Total</b> |           | <b>61</b> | <b>82</b> | <b>36</b>     | <b>25</b>   | <b>204</b> |

Till date we have not experienced any strike, lockout or go-slow at any of our Company's premises.

#### **By-products**

We generate hydrochloric acid, aluminum chloride solution and sodium/potassium bromide as by-products. Hydrochloric acid is derived from friedel crafts reaction, some part of it is captively used for our own operations and the rest is sold in the market. Aluminum chloride solution is sold to producers of aluminum hydroxide and for waste water treatment. We recover bromine from our sodium bromide streams which is also captively used.

#### **Effluent Treatment**

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

The primary treatment is carried out in-house. This involves pH adjustment, sedimentation, filtration, aeration and clarification. The secondary and tertiary treatment is carried out at the local CETP. Airborne emissions are scrubbed in primary and secondary scrubbers. The by-products obtained from the scrubbers are used for our own processes or sold or sent for recoveries. Solid / hazardous waste generated at our Mahad units are sent to CHW-TSDF (Common Hazardous Waste Treatment Storage Disposal facility), managed by Mumbai Waste Management Limited.

Our Units at Mahad are registered member of CHW-TSDF (Common Hazardous Waste Treatment Storage Disposal facility), managed by Mumbai Waste Management Limited for disposal of solid / hazardous waste. Further B-16, MIDC, Mahad is also a member of MMA (CETP) Co-operative Society Limited for treatment of liquid effluents. Our Dombivli unit is a member of Dombivli

Common Effluent Plant for treatment of liquid effluents. We do not generate any solid / hazardous waste at our Dombivli unit.

We have all the necessary licenses/approvals from Maharashtra Pollution Control Board (MPCB) for our various existing operations except for the renewal applications made to the concerned authorities. For details, please refer to the section titled “Government Approvals” appearing on page number 171 of the Red Herring Prospectus.

### **Quality control and Assurance**

We focus on the quality of the raw materials and finished products at all our manufacturing facilities to ensure that the desired quality of our finished products is attained. Accordingly, we have a quality control department at Mahad and Dombivli. Our Company has been granted ISO 9001:2000 Certificate of Assessment by International Standards Certification Pty limited, Australia for “Design, development, manufacture and supply of organic chemicals and intermediates for Pharmaceutical and Agrochemical industry”. This certificate is valid till March 22, 2011.

The quality management system consists of document & data control; product identification & traceability; process control; inspection & testing; control of inspection, measuring & test equipment; control of non-conforming product; finished product consignment checking; corrective & preventive actions; handling, storage, packaging, preservation & delivery, statistical techniques, etc.

Our quality control laboratory is equipped with instrumentation such as Waters High Performance Liquid Chromatographs (HPLCs) and Shimadzu Gas Chromatographs (GCs) besides classical testing facilities.

### **Research & Development (R&D)**

We have established our in-house R&D centre at Dombivli, Maharashtra, which is recognized by Department of Science and Industrial Research. Our Company has a team of 10 chemists who are engaged in research and development activities. Our R&D team has been able to develop processes for various new products like Tebuconazole, Propiconazole and Metalaxyl.

The R&D facility includes laboratory for research and product development, custom synthesis, scale-up facilities and analytical facilities. Our Company also has a pilot plant that enables us to study processes at various scales before it is taken for full scale production. This enables commercialization in the shortest possible time.

Our in-house R&D team has necessary competency to generate data required for registration. Since our R&D is recognized by Department of Science and Industrial Research, the studies generated by our laboratory are accepted by a number of registration authorities across the world.

### **Our existing marketing setup**

Marketing is an important function of our Company. Our products are sold both in Indian and overseas market. We directly deal with our customers. We already have established a client network from different industry segment like agro chemicals and pharmaceutical applications. Further, apart from agro chemicals and pharmaceutical applications, our products are also used in

manufacturing shampoos and disinfectants. In addition to direct dealing with our customers, we have also appointed agents / distributors / dealers to market our products locally and internationally.

Our marketing team is headed by Mr. Javed Sayed, Vice President (Marketing) having an overall experience of 34 years in the field of marketing and business development. The team approaches the large end users which includes institutional buyers. By selling directly to these customers we are able to build relationships with them and respond more quickly to their requirements. To secure new customers, our marketing team identifies prospective customers, negotiate with them and submit samples for their approval.

We export Agrochemical products to European and other international markets. The law in these territories requires registration of the product with the local authority to enable the Company to get the license to sell and distribute the product in the foreign territory. For the purpose of registration, we are required to enter into an arrangement with local firms / parties who obtains the registration based on our Company being the approved source of supply of the active ingredient. These registrations give us access to large markets.

Our Company started exporting our products to South Africa in the year 1994, followed by exports to other countries like USA, Europe, West Asia, East Asia, Japan and South America. During the last three years our total sales constitutes the following:

| Sales                              | 2008-09                  |               | 2007-08                  |               | 2006-07                  |               |
|------------------------------------|--------------------------|---------------|--------------------------|---------------|--------------------------|---------------|
|                                    | Amount<br>(Rs. in lakhs) | %             | Amount<br>(Rs. in lakhs) | %             | Amount<br>(Rs. in lakhs) | %             |
| Domestic                           | 6294.17                  | 70.46         | 4494.54                  | 74.35         | 2036.03                  | 59.22         |
| Exports (including deemed exports) | 2636.93                  | 29.52         | 1549.41                  | 25.63         | 1392.82                  | 40.52         |
| Scrap Sales                        | 1.95                     | 0.02          | 1.32                     | 0.02          | 8.91                     | 00.26         |
| <b>Total</b>                       | <b>8933.05</b>           | <b>100.00</b> | <b>6046.27</b>           | <b>100.00</b> | <b>3437.76</b>           | <b>100.00</b> |

The geographical distribution of Sales during the last two financial years is as under:

| Sr. No. | Particulars   | FY 2008-09           |                  | FY 2007-08           |                  |
|---------|---------------|----------------------|------------------|----------------------|------------------|
|         |               | Value of total sales | % of total sales | Value of total sales | % of total sales |
| 1       | Deemed Export | 186.45               | 2.09             | 159.13               | 2.63             |
| 2       | East Asia     | 615.72               | 6.89             | 458.52               | 7.58             |
| 3       | Europe        | 1534.97              | 17.18            | 558.55               | 9.24             |
| 4       | Middle East   | 71.12                | 0.80             | 112.65               | 1.86             |
| 5       | USA           | 228.67               | 2.56             | 260.56               | 4.31             |
| 6       | Domestic      | 6296.12              | 70.48            | 4496.85              | 74.37            |
|         | <b>Total</b>  | <b>8933.05</b>       | <b>100.00</b>    | <b>6046.27</b>       | <b>100.00</b>    |

## Competition

We operate in Agrochemicals and Pharmaceutical sector, which faces competition from domestic as well as international players. Competition emerges not only from the organized and unorganized sector and also from small and big players. Our competitiveness depends on several factors which includes quality, price and customer services.

We face competition from Meghmani Organics Limited, Punjab Chemicals, Rallis, Nagarjuna Agrichem etc. At the international level, our Company faces competition from Chinese and European producers. We also operate in the regulated markets where the Chinese producers are not very active.

## Our major customers

Our major customers in the domestic market are Indofil Chemical, Krishi Rasayan Exports Private Limited, Atul Limited, Syngenta India Limited, Hindustan Pulverising Mills Limited, Sulphur Mills Limited, Cinch Chemicals Private Limited, Cheminova, Hyderabad Chemicals Limited, Biostadt India Limited and United Phosphorous Limited.

In the international market, our major customers are An Nong Company, Nufarm UK, Irvita Plant Protection, Repar Corporation, Sharda International FZE, Syngenta and Farma Tech International.

The details of our top 10 customers for the period 2008-09 and their corresponding sales during 2007-08 and 2006-07 are as under:

| (Amount Rs. in lakhs) |                                  |                      |              |                      |              |                      |              |
|-----------------------|----------------------------------|----------------------|--------------|----------------------|--------------|----------------------|--------------|
| Sr. No                | Name of Customer                 | Sales during 2008-09 | %            | Sales during 2007-08 | %            | Sales during 2006-07 | %            |
| 1                     | Syngenta India Limited           | 1500.80              | 16.80        | -                    | -            | -                    | -            |
| 2                     | Irvita Plant Protection N.V.     | 722.75               | 8.09         | 131.29               | 2.17         | 369.16               | 10.74        |
| 3                     | Nufarm UK Ltd                    | 610.16               | 6.83         | 157.40               | 2.60         | -                    | -            |
| 4                     | An Nong Company Limited          | 394.71               | 4.42         | 249.63               | 4.13         | -                    | -            |
| 5                     | Indofil Chemicals Co.            | 334.49               | 3.74         | 228.70               | 3.78         | -                    | -            |
| 6                     | Atul Ltd.                        | 241.41               | 2.70         | 103.08               | 1.70         | 261.86               | 7.62         |
| 7                     | Hindustan Pulverising Mills Ltd. | 194.95               | 2.18         | -                    | -            | -                    | -            |
| 8                     | Krishi Rasayan                   | 156.32               | 1.75         | 124.08               | 2.05         | 134.97               | 3.93         |
| 9                     | Sulphur Mills Ltd.               | 135.66               | 1.52         | -                    | -            | -                    | -            |
| 10                    | Cinch Chemicals Private Limited  | 131.32               | 1.47         | -                    | -            | -                    | -            |
|                       | <b>Total</b>                     | <b>4422.56</b>       | <b>49.51</b> | <b>994.18</b>        | <b>16.44</b> | <b>765.99</b>        | <b>22.28</b> |

## Export obligation

Since one of our units is export oriented unit, we are liable to export a portion of our production as an obligation under EOU scheme. Further, if we import goods against advance licenses, we have to fulfil export obligations against these advance licenses.

We have two outstanding advance licenses dated July 11, 2002 and April 4, 2003, wherein total export obligations were Rs. 83.50 lakhs. We could not fulfil part of our export obligations aggregating to Rs. 48.18 lakhs arising out of these advance licenses on due date i.e. on January 10, 2004 and October 3, 2004 respectively. We have applied to Joint Director General of Foreign Trade, Ministry of Commerce, Government of India, Mumbai on December 22, 2003 in respect of one of these licenses for extension of time period. We have received letter dated January 23, 2004 from the said authority for submission of export documents.

We have applied to Joint Director General of Foreign Trade, Ministry of Commerce, Government of India, Mumbai on July 15, 2008 for extension of export obligation period / revalidation of advance license.

Except for the above, our Company does not have any export obligation.

### **Contract Manufacturing**

Contract manufacturing involves manufacturing of products for customers based on technology and process either owned by the company or provided by the customer. Contract manufacturing involves manufacture of products on an exclusive basis for specific customers. We have identified contract manufacturing as one of the options to maintain growth and profitability as it provides predictable pattern of demand. At present our Company carries out contract manufacture for a US based customer. We believe that our technical skills, safety and environment systems, understanding of intellectual property issues provides us a platform to attract such business. Our total revenue from contract manufacturing was Rs. 127.61 lakhs during 2008-09 which constituted 1.43% of our revenues.

We also propose to expand and enhance our R&D capabilities with a view to undertake contract research and manufacturing (CRAMS). Innovator companies purchase small quantities of products for their trials during their early testing phases. If the products are successful during these trials they are commercialized and the innovator companies purchase their commercial quantities from the partner that provided them with the trial quantities.

Contract manufacturing involves manufacturing of an established product for a specific customer who guarantees a certain off-take of the product whereas CRAMS involves participation of the manufacturer at an early stage of the product cycle. The supply of product under the CRAMS model may not necessarily result into successful commercialization. However, if it does, it results in a long term relationship with the customers, with better margins.

### **Product Registrations**

The registration (regulation) of pesticide worldwide is necessary to prevent the dangers/risk arising from the manufacture, import, transport, sales and distribution of the spurious pesticides. It also helps in preventing the indiscriminate use of pesticides leading to environmental pollution and development of resistance. Registration authority ensures the product is safe, effective against the targeted species, eco-friendly and economical.

The key to sustain our operations is the ability to register our products, particularly in regulated

markets. Registration involves the preparation and submission of data dossiers to, and subsequent negotiations with, registration authorities in the intended markets with the aim of obtaining approval to market a new product in these markets. Studies on the chemistry, toxicology, residual effect, environmental effect, ecological effect and efficacy of the new product are generally required to be conducted in accordance with Good Laboratory Practice (GLP) standards and details of the results of these studies are submitted as part of the registration process. The cost of carrying these studies varies from country to country depending upon the type and source of data generation (GLP or non-GLP).

The registration process in India is generally the same as in the other markets served by the Company, although the amount of data required to be submitted is generally less than in other markets.

We export Agrochemical products to Europe and other international markets. The law in these territories requires registration of the product with the local authority to enable the Company to get the license to sell and distribute the product in the foreign territory. For the purpose of registration in these territories, we are required to enter into an arrangement with local firms / parties who obtains the registration based on our Company being the approved source of supply of the active ingredient. However, we can also own registration directly in our name, which depends on the regulation, cost and distribution network. When the registration through local firms / parties is obtained, our Company bears the cost of generation of entire data package, whereas local expenses including local field trials are born by the local firms / parties.

When the products are registered in the name of the local partner, we have to issue a letter of access to our local firms / parties authorizing the local partner to submit and use the Registration Data for the registration and sale/distribution of the products in the foreign territory. These registrations give us access to large markets.

Our R&D team has competency to prepare, collect, analyse and submit registration data. There are existing 43 registrations in 20 countries in which local firms / parties have obtained the registration based on our Company being the approved source of supply and three registrations in our own name in Australia (2) and Vietnam (1).

Following is a summary of our registrations:

| <b>Name of Country/Zone</b> | <b>Number of registrations already obtained as on date</b> |
|-----------------------------|------------------------------------------------------------|
| Asia Pacific Zone           | 11                                                         |
| Europe                      | 29                                                         |
| North America               | 1                                                          |
| Latin and Central America   | 3                                                          |
| CIS countries               | 2                                                          |
| <b>Total</b>                | <b>46</b>                                                  |

In addition to the above, we have 69 CIB registrations for various products in the Indian market. These registrations help us to market the products in India.

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

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

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

All manufacturing and storage areas are fitted with flameproof electrical fittings and precautions are taken to ensure that no sparking occurs.

Flammable materials are stored in suitable tanks that are adequately earthed and are designed for storage of such materials. These flammable materials are stored in an area, which has been approved by the Department of Explosives.

### **Health and safety of workmen**

The safety of our people is extremely important to us. Our plant systems, procedures and practices are under constant review for enhancement of standards to improve safety of plant and personnel.

Our Company has an EHS (Environment, Health & Safety) Policy, which includes:

- providing a safe and healthy working environment for all persons, community and ensuring safe working practices;
- ensuring that codes of practice are followed during design, installation, operation and maintenance of all plants/machinery to protect employees and others within the premises from any risk of injury and ill health;
- encouraging employee participation in the ongoing safety programs and education, training in the company & outside;
- conducting all operations in a manner consistent with good manufacturing practices and good industrial hygiene practice to prevent adverse health effects on employees; and
- ensuring that all laws, regulations, codes of practice on safety, health and environment are complied with and to improve further beyond the laid down statutory requirements.

### **Our Strategy:**

#### ***Expansion of our manufacturing capacities***

We started manufacturing operations with an installed capacity of 120 MT in 1994 and at present have an installed production capacity of 2800 MT per annum. Our Company further proposes to expand our existing manufacturing facilities at Mahad, Maharashtra and with the implementation of proposed expansion, the installed production capacity would increase to 3950 MT per annum.

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

Our Company started export of their products in the year 1994 to South Africa followed by exports to Europe, USA, West Asia, East Asia, Japan and South America. Currently our export (including deemed exports) comprises 29.52% of the total revenue. With the implementation of the proposed expansion of our existing manufacturing facilities at Unit number 2, Mahad, Maharashtra, which is an export oriented unit, our geographical presence in international markets would increase. Our Company plans to enter into long-term supply contracts for their products with potential customers. This will enable us to scale up our exports.

### ***Increasing our product range***

The implementation of the proposed expansion will enable us to produce a diverse range of products. We believe that some of these new products will be based on our proprietary technologies which will lead to an increase in sales and profitability. Towards this end, we are in negotiation with a number of international clients for such products.

### ***Contract Manufacturing***

Contract manufacturing involves manufacturing of products for customers based on technology and process either owned by the company or provided by the customer. Contract manufacturing involves manufacture of products on an exclusive basis for specific customers. We have identified contract manufacturing as one of the options to maintain growth and profitability as it provides a predictable pattern of demand. At present our Company carries out contract manufacture for a US based customer. We believe that our technical skills, safety and environment systems, understanding of intellectual property issues provides us a platform to attract such business.

### ***Develop CRAMS business model***

We also propose to expand and enhance our R&D capabilities with a view to undertake contract research and manufacturing. Innovator companies purchase small quantities of products for their trials during their early testing phases. If the products are successful during these trials they are commercialized and the innovator companies purchase their commercial quantities from the partner that provided them with the trial quantities. By entering into such partnerships at an early stage of a product cycle with our customers we intend to build a stable and sustainable business model.

### ***Increasing product registration activities***

The key to sustain our operations is the ability to register our products, particularly in regulated markets. We propose to register our products in regulated markets such as Europe, Brazil, other South American countries, South East Asia and in India. We believe that these registrations would enable us to tap these markets at higher margins.

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

Our Company has a dedicated research & development centre at Dombivli, Maharashtra. The Research & Development team is engaged in development of processes for new products and improving the processes for existing products. Presently the research focuses on process development of agrochemicals and pharma intermediates. The proposed expansion will enable us to enhance our process development capabilities and to undertake contract research activities.

### ***Overseas expansion***

Our company along with a team of European scientists promoted 'Astec Europe' in Tournai, Belgium. With an objective to participate in the European generics market, 'Astec Europe' was incorporated in January, 2007. This will make 'Astec Europe' eligible for local government grants. 'Astec Europe' also intends to register some of its products in Europe which will enable quick market access.

#### ***Cost effectiveness***

Our Company intends to improve efficiencies to achieve cost reductions so that they can be globally competitive. We believe that this can be done through process innovations, economies of scale and through vertical and horizontal integration. As a result of these measures, our Company will be able to increase its market share and profitability.

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

| Particulars                                              | (in Metric Tonnes) |         |         |          |         |         |
|----------------------------------------------------------|--------------------|---------|---------|----------|---------|---------|
|                                                          | Existing           |         |         | Proposed |         |         |
|                                                          | 2006-07            | 2007-08 | 2008-09 | 2009-10  | 2010-11 | 2011-12 |
| Total Installed Capacity for Active & Pharma Ingredients | 2000               | 2500    | 2800    | 3095     | 3950    | 4500    |
| Capacity Utilization (%)                                 | 80.95              | 81.11   | 92.84   | 85.00    | 75.00*  | 90.00   |

\* Enhanced capacities will be utilized for part of the year.

#### **Details of the proposed products**

In developing new products, R&D team follows structured process chemistry, yield improvement techniques and engineering designs. With continuous focus on research & development, our in-house R&D team has been able to develop the processes for some products viz. Flutriafol, Difenoconazole and Pentanediol, brief details of which are as under:

| Name of the proposed product | Applications                                                         | Present status of process development of proposed products |
|------------------------------|----------------------------------------------------------------------|------------------------------------------------------------|
| Flutriafol                   | Agrochemicals used for control of rust, sheath blight and leaf spots | Pilot plant                                                |
| Difenoconazole               | Agrochemicals used for control of sheath blight, tikka and rust      | Pilot plant                                                |
| Pentanediol                  | Organic intermediate                                                 | Commercial                                                 |

#### **Our Strengths:**

##### ***Diversified product range***

Our Company has a diverse product range comprising a mix of high volume-medium margin and low volume-high margin products. We have more than six products in our product portfolio which consists of different kinds of active ingredients, intermediates and formulations. Our products are available in various sizes of packaging catering to the needs of a wide range of customers.

### ***Focus on Research & Development***

Our focus is to make improvements to our existing products and to develop processes for new products. With this objective, we have established our in-house R&D centre at Dombivli, Maharashtra. Our in-house R&D facilities are recognized by Department of Science and Industrial Research. Our Company has a team of 10 chemists who are engaged in research and development activities. Our Company's continuous focus on R&D has enabled us to develop products to the satisfaction of our domestic and international customers. With continuous focus on research and development, the R&D team has been able to develop processes for various new products like Tebuconazole, Propiconazole and Metalaxyl. For the year ended March 31, 2009, we have invested Rs. 32.14 lakhs amounting to 0.36% of our turnover on Research & Development.

### ***Customer base***

We have a diverse customer base from different industry segment like agro chemicals and pharmaceutical applications. Further, our products are also used in manufacturing shampoos and disinfectants.

### ***Existing product registrations***

To export Agrochemical products, we require registration of the product with a local authority to enable us to get the license to sell and distribute the product in foreign territory. For the purpose of registration, we are required to enter into an arrangement with local firms / parties who obtains the registration based on our Company being the approved source of supply of the active ingredient. There are existing 43 registrations in 20 countries in which local firms / parties have obtained the registration based on our Company being the approved source of supply and three registrations in our own name in Australia (2) and Vietnam (1). These registrations will give us access to large markets.

In addition to overseas registrations, we have 69 CIB registrations for various products in the Indian market. These registrations help us to market the products in India.

### ***Our quality standards***

Our Company has been granted ISO 9001:2000 Certificate of Assessment by International Standards Certification Pty limited, Australia for "Design, Development, Manufacture and Supply of Organic Chemical and Intermediates for Pharmaceutical and Agrochemical Industry".

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

Our Company is managed by a team of experienced and professional personnel with exposure in various aspects of agrochemical and pharmaceutical Industry including production, research & development, marketing and finance. Mr. Ashok Hiremath, Chairman and Managing Director is a Masters of Arts from University of Oxford and Post Graduate Diploma holder in Chemical Engineering from University College, University of London. He has 29 years of experience in various fields of management. Mr. D.K. Joshi, Vice President, Operations is a Chemical Technologist with 30 years of experience in the field of agrochemicals production, pesticide manufacturing and managing operations of agrochemical units. Mr. Javed Syed, Vice President, Marketing is a Science graduate with 34 years experience in domestic and export marketing. Dr. Ranjan Shastri, Vice President (R&D) has more than 40 years of experience in the field of research & development covering agrochemicals, pesticides, etc.

## Our Property

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

| No.                            | Location                                                                                                                                | Nature of Arrangement                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Area           | Term                                          |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-----------------------------------------------|
| <i>Our existing operations</i> |                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                |                                               |
| 1.                             | Plot No. B-17, Mahad Industrial Area, Birwadi, District Mahad, Raigad. (Unit 2 - EOU)*                                                  | Lease Deed dated June 23, 1988 executed between Maharashtra Industrial Development Corporation and Sarigon Organics Private Limited. By an Indenture of Assignment dated September 23, 2004 executed between Sarigon Organics Limited and our Company, Sarigon Organics transferred/ assigned the plot of land and factory shed thereon to our Company. Vide Order dated December 10, 2004, MIDC consented to the transfer and assignment of the interest in the plot of land under the lease. | 4050 sq.mtrs.  | Ninety five with effect from April 1986       |
| 2.                             | Plot No. B-21, Mahad Industrial Area, Sub-District Mahad, District Raigad.*<br><br>(currently used as common storage area for solvents) | Lease Deed dated March 1, 1988 executed between Maharashtra Industrial Development Corporation and M/s Royal Dye Chem. By an Indenture of Assignment dated January 5, 2006 executed between M/s Royal Dye Chem and our Company, Royal Dye Chem transferred/ assigned the plot of land to our Company. Vide Order dated December 6, 2007, MIDC has consented for transfer and assignment of the interest in the plot of land under the lease in favour of our Company.                          | 1800 sq.mtrs.  | Ninety five years with effect from March 1988 |
| 3.                             | Plot No. B-16, Mahad Industrial Area, Sub-District Mahad, District Raigad* (Unit 1)                                                     | Under an agreement. For details please refer to page no. 108.                                                                                                                                                                                                                                                                                                                                                                                                                                  | 4050 sq. mtrs. | Up to January 31, 2010                        |
| 4.                             | Plot No. F-39, Dombivli                                                                                                                 | Indenture of Lease dated                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 1652           | Ninety                                        |

|                                      |                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                         |                                               |
|--------------------------------------|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------------------------------|
|                                      | Industrial Area, Sagaon, Sub-District Kalyan, District Thane.*<br>(R&D and manufacturing unit) | December 13, 1985 executed between Maharashtra Industrial Development Corporation and M/s. Luke Chemicals Private Limited assigning plot of land. Luke Chemicals Private Limited failed to repay loans to its lender with whom the property was mortgaged, for which the lenders filed a suit in the High Court, Bombay. The High Court appointed a Court Receiver of the said property. Pursuant to the Order of the High Court, Bombay dated April 15, 1994 and by a Deed of Assignment dated August 8, 1994 executed between Shri G. T. Mestha, Court Receiver, High Court, Bombay, the plot of land was assigned to our Company. Vide Order dated September 29, 1994, the MIDC granted its permission to M/s. Luke Chemicals Private Limited to transfer and assign their interest of under the lease in favour of our Company. | sq.mtrs.<br>(approx.)   | five years with effect from September 1981    |
| <b><i>For proposed expansion</i></b> |                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                         |                                               |
| 1.                                   | Plot No. B-18, Mahad Industrial Area, Birwadi, District Mahad, Raigad*                         | Lease Deed dated September 2, 2005 between Maharashtra Industrial Development Corporation and our Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 4050 sq. mtrs.          | Ninety five years with effect from March 2005 |
| <b><i>Depots/ Godowns</i></b>        |                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                         |                                               |
| 1.                                   | 82, New Grain Market, Near Jalandhar Bye-pass Chowk, Ludhiana, Punjab                          | Rent Agreement dated January 21, 2008 between Shri Satpal Singh and our Company for a monthly rent of Rs. 0.075 lakhs per month                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 1200 sq.ft.<br>(approx) | From January 21, 2008 up to January 20, 2011  |
| <b><i>Registered Office</i></b>      |                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                         |                                               |
| 1.                                   | Business Centre, Premises no. 5-                                                               | Agreement for a period of 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 890 sq.                 | From                                          |

|  |                                                                                      |                              |                    |                                       |
|--|--------------------------------------------------------------------------------------|------------------------------|--------------------|---------------------------------------|
|  | 5A, 4 <sup>TH</sup> floor, Kamanwala Chambers, Sir P.M. Road, Fort, Mumbai- 400 001. | years till February 28, 2011 | ft. super built up | March 1, 2008 up to February 28, 2011 |
|--|--------------------------------------------------------------------------------------|------------------------------|--------------------|---------------------------------------|

\*The said properties have a clear title and are free from all encumbrances except for the equitable mortgage created in favour of the lenders who have extended loan facilities in the normal course of business. Our Company does not require any further approval pertaining to land acquired for our proposed expansion at Plot No. B-18, Mahad, Raigad.

### Purchase of Property

Except as stated in section titled "Objects of the Issue" in this Red Herring Prospectus, on page no. 33 of this Red Herring Prospectus, there is no property which the Company has purchased or acquired or propose to purchase or acquire which is to be paid wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed as on the date of filing of this Red Herring Prospectus with SEBI, other than property:

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

Our Company has not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

### Insurance Policies

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

(Rs. in lakhs)

| S. No. | Policy No.           | Policy Type                                        | Insurance Details                                                                                                                                     | Sum Insured | Premium Amount | Date of Expiry    |
|--------|----------------------|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------|-------------------|
| 1.     | PSP-00042496-000-01  | Fire & special perils, earthquake, terrorism cover | Furniture & Fixtures, Factory building, computers, R&D and QC equipments, Pilot Plant and plant & machinery /electrical installation at Dombivli unit | 466.00      | 0.53           | November 17, 2009 |
| 2.     | PSP-00042492-000-01* | Fire & special perils, earthquake, terrorism cover | Furniture & Fixtures, Factory building and extension shed, computers, R&D and QC equipments and plant & machinery/electrical                          | 655.00      | 0.75           | November 17, 2009 |

|     |                       |                                         |                                                                                                              |                              |      |                   |
|-----|-----------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------|------------------------------|------|-------------------|
|     |                       |                                         | installations at B-16 Mahad unit                                                                             |                              |      |                   |
| 3.  | PSP-00042484-000-01   | Fire & special perils, earthquake       | Stocks of chemicals at our different units                                                                   | 2850.00                      | 2.98 | December 16, 2009 |
| 4.  | PSP-00042493-000-01   | Fire & special perils, earthquake       | Stocks of chemicals covering various locations at Hyderabad, Baroda and Ludhiana branch on floater basis     | 150.00                       | 0.28 | December 16, 2009 |
| 5.  | PBG-00008643-000-01   | Burglary & house breaking insurance     | Stocks covering various locations at Hyderabad, Baroda and Ludhiana on floater basis                         | 150.00                       | 0.05 | December 16, 2009 |
| 6.  | PSP-00030768-000-02** | Fire & special perils, earthquake cover | Factory Building and plant & machinery at B-16 Mahad unit                                                    | 100.00                       | 0.29 | February 12, 2010 |
| 7.  | PSP-00050461-000-01   | Fire & special perils, earthquake cover | Building, plant & machinery, electricals, utilities, accessories and spare at B-17, B-18 & B-21, Mahad units | 2065.00                      | 2.39 | June 17, 2010     |
| 8.  | EBP-00000438-000-00   | Boiler & pressure plants                | Boilers and pressure plant at B-16 and B-17, Mahad units & at F-39, Dombivli unit                            | 49.25                        | 0.07 | July 11, 2010     |
| 9.  | PBI-00000339-000-00   | Business Interruption Policy            | Consequential Loss (Fire) Insurance Policy at Mahad units, Dombivli units, Ludhiana, Hyderabad and Baroda    | 2300.00                      | 2.42 | November 17, 2009 |
| 10. | CPI-00000108-000-02   | Public Liability Insurance Policy       | Public Liability arising out of accidents occurring at F-39 (Dombivli), B-16 and B-17 (Mahad) units          | AOY - 300.00<br>AOA - 100.00 | 0.56 | March 19, 2010    |

\*The policy is in the name of Astec LifeSciences Limited and Behram Chemicals Pvt. Ltd.

\*\*The policy is in the name of Behram Chemicals Private Limited

In addition to the above, our Company has also taken group health policies, keyman insurance policy, group accident policies, marine policies, workmen compensation policies and motor vehicle

policies.

We have in the past claimed and received a sum of Rs. 436.16 lakhs on account of loss due to fire in the factory premises at Dombivli in the year 2004.

### Our Indebtedness

The following is the details of our fund based limits:

| Name of the Bank  | Type of the Loan Facility                                                  | Amount Sanctioned (In Rs. Lakhs) | Interest                                      | Repayment                                                                                                    | Security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------|----------------------------------------------------------------------------|----------------------------------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Axis Bank Limited | Cash Credit Limit (including export packing credit & post-shipment credit) | 1400.00                          | 2.5% below BPLR effective rate of 12.25% p.a. | -                                                                                                            | <p><b>Primary Security</b><br/>First Charge by way of hypothecation of entire current assets of the Company including stocks and receivables, both present and future, ranking pari passu with IDBI Bank Limited and State Bank of Hyderabad.</p> <p><b>Collateral Security</b><br/>Second charge on fixed assets of the Company present and future including equitable mortgage/ hypothecation of factory Land &amp; Building/ Plant &amp; Machinery at the Company's unit at B-17/18/21, MIDC Mahad and F-39, MIDC Phase II Dombivli (East), Thane, ranking pari passu with The IDBI Bank Limited and State Bank of Hyderabad</p> <p><b>Personal Guarantee</b><br/>Mr. Ashok Hiremath</p> |
|                   | Term Loan                                                                  | 500.00                           | 3.0% below BPLR effective rate of 11.75% p.a. | 51 monthly instalments of Rs. 9.62 lakhs and last instalment of Rs. 9.38 lakhs starting from October 1, 2007 | <p><b>Primary Security</b><br/>First charge on fixed assets of the Company present and future including equitable mortgage/ hypothecation of factory Land &amp; Building/ Plant &amp; Machinery at the Company's unit at B-16/17/18/21, MIDC Mahad and MIDC Phase II Dombivli (East), Thane, ranking pari passu with IDBI Bank Limited and State Bank of Hyderabad.</p>                                                                                                                                                                                                                                                                                                                     |
|                   | Corporate Loan                                                             | 300.00                           | 2.0% below BPLR                               | 35 monthly instalments of Rs. 8.33 lakhs                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

|                   |                                                           |        |                                               |                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------|-----------------------------------------------------------|--------|-----------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                   |                                                           |        | effective rate of 12.75% p.a.                 | and last instalment of Rs. 8.45 lakhs starting from November, 2007    | <p><b>Collateral Security</b><br/>Second Charge by way of hypothecation of entire current assets of the Company including stocks and receivables, both present and future, ranking pari passu with IDBI Bank Limited and State Bank of Hyderabad.</p> <p><b>Personal Guarantee</b><br/>Mr. Ashok Hiremath</p>                                                                                                                                                                                                                                                                                        |
| Axis Bank         | Short Term Loan                                           | 250.00 | 2.0% below BPLR effective rate of 12.75% p.a. | 17 monthly installments of Rs. 14.71 lakhs starting from August, 2009 | <p><b>Primary Security</b><br/>Extension of first charge on fixed assets (by way of hypothecation of movable assets &amp; mortgage on immovable assets) of the Company, present &amp; future, ranking pari passu with IDBI Bank Limited and State Bank of Hyderabad</p> <p><b>Collateral Security</b><br/>Extension of second charge by way of hypothecation on the entire current assets of the Company including stocks and receivables both present and future, ranking pari passu with IDBI Bank Limited and State Bank of Hyderabad</p> <p><b>Personal Guarantee</b><br/>Mr. Ashok Hiremath</p> |
| IDBI Bank Limited | Cash Credit (including Letter of Credit of Rs. 200 lakhs) | 300.00 | BPLR less 0.50% i.e. presently 12.25% p.a.    | -                                                                     | <p><b>Primary Security</b><br/>First Charge by way of hypothecation of entire current assets of the Company including stocks and receivables, both present and future, ranking pari passu with Axis Bank Limited and State Bank of Hyderabad.</p> <p><b>Collateral Security</b><br/>Second charge on fixed assets of the Company present and future including equitable mortgage/ hypothecation of factory Land &amp; Building/ Plant &amp; Machinery at the Company's unit at B-17/18/21, MIDC Mahad and MIDC Phase II Dombivli (East), Thane, ranking pari passu with Axis Bank</p>                |

|                         |                                                                        |         |                                               |                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------|------------------------------------------------------------------------|---------|-----------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                         |                                                                        |         |                                               |                                                                                  | Limited and State Bank of Hyderabad<br><br><b>Personal Guarantee</b><br>Mr. Ashok Hiremath                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                         | Term Loan                                                              | 340.00  | At BPLR less 0.50% presently at 12.25% p.a.   | Monthly instalments of Rs. 15.10 lakhs with interest commencing from May 1, 2009 | <b>Primary Security</b><br>A first mortgage and charge by way of hypothecation on the immovable properties of factory land & Building / Plant & Machinery at the Company's unit at B-17/18/21, MIDC, Mahad and MIDC Phase II Dombivli (East), Thane, ranking pari passu with Axis Bank Limited and State Bank of Hyderabad, both present and future.<br><br><b>Collateral Security</b><br>Second charge by way of hypothecation of entire current assets of the Company including stocks and receivables, both present and future, ranking pari passu with Axis Bank Limited and State bank of Hyderabad.<br><br><b>Personal Guarantee</b><br>Mr. Ashok Hiremath |
| State Bank of Hyderabad | Cash Credit (including export packing credit and post-shipment credit) | 1100.00 | 0.25% above SBHPL R i.e. presently 12.5% p.a. |                                                                                  | <b>Primary Security</b><br>First Pari Passu charge on the current assets of the Company including inventory and receivables both present and future along with Axis Bank Limited and IDBI bank Limited.<br><br><b>Collateral Security</b><br>Second charge on the fixed assets of the Company present and future including equitable mortgage / hypothecation of factory Land & Building, Plant & Machinery at the Company's unit at B-17/18/21, MIDC, Mahad and F-39, MIDC Phase II, Dombivli (East), Thane, ranking pari passu with IDBI Bank Limited and Axis Bank Limited.<br><br><b>Personal Guarantee</b><br>Mr. Ashok Hiremath                            |

|  |           |        |                                  |                                                      |                                                                                                                                                                                                                              |
|--|-----------|--------|----------------------------------|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | Term Loan | 500.00 | At SBHPL R i.e. presently 12.25% | 20 quarterly instalments starting from April 1, 2010 | <b>Primary Security</b><br>First pari passu charge on fixed assets of the Company<br><br><b>Collateral security</b><br>Second charge on current assets of the Company<br><br><b>Personal Guarantee</b><br>Mr. Ashok Hiremath |
|--|-----------|--------|----------------------------------|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### Restrictive covenants in loan agreements

Our Company is subject to certain restrictive covenants of loan agreements entered into with our Bankers. These restrictive covenants require our Company to seek the prior consent of the banks for various activities, including amongst others, effect any change in the capital structure, not to sell, assign, mortgage or otherwise dispose of any of the fixed assets charged to bank or to take up new project or any large scale expansion or make any changes in its management setup, formulate any scheme of amalgamation, merger or reconstitution, enter into additional borrowing arrangements, implement any scheme of expansion or acquire fixed assets of substantial value, undertake any guarantee obligations on behalf of any other company/ firm, declare dividend more than the net profit of the year, making investments in or granting loans to subordinates, associate concerns individuals etc.

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

| Sr. No. | Name of the Lender      | Letter ref. no. and Date                  |
|---------|-------------------------|-------------------------------------------|
| 1.      | Axis Bank Limited       | CR/JPS/7087 dated June 25, 2008           |
| 2.      | State Bank of Hyderabad | OSB/AMT-II/ASTEC/1338 dated June 27, 2008 |
| 3.      | IDBI Bank Limited       | 334/IDBI/MCG dated July 22, 2009          |

### Intellectual Property Rights

We have received registration for our following trademarks:

| Sr. No. | Trademark   | Application Number | Class under Trade Mark Registry |
|---------|-------------|--------------------|---------------------------------|
| 1       | Metyl       | 1652982            | 5                               |
| 2       | Metyl Super | 1652983            | 5                               |
| 3       | Dicozole    | 1652986            | 5                               |
| 4       | Prayas      | 1652987            | 5                               |
| 5       | Tebuzole    | 1652988            | 5                               |

In addition to the above, our application for the following trademark is pending with the

Trademark Registry:

| Sr. No. | Trademark | Application No. | Date of application | Class | Status                                                                                                                                                                                                                                                                                                                        |
|---------|-----------|-----------------|---------------------|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | Hexazole  | 1652985         | February 12, 2008   | 5     | Pending. The necessary advertisement before acceptance has been made.                                                                                                                                                                                                                                                         |
| 2       | Cypras    | 1652990         | February 12, 2008   | 5     | Pending. The application has been marked for examination.                                                                                                                                                                                                                                                                     |
| 3       | Propizole | 1652984         | February 12, 2008   | 5     | The application was opposed by Shalina Laboratories Private Limited on February 2, 2009, and our Company had filed counter-statement for the said opposition on August 5, 2009. In the event, opposition proceedings are successful, the Registrar of Trademarks will not grant a certificate of registration to our Company. |

We have also applied for registration of our trademark “Difenpro” in Class 5 with the Trademark Registry on February 12, 2008 which was opposed by Syngenta Participations AG on the ground that the opponent already holds an international registration for the similar trademark (“Difeneo”). Consequent to this, we have on August 4, 2009 withdrawn our application for registration.

Our Company uses the below mentioned logo:

| Marks                                                                               | Particulars                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>Our Company has applied for trademark and copyright registration of its corporate name alongwith the logo under class 1 &amp; 5 to the Registrar of Trade Marks, Mumbai by an application dated June 24, 2008. The said trademark applications have been acknowledged and allotted provisional registration nos. as 1702719 in class 1 and 1702721 in class 5 under the provisions of the Trade Marks Act, 1999. The application under Class 1 has been opposed by MicroPoise Measurement Systems LLC as per the intellectual property website of Government of India (<a href="http://www.ipindia.nic.in">www.ipindia.nic.in</a>). We have not yet received any formal notice of opposition from the Registrar of Trademarks. In the event, opposition proceedings are successful, the Registrar of Trademarks will not grant a certificate of registration to our Company. The application under Class 5, however, has been accepted and advertised by the Registrar of Trademarks in the Trademark Journal No. 1406.</p> |

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

## REGULATIONS AND POLICIES

The following is a description of the relevant regulations and policies applicable to our Company. The regulations set out below are not exhaustive, and is only intended to provide general information to the investors.

### **Factories Act, 1948**

The said Act is applicable to all factories employing 10 or more persons and working with the aid of power or employing 20 persons and working without the aid of power. The Act covers all workers employed in the factory premises or precincts directly or through an agency including a contractor, involved in any manufacture.

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

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

### **The Insecticides Act, 1968 ("*Insecticides Act*")**

The Insecticides Act, 1968, is a legislation regulating the import, manufacture, sale, transport, distribution and use of insecticides with a view to prevent risk to human beings or animals and other matters connected therewith. Any person desiring to import or manufacture any insecticide is required to apply to the Registration Committee for the registration of such insecticide and there shall be a separate application for each such insecticide. The Act prohibits the import or manufacture of any misbranded insecticide or any insecticide which for the time being has been prohibited under Section 27 of the Act, except in accordance with the conditions on which it is registered. The Insecticides Act provides for rules relating the packaging, labeling, transportation and storage of insecticides.

### **The Petroleum Act, 1934**

The Petroleum Act, 1934 regulates the import, transport or storage of petroleum. Persons intending to import, transport or store petroleum require a license from the relevant authority.

The Central Government may by rules and notifications declare places where petroleum may be imported, the period of the license, regulations regarding transport of petroleum, nature and condition in which it may be stored and such other requirements.

### **The Explosives Act, 1884 ("*Explosives Act*")**

This is a comprehensive law which regulates by licensing for the manufacturing, possession, sale, transportation, export and import of explosives. As per the definition of 'explosives' under the Act,

any substance, whether a single chemical compound or a mixture of substances, whether solid or liquid or gaseous, used or manufactured with a view to produce a practical effect by explosion or pyrotechnic effect shall fall under the Act.

The Central Government may from time to time, by notification, prohibit, either absolutely or subject to conditions, the manufacture, possession or importation of any explosive which is of so dangerous a character that, in the opinion of the Central Government, is expedient for the purpose of public safety. Extensive penalty provisions have been provided for manufacture, import or export, possession, usage, selling or transportation of explosives in contravention of the Act.

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

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

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

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

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

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

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

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

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

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

Every occupier and the operator who is involved in handling of hazardous waste shall be responsible for proper collection, reception, treatment, storage and disposal of hazardous wastes. The occupier, who intends to get his hazardous waste treated by the operator of a facility, shall give, to the operator, such information as may be specified by the State Pollution Control Board.

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

**The Poisons Act, 1919**

The Poisons Act, 1919 aims at regulating the importation, possession and sale of poisons. Under the Poisons Act, 1919, the State Governments have been authorized to formulate rules to regulate within the whole or any part of the territories under their administration, the possession and sale of any specified poison. Such rules, may provide for - the grant of license to possess any specified poison for sale, wholesale or retail and the fee to be charged for such licenses, the classes of persons to whom such licenses may be granted, the classes of persons to whom such poison may be sold, the maximum quantity of the poison that may be sold and the maintenance by vendors of registers of sales, the particulars to be entered in such registers and the inspection of the same by the authorities. The State Government may also regulate the possession of any specified poison in any local area which when used could be perilous to the health and environment of both man and cattle. Extensive penalty provisions have been provided for breach of this Act or any rules thereunder.

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

- Contract Labour (Regulation and Abolition) Act, 1970;
- Industries (Development and Regulation) Act, 1951;
- Factories Act, 1948;
- The Indian Boilers Act, 1923 and the Indian Boiler Regulations, 1950;
- Explosives Act, 1884;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Payment of Gratuity Act, 1972;
- Payment of Bonus Act, 1965;
- Payment of Wages Act, 1936;
- Industrial Disputes Act, 1947 and Industrial Disputes (Central) Rules, 1957 and
- Shops and Commercial Establishments Act.

## HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on January 25, 1994 under the Companies Act, 1956 as Urshila Traders Private Limited. Our Company was originally promoted by Mrs. Reena Bagai and Mrs. Avita Fernandes. Their shareholding was purchased by Mr. Ashok Hiremath and Mr. Pratap Garud on February 11, 1994. The name of our Company was changed to Astec Chemicals Private Limited on August 19, 1994 and further to Astec LifeSciences Private Limited on March 3, 2006. With effect from April 27, 2006, Astec LifeSciences Private Limited was converted into a public limited company under the name of "Astec LifeSciences Limited".

We carry out our manufacturing activities at two locations in Maharashtra, India comprising of three units in Maharashtra viz. one unit at Dombivli and two units at Mahad (Unit 1 and Unit 2). We started our first manufacturing unit in August 1994 by acquiring a sick unit in Dombivli, Maharashtra having an installed capacity of 120 MT for the manufacture of Dicap, a pharmaceutical intermediate.

With a view to expand our operations, we entered into an agreement with Behram Chemicals Private Limited on February 18, 2002 for using and operating their manufacturing facilities located at B-16, Mahad Industrial Area, Sub-District Mahad, District Raigad, Maharashtra. Behram Chemicals Private Limited was engaged in manufacture of chemicals and pesticides having an installed capacity of 130 MT.

Behram Chemicals Private Limited was initially promoted by Mr. Jehangir J. Mistry, Mrs. Viloo J. Mistry, Mrs. Kamla G. Sippy and Mr. Surinder Kumar Verma in April, 1993. During August, 1998 further shares were allotted to M.C. Chemicals and some members of Gangani family viz. Mr. Nasrudin K Gangani, Mr. S. N. Gangani, Mrs. N. N. Gangani, Mr. T. K. Gangani and Khoja Bone Mills Private Limited (a company promoted by Gangani family). Looking at the potential in Behram Chemicals Private Limited, our Company have acquired 65.63% share by entering into Share Purchase Agreement with the above members of Gangani family on April 2, 2007. Mr. Jehangir J. Mistry, Mrs. Viloo J. Mistry, Mrs. Kamla G. Sippy and Mr. Surinder Kumar Verma, M.C. Chemicals and Gangani family are not related to our Promoters / our Directors in any manner in any capacity whatsoever. With this acquisition, Behram Chemicals Private Limited became a subsidiary of our Company. For more details in respect of Share Purchase Agreement, please refer to page no. 108 of this Red Herring Prospectus.

During 2003-04 we expanded total installed capacity of our units (Dombivli and Mahad) from 250 MT to 500 MT. We renewed the agreement on August 1, 2004 for a further period of 66 months ending on January 31, 2010. For more details in respect of the current agreement, please refer to paragraph "Agreement with Behram Chemicals Private Limited" appearing on page no. 108 of this Red Herring Prospectus.

In 2004, we acquired a plot located at B-17, Mahad, Maharashtra and set up a new manufacturing facility as an Export Oriented Unit (EOU) in the year 2005 (as Unit 2) which is located adjacent to Unit 1 with an installed capacity of 1000 MT. With the commissioning of Unit 2 our total installed capacity increased to 1500 MT. We further expanded our total capacities to 2500 MT during 2007-08 and to 2800 MT during 2008-09.

Our Company is primarily involved in the production of active ingredients and intermediates for agrochemicals and pharmaceutical segment. Hexaconazole, Tebuconazole, Metalaxyl and Propiconazole are some of our key products in agrochemical segment which are generally used in crop protection and Dicap is one of our key Pharmaceutical intermediate which is used in manufacture of antifungal agents. Triazole fungicides, which includes Hexaconazole, Tebuconazole, and Propiconazole is one of our major product in the agrochemical segment, and has contributed 65.81% to our total sales whereas Dicap, a key product in pharmaceutical segment has contributed 14.14% during FY 2008-09.

### Major events of our Company

| Period        | Events                                                                                                                            |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------|
| January 1994  | Incorporation of Urshila Traders Private Limited                                                                                  |
| August 1994   | Change of name to Astec Chemicals Private Limited                                                                                 |
| August 1994   | Commenced first manufacturing unit at Dombivli, Maharashtra                                                                       |
| May, 2001     | Certified ISO 9002 by International Standards Certification Pty Limited, Australia                                                |
| February 2002 | Entered into an agreement with Behram Chemicals Private Limited                                                                   |
| March 2005    | Re-certified ISO 9001:2000 by International Standards Certification Pty Limited, Australia                                        |
| May 2005      | Commenced another manufacturing unit (Unit 2) as Export Oriented Unit at Mahad, Maharashtra                                       |
| March 2006    | Change of name to Astec LifeSciences Private Limited                                                                              |
| April 2006    | Conversion of our Company from a private limited company to a public limited company                                              |
| January 2007  | Established Astec Europe in Tournai, Belgium                                                                                      |
| April 2007    | Behram Chemicals Private Limited became our subsidiary by acquisition of 65.63% vide Share Purchase Agreement dated April 2, 2007 |

### Main objects of our Company

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

“To carry on the business of manufacturers, refiners, dealers, agents, sellers, purchasers, importers, exporters of chemicals, pharmaceutical goods including acids, salts, alkalis, anti bio-chemicals and other pharmaceutical, medicinal, agro chemicals, pesticides, chemical preparations / chemical formulations including bio-chemicals, articles, compounds, dyes, cosmetics, paints, pigments, resins, synthetics and its by products”.

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

### Changes in the Registered Office of our Company

| Period                                    | Address                                                                           |
|-------------------------------------------|-----------------------------------------------------------------------------------|
| Since Incorporation till January 30, 1994 | 303, Maker Chambers-V, Nariman Point, Mumbai - 400 021                            |
| January 31, 1994 to August 23, 2006       | 6, Nawab Building, 327, Dr. D.N. Road, Mumbai - 400 001                           |
| August 24, 2006 to February 27, 2008      | 802, Raheja Chambers, Free Press Journal Road, Nariman Point, Mumbai - 400 021    |
| From February 28, 2008 till date          | 5-5A, 4 <sup>th</sup> Floor, Kamanwala Chambers, Sir P. M. Road, Mumbai - 400 001 |

### Changes in Memorandum of Association of our Company

| Date of change     | Nature of Amendment                                                                                                        |
|--------------------|----------------------------------------------------------------------------------------------------------------------------|
| August 6, 1994     | Increase in Authorised Capital                                                                                             |
| August 19, 1994    | Change of name from Urshila Traders Private Limited to Astec Chemicals Private Limited                                     |
| June 28, 2002      | Split of Shares into Class A and Class B Equity Shares                                                                     |
| March 3, 2006      | Change of name from Astec Chemicals Private Limited to Astec LifeSciences Private Limited                                  |
| November 29, 2005  | Increase in Authorised Capital                                                                                             |
| February 22, 2006  | Changes in the object clause of the Memorandum Of Association                                                              |
| April 27, 2006     | Conversion of company into public limited company                                                                          |
| September 27, 2007 | Sub-division in face value of Equity shares from Rs. 100/- per share to Rs. 10/- per share                                 |
|                    | Merger of Class A and Class B Equity Shares                                                                                |
|                    | Authorised Share Capital in respect of Preference Shares has been converted into Authorised Share Capital of Equity Shares |
| March 10, 2008     | Increase in Authorised Capital                                                                                             |

### Our Subsidiary

#### Behram Chemicals Private Limited

We have entered into an agreement with Behram Chemicals Private Limited on February 18, 2002 for using and operating their manufacturing facilities located at B-16, Mahad Industrial Area, Sub-District Mahad, District Raigad, Maharashtra. Behram Chemicals Private Limited was engaged in manufacture of chemicals and pesticides with installed capacity of 130 MT. Behram Chemicals Private Limited was initially promoted by Mr. Jehangir J. Mistry, Mrs. Viloo J. Mistry, Mrs. Kamla G. Sippy and Mr. Surinder Kumar Verma in April, 1993. During August, 1998 further shares were allotted to M.C. Chemicals and some members of Gangani family viz. Mr. Nasrudin K. Gangani, Mr. S.N. Gangani, Mrs. N.N. Gangani and Mr. T.K. Gangani and Khoja Bone Mills Private Limited (a company promoted by Gangani family). Mr. Jehangir J. Mistry, Mrs. Viloo J. Mistry, Mrs. Kamla G. Sippy and Mr. Surinder Kumar Verma, M.C. Chemicals and Gangani family are not related to our Promoters / our Directors in any manner in any capacity whatsoever.

We renewed the agreement on August 1, 2004 for a further period of 66 months ending on January 31, 2010. For more details in respect of the current agreement, please refer to paragraph "Agreement with Behram Chemicals Private Limited" appearing on page no. 108 of this Red Herring Prospectus. Looking at the potential in Behram Chemicals Private Limited, our Company have acquired 65.63% share by entering into Share Purchase Agreement with the above members of Gangani family on April 2, 2007. With the acquisition of 65.63% share, Behram Chemicals Private Limited became a subsidiary of our Company. For more details in respect of Share Purchase Agreement, please refer to page no 108 of this Red Herring Prospectus.

|                                         |                                                                                                                                                                                                          |                     |                          |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------------|
| <b>Nature of Activity</b>               | Manufacturing and trading of all types of chemicals including agrochemicals, intermediates, synthetic chemicals, solvents etc. However, at present the company is not undertaking any business activity. |                     |                          |
| <b>Date of Incorporation</b>            | April 6, 1993                                                                                                                                                                                            |                     |                          |
| <b>Registered Office address</b>        | Arman Residency, 1 <sup>st</sup> Floor, 102, R.W.Sawant Road, OSS, Mumbai-Nasik Flyover, Thane (West), Mumbai - 400601.                                                                                  |                     |                          |
| <b>Name of the Directors</b>            | 1. Mr. Ashok Hiremath<br>2. Mr. Laxmikant Kabra                                                                                                                                                          |                     |                          |
| <b>Shareholding Pattern</b>             | <b>Name of the Shareholder</b>                                                                                                                                                                           | <b>No of Shares</b> | <b>% of Shareholding</b> |
|                                         | Astec LifeSciences Limited                                                                                                                                                                               | 39380               | 65.63                    |
|                                         | M/s M. C. Chemicals                                                                                                                                                                                      | 20000               | 33.33                    |
|                                         | Mr. Rajashree R. Deshpande                                                                                                                                                                               | 400                 | 0.67                     |
|                                         | Ms. Beena Sippy                                                                                                                                                                                          | 105                 | 0.18                     |
|                                         | Mr. Surendra K. Verma                                                                                                                                                                                    | 105                 | 0.18                     |
|                                         | Mr. J. J. Mistry                                                                                                                                                                                         | 5                   | 0.01                     |
|                                         | Mr. Villo J. Mistry                                                                                                                                                                                      | 5                   | 0.01                     |
|                                         | <b>Total</b>                                                                                                                                                                                             | <b>60000</b>        | <b>100.00</b>            |
| <b>Audited Financial Information</b>    | <b>2008-09</b>                                                                                                                                                                                           | <b>2007-08</b>      | <b>2006-07</b>           |
|                                         | <b>(Rs. In lakhs)</b>                                                                                                                                                                                    |                     |                          |
| Sales*                                  | 15.80                                                                                                                                                                                                    | 10.80               | 10.80                    |
| Other Income                            | 0.01                                                                                                                                                                                                     | 0.70                | 0.07                     |
| Profit after tax                        | 0.59                                                                                                                                                                                                     | 0.34                | (0.27)                   |
| Share Capital (Face Value of Rs. 100/-) | 60.00                                                                                                                                                                                                    | 60.00               | 60.00                    |
| Reserves & Surplus                      | 5.72                                                                                                                                                                                                     | 5.15                | 4.79                     |
| Net Worth                               | 65.72                                                                                                                                                                                                    | 65.15               | 64.79                    |
| Earning Per Share (Rs.)                 | 0.98                                                                                                                                                                                                     | 0.57                | (0.44)                   |
| Net Asset Value per Share (Rs.)         | 109.53                                                                                                                                                                                                   | 108.58              | 107.99                   |

\* Processing Charges

### Shareholders Agreement

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

**Strategic Partners**

Presently, our Company does not have any strategic partners.

**Financial Partners**

Presently, our Company does not have any financial partners.

**Other Agreements****Share Purchase Agreement:**

Pursuant to the Share Purchase Agreement dated April 2, 2007 entered by our Company, Astec LifeSciences Limited, hereinafter referred to as the "Purchaser" with Mr. Nasrudin K Gangani, Mr. S. N. Gangani, Mrs. N. N. Gangani, Khoja Bone Mills Private Limited, Mr. T. K. Gangani, hereinafter referred to as the "Sellers", shareholders of Behram Chemicals Private Limited, our Company has agreed to purchase 39,380 fully paid up equity shares of Rs. 107.10 each from the Sellers, together constituting 65.63% of the issued, subscribed and paid up share capital of Behram Chemicals Private limited. For the transfer of shares by the sellers to the purchaser, the consideration was agreed upon at Rs. 28 Lakhs. P.M. Kathariya & Co., Chartered Accountants, have vide their valuation report dated April 2, 2007 had also valued equity share at Rs. 107.99 per equity share. This valuation report is available for inspection at our Registered Office from 10.00 A.M. to 4.00 P.M. on business days from the date of the Red Herring Prospectus until the Bid / Issue Closing Date. With this transfer of shares, Behram Chemicals Private Limited became subsidiary of our Company.

**Agreement with Behram Chemicals Private Limited**

We had initially entered into an agreement on February 18, 2002 for a period of 30 months which expired on August 18, 2004. On August 1, 2004 we renewed the said agreement, the salient features of which are as under:

|    |                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Date of Agreement         | August 1, 2004                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 2. | Parties to the Agreement  | Behram Chemicals Private Limited (BCPL) and our Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 3. | Base of the Agreement     | Right to use and operate the manufacturing facilities of Behram Chemicals Private Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 4. | Validity of the Agreement | 66 months ending on January 31, 2010                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 5. | Terms of the Agreement    | <ul style="list-style-type: none"> <li>• BCPL had entrusted the work of running and conducting the business to our Company and allowed our Company to operate and use the manufacturing facility of BCPL, including the sanctioned electric power and other facilities available. The manufacturing facilities <i>inter-alia</i> include machineries, utilities, ETP, installations, electric power and other facilities including telephone, furniture, fixtures, amongst other assets.</li> <li>• Our Company shall pay to BCPL every month starting from August 1, 2004 a fixed amount of Rs. 0.70 lakh as processing charges on or before the 5<sup>th</sup> day of the following month, exclusive of power, salary and wages and other incidental expenses including annual expenses</li> </ul> |

|    |                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                    | <p>such as insurance, rates taxes and levies on the premises or business and related to the conduct of the said business. In addition to this, our Company will reimburse expenses to the extent of Rs. 0.20 lakh every month on or before the 5<sup>th</sup> day of the following month.</p> <ul style="list-style-type: none"> <li>•The said business and manufacturing facility shall be under the overall supervision and control of our Company or such nominees / or key personnel as our Company may nominate in our behalf.</li> </ul> |
| 6. | Termination Clause | <p>The agreement may be terminated at the option of our Company by giving BCPL six months notice in writing of its intention to do so.</p>                                                                                                                                                                                                                                                                                                                                                                                                     |

## OUR MANAGEMENT

In accordance with Article 132 of the Articles of Association of our Company, we cannot have less than three (3) and more than twelve (12) Directors. At present, we have six (6) Directors on our Board out of which three (3) are Independent Directors.

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

| Name, Father's / Husband's Name, Designation, Address, Directors Identification Number, Occupation & Nationality                                                                                                                                                                                                                          | Age (years) | Date of Appointment and Term                                                                                                                | Other Directorships/Interests                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mr. Ashok Hiremath</b><br>(S/o Late Shri Vishwanath Hiremath)<br><i>Chairman &amp; Managing Director</i><br><br><i>Address: 3, Jal Kiran, 35, Cuffe Parade, Mumbai- 400005</i><br><i>DIN - 00349345</i><br><i>Occupation: Business</i><br><i>Nationality: Indian</i>                                                                   | 54          | January 31, 1994<br><br>Reappointed as Managing Director on March 10, 2006 for a period of 5 years<br><br>Not liable to retire by rotation. | 1. Opus Chemicals Private Limited<br>2. Behram Chemicals Private Limited<br>3. Astec Europe                                                                |
| <b>Dr. P. L. Tiwari</b><br>(S/o Mr. Baburam Tripathi)<br><i>Non Executive &amp; Non Independent Director</i><br><br><i>Address: 2, Jal Kiran, Cuffe Parade, Mumbai-400005</i><br><i>DIN -00917603</i><br><i>Occupation: Doctor</i><br><i>Nationality: Indian</i>                                                                          | 64          | August 11, 1994<br><br>To retire by rotation                                                                                                | 1. Wanbury Limited                                                                                                                                         |
| <b>Mr. Laxmikant Kabra</b><br>(S/o Mr. Ramprasad Kabra)<br><i>Non Executive &amp; Non Independent Director</i><br><br><i>Address: 16/503, Tulsidham, Triveni Co-op HSG Society, Ghodbander road, Near Tatvadhnyan Vidyapeeth, Thane</i><br><i>DIN - 00061346</i><br><i>Occupation: Chartered Accountant</i><br><i>Nationality: Indian</i> | 40          | March 10, 2006<br><br>To retire by rotation                                                                                                 | 1. Behram Chemicals Private Limited<br>2. Lake City Traders Private Limited<br>3. Shree Investment Services<br>4. Laxmikant Kabra & Co.<br>5. Astec Europe |
|                                                                                                                                                                                                                                                                                                                                           |             |                                                                                                                                             |                                                                                                                                                            |

| Name, Father's / Husband's Name, Designation, Address, Directors Identification Number, Occupation & Nationality                                                                                                                                                                                                         | Age (years) | Date of Appointment and Term                    | Other Directorships/Interests                                                                                                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mr. Mohammed Zakir</b><br>(S/o Mr. Modi Dost Mohammed)<br><i>Non-Executive Independent Director</i><br><br>Address: 2002, Sovereign,<br>Hiranandani Gardens, Powai,<br>Mumbai.<br>DIN - 00331018<br>Occupation: Retired Banker<br>Nationality: Indian                                                                 | 69          | September 27, 2007<br><br>To retire by rotation | 1. Rajasthan Explosives & Chemicals Limited                                                                                                                                                                                                        |
| <b>Mr. Sitendu Sharma</b><br>(S/o Mr. KrishnaKumar Sharma)<br><i>Non-Executive Independent Director</i><br><br>Address: A/103, Keshar Upvan,<br>Gawand Baug, Pokhran. Road No. 2, Thane-400610<br>DIN - 01956423<br>Occupation: Chartered Accountant<br>Nationality: Indian                                              | 40          | September 27, 2007<br><br>To retire by rotation | 1. M/s NJP Trading Company Limited<br>2. Shatabdi Computers Private Limited                                                                                                                                                                        |
| <b>Dr. Vinod Malshe</b><br>(S/o Mr. Chintamani Annaji Malshe)<br><i>Non-Executive Independent Director</i><br><br>Address: 33-34, Building No 10, Kamdhenu, Kalpataru Projects, Hari Om Nagar, Mulund (E), Mumbai 400081<br>DIN - 00642540<br><br>Occupation: Consultant in Chemical industry<br><br>Nationality: Indian | 62          | March 28, 2008<br><br>To retire by rotation     | 1. Filtra Catalysts & Chemicals Private Limited<br>2. Transparent Technologies Private Limited<br>3. Peerless Technolegal Private Limited<br>4. AM Ozonics Private Limited<br>5. Resins and Plastics Limited<br>6. Anuvi Chemicals Private Limited |

#### Brief Details of our Directors

##### Mr. Ashok Hiremath

Mr. Ashok Hiremath, aged 54 years, is a Masters of Arts from University of Oxford and Post Graduate Diploma holder in Chemical Engineering from University College, University of London. He started his career as Project Engineer in 1978 with GEA Airexchangers Limited, London. He returned to India in 1980 and joined Hiremath Chemicals Limited, a company promoted by his

brother as Technical Manager where he was responsible for manufacturing and business development. After leaving this company in 1994 from the post of Technical Manager, he joined our Company as one of the Promoters and since then he has been actively involved in the affairs of our Company and has played a key role in the growth of the Company with his inputs in strategic planning and business development.

**Dr. P.L. Tiwari**

Dr. P. L. Tiwari aged 64 years is one of the Promoters of our Company. He is a MBBS and MD (Medicine) from Banaras Hindu University. He is a Member of the Royal College of Physicians of the United Kingdom (MRCP) and Fellow of Royal College of Physicians, Edinburgh (FRCP). He is a practicing cardiologist in Mumbai. He was awarded UP Ratna award in January, 1996 by the Chief Minister of Maharashtra. He was also awarded L U Kirpalani Memorial Award for Life Time Achievement- 2005 by A'ward Medical Association. He joined our Company on August 11, 1994 as one of the Director and has been involved in the affairs of our Company as Promoter and Director.

**Mr. Laxmikant Kabra**

Mr. Laxmikant Kabra, aged 40 years is a commerce graduate from University of Mumbai and a Chartered Accountant. He completed his Chartered Accountant course in 1996. He has over 13 years of experience in fields of Income Tax, Company Law, Banking, Finance etc. During his tenure he has worked with Ficom Organics Limited and Rishiroop Rubber International Limited for two years each after which he started his own practice as a Chartered Accountant in Mumbai under the firm name Laxmikant Kabra & Co. Initially he was associated with our Company as a consultant for 5 years and then in 2006, he was appointed as a Director of our Company.

**Mr. Mohammed Zakir**

Mr. Mohammed Zakir, aged 69 years, is a Bachelor of Science (Mechanical) from Bihar Institute of Technology. He started his career as a design engineer in Research, Designs and Standards Organisation (RDSO), Lucknow, Ministry of Railways in 1963, where he worked for more than 10 years in railway equipment design and development. In 1976, he joined Industrial Development Bank of India (IDBI), Mumbai where he worked for about 24 years at various levels including Chief General Manager. There he was involved in the field of project implementation, monitoring and financing of various projects. He is on our Board since September, 2007.

**Mr. Sitendu Sharma**

Mr. Sitendu Sharma, aged 40 years is a commerce graduate and a Chartered Accountant which he completed in 1996. He has 13 years of experience in the area of finance, tax planning, service tax etc. He started his career in 1995 as Accounts and Administrative Manager in Everett (India) Private Limited. In 2002, he became a partner in C. B. Sheth & Co., a practicing Chartered Accountancy Firm, and was responsible for advising the clients on company laws, income tax and accounting systems. In 2004, he started his own practice as a Chartered Accountant in Mumbai under the firm name Sitendu Sharma & Company. He has been an Independent Director of our Company since September, 2007.

**Dr. Vinod Malshe**

Dr. Vinod Malshe, aged 62 years is a Bachelor of Science (Chemical Technology) from Kanpur University and a Masters of Science (Technology) from University of Mumbai. He has also been awarded a Ph.D in Technology. He has retired from the position of Professor of Paint Technology

and Head of the Department Surface Coatings Technology, University of Mumbai, Institute of Chemical Technology. He has 13 years of experience as Professor and in his tenure, he has guided 18 doctoral students and 12 masters' students. He has written two books and published over 20 research papers. He was member of ISI (now BIS) committees and was also one of the interview panelists for promotion, project evaluation, examiner of Ph.D thesis of various universities. He had worked as a General Manager, R&D in Ion exchange India and about 10 years in ACC Limited at their Central Research Station at Thane. He currently renders consultancy services to to the chemical industry.

#### **Compensation of Managing Directors/Whole time Directors**

Mr. Ashok Hiremath has been reappointed as Managing Director for a period of five years with effect from March 10, 2006 at the meeting of board held on March 10, 2006 and was approved in the Extra Ordinary general meeting held on April 1, 2006. The remuneration of Mr. Ashok Hiremath is increased from Rs. 24.00 lakhs p.a. to Rs. 48.00 lakhs p.a. w.e.f. August 1, 2009 at the board meeting held on July 21, 2009 for the remaining period of his term of appointment i.e. upto March 9, 2011. The brief details of his remuneration are as under:

| <b>Particulars</b>     | <b>Amount per year (Rs. In lakhs)</b> |
|------------------------|---------------------------------------|
| Salary                 | 18.00                                 |
| HRA                    | 10.80                                 |
| Medical Allowance      | 1.20                                  |
| Leave travel Allowance | 1.20                                  |
| Provident Fund         | 2.16                                  |
| Other Perquisites      | 14.64                                 |
| <b>Total</b>           | <b>48.00</b>                          |

Our Company pays all our non-executive and independent directors a sitting fee of Rs. 2,500 per meeting.

#### **Details of Borrowing Powers of Directors**

The Shareholders at the Annual General Meeting held on August 22, 2006 have passed the resolution under section 293(1)(d) of the Companies Act, 1956 authorizing the Board of Directors to borrow money from time to time at their discretion either from the Company's bank or any other bank, financial institutions or any other lending institution or person on such terms and conditions as may be considered suitable by the Board of Directors upto a limit not exceeding Rs. 5,000 lakhs notwithstanding the money to be borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceeds the aggregate of the paid up capital of the Company and free reserves of the Company, that is to say, reserves not set apart for any specific purpose.

#### **Corporate Governance**

The provisions of the listing agreement to be entered into with the Stock Exchanges will be applicable to our Company at the time of seeking in-principle approval of the Stock Exchanges. Our Company has complied with the corporate governance code in accordance with Clause 49 of the listing agreement (as applicable), including in relation to appointment of independent Directors to our Board and constitution of the audit committee, remuneration committee, investor's/ shareholders grievance committee and share transfer committee. Our Company undertakes to take

all necessary steps to continue to comply with all the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges.

Currently, our Board has 6 Directors, of which the Chairman is the Executive Director, and in compliance with the requirements of Clause 49 of the listing agreement, our Company has three independent and three non-independent Directors on its Board.

We have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

#### **Audit Committee**

We have constituted an Audit Committee at our Board meeting held on April 8, 2008. Our Audit Committee currently comprises of the following members:

| <b>Name of Director</b> | <b>Status in Committee</b> | <b>Nature of Directorship</b> |
|-------------------------|----------------------------|-------------------------------|
| Mr. Sitendu Sharma      | Chairman                   | Independent Director          |
| Mr. Laxmikant Kabra     | Member                     | Non Independent Director      |
| Mr. Mohammed Zakir      | Member                     | Independent Director          |
| Dr. Vinod Malshe        | Member                     | Independent Director          |

The general objective of the audit committee is to establish a transparent and effective system of monitoring and control, to review annual plan of our company, and any special examination by internal audit and implementation of internal audit recommendations, to review quarterly, half yearly and annual financial statement before submission to the board and to conduct limited review, together with coverage of scope of activity prescribed under 292A of companies Act 1956. The audit committee also considers and reviews ethical adherence and corporate governance principles.

The Audit Committee has the powers to investigate any activity within its terms of reference; to seek information from any employee; to obtain outside legal or other professional advice; and to secure attendance of outsiders with relevant expertise, if it considers necessary.

The role of Audit Committee includes oversight of our financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees; approval of payment to statutory auditors for any other services rendered by the statutory auditors; reviewing, with the management, the annual financial statements before submission to the Board for approval, changes, if any, in accounting policies and practices and reasons for the same; matters required to be included in the Director's Responsibility statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956; major accounting entries involving estimates based on the exercise of judgment by management; disclosure of any related party transactions; qualifications in the draft audit report; etc. Further, the role includes reviewing, with the management, quarterly financial statements before submission to the same to the Board for its approval; 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 making appropriate recommendations to the Board to take up steps in this matter; reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems; reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit; review 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; 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; to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors; to review the functioning of the Whistle Blower mechanism, in case the same is existing, etc.

#### **Shareholders'/ Investors Grievance - Cum - Share Transfer Committee**

We have constituted a Shareholders/Investors Grievances Committee at our Board meeting held on April 8, 2008. Our Shareholders/Investors Grievances Committee currently comprises of the following members:

| <b>Sr. No</b> | <b>Name of the Director</b> | <b>Status in Committee</b> | <b>Nature of Directorship</b> |
|---------------|-----------------------------|----------------------------|-------------------------------|
| 1.            | Mr. Laxmikant Kabra         | Chairman                   | Non-Executive Director        |
| 2.            | Mr. Mohammed Zakir          | Member                     | Independent Director          |
| 3.            | Mr. Sitendu Sharma          | Member                     | Independent Director          |

The Shareholders/Investors Grievances Committee is responsible for redressal of the complaints of the shareholders in respect of matters pertaining to transfer of shares, non-receipt of annual report, dematerialization of shares, non-receipt of declared dividend etc.

#### **Remuneration Committee**

We have constituted a Remuneration Committee at our Board meeting held on April 8, 2008. Our Remuneration Committee currently comprises of the following members:

| <b>Name of Director</b> | <b>Status in Committee</b> | <b>Nature of Directorship</b> |
|-------------------------|----------------------------|-------------------------------|
| Mr. Mohammed Zakir      | Chairman                   | Independent Director          |
| Dr. Vinod Malshe        | Member                     | Independent Director          |
| Mr. Laxmikant Kabra     | Member                     | Non-Executive Director        |

The objective of Remuneration Committee is to assess remuneration payable to our Managing Director/Whole time Director; sitting fee payable to our Non Executive Director; remuneration policy covering policies on remuneration payable to our senior executives.

#### **Shareholding of the Directors**

As per the Articles of Association of our Company, the Directors are not required to hold any qualification shares. Details of the shareholding of our Directors in our Company as on the date of filing this Red Herring Prospectus are given in the following table:

| Name of Directors   | Number of Equity Shares held (pre-Issue) | Share holding (Pre Issue) % |
|---------------------|------------------------------------------|-----------------------------|
| Mr. Ashok Hiremath  | 61,15,780                                | 64.86                       |
| Dr. P.L. Tiwari     | 16,50,000                                | 17.50                       |
| Mr. Laxmikant Kabra | 1,100                                    | 0.01                        |
| Mr. Mohammed Zakir  | Nil                                      | Nil                         |
| Mr. Sitendu Sharma  | Nil                                      | Nil                         |
| Dr. Vinod Malshe    | Nil                                      | Nil                         |

### Interest of the Directors

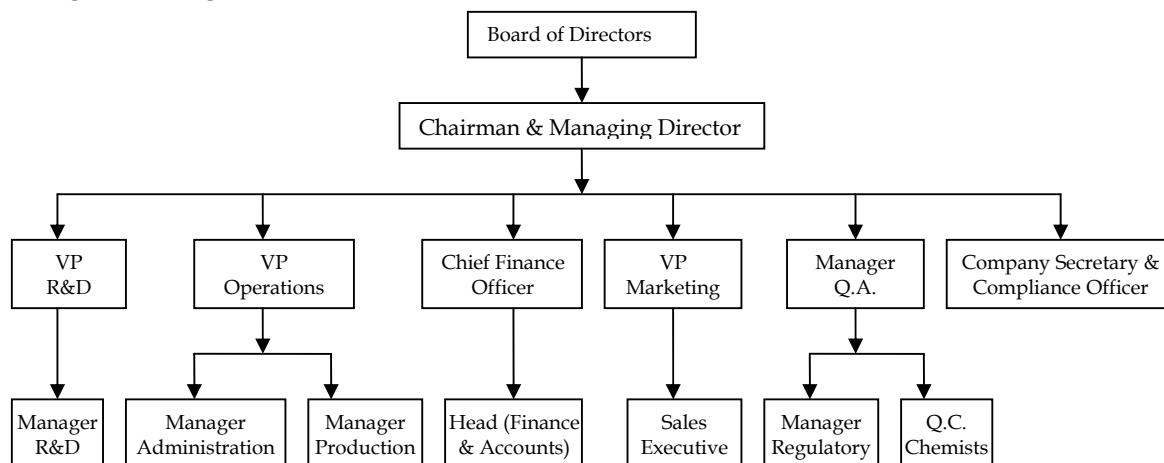
Except as stated in “Related Party Transactions” on page no. 127 of this Red Herring Prospectus, to the extent of shareholding in our Company either by themselves or shareholding of companies in which they are interested, the Directors do not have any other interest in our Company. Our Directors do not have any interest in any property acquired by our Company in a period of two years before filing this Red Herring Prospectus with SEBI or proposed to be acquired by us as on date of filing this Red Herring Prospectus with SEBI.

### Change, if any, in the Directors in last three years and reasons thereof, wherever applicable

| Name               | Date of Appointment | Date of Cessation | Reason for change |
|--------------------|---------------------|-------------------|-------------------|
| Mr. Mohammed Zakir | September 27, 2007  | Not Applicable    | Appointment       |
| Mr. Sitendu Sharma | September 27, 2007  | Not Applicable    | Appointment       |
| Dr. Ranjan Shastri | September 27, 2007  | March 10, 2008    | Resignation       |
| Dr. Vinod Malshe*  | March 10, 2008      | March 20, 2008    | Resignation       |
| Dr. Vinod Malshe*  | March 28, 2008      | Not Applicable    | Appointment       |

\*There was an error in filing of Form 32 with Registrar of Companies, Maharashtra in respect of appointment of Dr. Vinod Malshe, wherein he was inadvertently shown as Executive Director instead of Non-Executive Director. In order to rectify this, he was made to resign on March 20, 2008 and re-appointed on March 28, 2008 as Non-Executive Director.

### Management Organisation Structure



### Key Management Personnel

| Name                 | Designation                  | Age (in years) | Date of joining    | Qualification                                     | Previous Employment                  | Total Experience (Yrs) | Remuneration during financial year 2008-09 Rs. In Lakhs |
|----------------------|------------------------------|----------------|--------------------|---------------------------------------------------|--------------------------------------|------------------------|---------------------------------------------------------|
| Mr. D. K. Joshi      | Vice President (Operations)  | 56             | November 1, 2007   | B.Sc. (Chemistry), B.Sc Tech                      | Meghmani Organic Limited             | 30                     | 16.85                                                   |
| Mr. Javed Sayed      | Vice President (Marketing)   | 58             | December 8, 2007   | M.Sc. (Geology)                                   | Voltas Limited                       | 34                     | 9.97                                                    |
| Dr. Ranjan Shastri   | Vice President (R&D)         | 61             | May 2, 2008        | M.Sc., Ph.D.                                      | Fortune Farma Limited                | 40                     | 5.20                                                    |
| Mr. Ramesh Pingle    | Manager-Regulatory Affairs   | 48             | February 19, 2007  | M.Sc. (Agriculture)                               | Hikal Limited                        | 24                     | 9.98                                                    |
| Mr. Janak Rawal      | Manager Administration       | 49             | September 1, 1994  | B.A.                                              | Hiremath Chemicals Limited           | 26                     | 6.04                                                    |
| Mr. P. Padhiyar      | MR & Quality Control Manager | 44             | September 25, 2007 | M.Sc.(Chemistry) & Diploma In Business Management | Monsanto India Limited               | 19                     | 8.04                                                    |
| Ms. Nikita Jain      | Company Secretary            | 29             | February 1, 2008   | M.Com., ACS                                       | Sita Shree Food Products Limited     | 5                      | 6.12                                                    |
| Mr. Vijay Kumar Jain | Chief Finance Officer        | 28             | May 2, 2008        | Chartered Accountant                              | Supreme Infrastructure India Limited | 3                      | 7.01                                                    |

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

### Brief Profile of the Key Managerial Personnel

#### Mr. D. K. Joshi

Mr. D. K. Joshi, Vice President (Operations), aged 56 years, holds a bachelor degree in science from University of Pune. He also holds a degree in B.Sc (Technology) from University of Bombay. He has over 30 years of experience in the field of agrochemicals production, pesticides manufacturing and managing operations of agrochemical units. He started his career as Production Manager with

BASF (India) Limited in 1978 in their agrochemical unit. In 1996, he joined Van Tech Industries as General Manager (Production) being overall in-charge of one of their pesticide unit. In 1997 he joined Megmani Organics Limited and resigned from the post of Vice President (Operations) in 2007 and thereafter joined our Company. In our Company he supervises all the technical activities at our manufacturing units in Mahad and Dombivli. He is responsible for production, utilities, Environment, Health and Safety (EHS), general site administration, quality control and also oversees registration and research.

**Mr. Javed Sayed**

Mr. Javed Sayed, aged 58 years, is a Masters of Science (Geology) from Aligarh Muslim University. He has over 34 years of experience in the field of marketing and business development of agrochemical, dyes and intermediate and pharmaceutical bulk drugs in domestic as well as international markets. He started his career as Sales Officer in Union Carbide India Limited in 1974. After working with companies like Voltas Limited, Elder Pharmaceuticals Limited and Walter Bushnell Limited, he joined our Company as Vice President (Marketing) in 2007. His responsibilities include formulation and implementation of marketing plans, formation of distribution networks, liaison with government bodies and new product development.

**Dr. Ranjan Shastri**

Dr. Ranjan Shastri, aged 61 years, is a gold medallist science graduate and has also been awarded a Ph.D. He has more than 40 years of experience in the field of research & development covering agrochemicals, pesticides, etc. with companies like Asian Paints, National Chemical Laboratory, Sandoz (India) Limited, and Innotech Pharma Limited. He has designed and implemented various research programs for potential crop protection chemicals and was also involved in the development of several analytical methods for determination of pesticides' residue in a variety of environmental substrates. He worked as a Consultant in our Company from January, 2005 and was also on our Board for period from September, 2007 to March, 2008. He then joined our Company in May, 2008 as Vice President, R&D and is now responsible for supervising the entire R&D operations of our Company.

**Mr. Ramesh Pingle**

Mr. Ramesh Pingle, aged 48 years, is a Masters of Science (Agriculture) from Konkan Agriculture University. He has 24 years of experience in the field of data compilation, compilation of export registration dossiers, new product registrations in different countries etc. After having worked with companies like Hikal Limited, Saberio Organics Gujarat Limited, United Phosphorous Limited and Ecomax Agro System Limited, he joined our Company in 2007. He is responsible for evaluation of potential of new molecules, registration of new products etc.

**Mr. Janak Rawal**

Mr. Janak Rawal, aged 49 years, holds a bachelor degree in arts from University of Mumbai. He has worked with Hiremath Chemicals Limited for 12 years, after which he joined our Company as Administrative Officer in 1994. He is responsible for managing licensing, statutory and regulatory compliances and for the planning and procurement of raw materials. He also supervises dispatches, export documentation and filing of central excise returns.

**Mr. P. Padhiyar**

Mr. P. Padhiyar, aged 44 years, is Masters of Science (Chemistry) from Madurai Kamraj University.

He has also obtained a Diploma in Business Management in 2006. He has 19 years of experience in the field of quality assurance/control, process improvement and ensuring compliances with ISO 9000 requirements. He started his career in Manish Organics India Limited as QC Chemist in 1990. After having worked with various companies like M. J. Pharmaceuticals Limited, Ambeshwar Chemicals, Khatau Zunker Limited and Mosanto India Limited, he joined our Company in 2007 as Quality Control Manager. He is responsible for the testing, analyzing, approving of inputs and outputs and developing cost effective methods for new compounds.

#### **Ms. Nikita Jain**

Ms. Nikita Jain, aged 29 years, is a post graduate in commerce from Devi Ahilya Vishwa Vidyalaya University, Indore and a company secretary. She has worked with Sita Shree Food Products Limited as a Company Secretary and with Arihant Capital markets Limited as Manager-Compliance. In 2008, she joined our Company as Company Secretary and is responsible for all the legal compliances and secretarial work.

#### **Mr. Vijay Kumar Jain**

Mr. Vijay Kumar Jain, aged 28 years, is a commerce graduate from University of Rajasthan and a qualified Chartered Accountant since 2005. He started his career with Shridhar & Santhanam as an audit assistant in 2005. In 2006, he joined Supreme Infrastructure India Limited as Senior Manager (Accounts and Taxation). He was primarily responsible for accounting and taxation aspect. He joined our Company as a Chief Finance Officer in May, 2008. He oversees accounting, financial controls and management of cash flows.

None of the Key Managerial personnel are related to each other. All the above mentioned Key Managerial personnel are permanent employees of our Company.

#### **Changes in the Key Managerial Personnel during the last three years**

There have been no changes in the Key Managerial Personnel in our Company in the last three years except as stated below:

| <b>Name</b>          | <b>Designation</b>           | <b>Date of Change</b> | <b>Reasons</b> |
|----------------------|------------------------------|-----------------------|----------------|
| Mr. Ramesh Pingle    | Manager-Regulatory Affairs   | February 19, 2007     | Appointment    |
| Mr. Naresh Golwala   | HOD, Quality Control         | September 6, 2007     | Resignation    |
| Mr. P. Padhiyar      | Manager, Quality Control     | September 25, 2007    | Appointment    |
| Mr. D. K. Joshi      | Vice President, (Operations) | November 1, 2007      | Appointment    |
| Mr. Javed Sayed      | Vice President (Marketing)   | December 8, 2007      | Appointment    |
| Ms. Nikita Jain      | Company Secretary            | February 1, 2008      | Appointment    |
| Dr. Ranjan Shastri   | Vice President (R&D)         | May 2, 2008           | Appointment    |
| Mr. Vijay Kumar Jain | Chief Finance Officer        | May 2, 2008           | Appointment    |

#### **Interest of Key Managerial Personnel**

The Key Managerial Personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business

Except as stated otherwise in this Red Herring Prospectus, we have not entered into any contracts, agreement or arrangement during the preceding two years from the date of this Red Herring Prospectus in which the Key Managerial Personnel are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

**Details of Shareholding of our Key Managerial Personnel in our Company**

None of the key managerial personnel are holding any equity shares in our Company.

**Bonus or Profit sharing plan for the Key Managerial Personnel**

Our Company does not have any bonus/profit sharing plan for any of the Key Managerial Personnel.

**Employees Share Purchase Scheme/Employee Stock Option Scheme to Employees**

The Company does not have any stock option scheme or stock purchase scheme for its employees

**Other benefits to our Key Managerial Personnel**

There has been no other benefit or payment given to the employees/Key Managerial Personnel of the Company other than salary.

## OUR PROMOTERS AND THEIR BACKGROUND

The present Promoters of our Company are:

- 1) Mr. Ashok Hiremath
- 2) Dr. P.L. Tiwari

The brief profile of our promoters is as follows:

### Mr. Ashok Hiremath



|                          |                  |
|--------------------------|------------------|
| Permanent Account Number | AAAPH4452K       |
| Driving License No.      | 501965           |
| Voter ID No.             | MT/05/029/063711 |

For details of the profile of Mr. Ashok Hiremath, please refer to section titled “Our Management” beginning on page no. 110 of this Red Herring Prospectus.

### Dr. P.L. Tiwari



|                          |                  |
|--------------------------|------------------|
| Permanent Account Number | AAAPT3783B       |
| Driving License No.      | 77/C/14820       |
| Voter ID No.             | MT/04/019/033181 |

For details of the profile of Dr. P.L. Tiwari, please refer to section titled “Our Management” beginning on page no. 110 of this Red Herring Prospectus.

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

### Interest of Promoters

Except as stated in "Related Party Transactions" beginning on page no. 127 of this Red Herring Prospectus, to the extent of shareholding in our Company either by themselves or shareholding of companies in which they are interested, the Promoters do not have any other

interest in the business. Our Promoters do not have any interest in any property acquired by our Company in a period of two years before filing this Red Herring Prospectus with SEBI or proposed to be acquired by us as on date of filing this Red Herring Prospectus with SEBI.

**Payment or benefit to Promoters of our Company**

For details of payments or benefits paid to our promoters, please refer to the paragraph “Compensation to Managing Director / Whole Time Director” in the chapter titled ‘Our Management’ on page no. 110. Also refer paragraph on “Statement of Related Parties Transactions” on page no. 127 of the Red Herring Prospectus forming part of “Financial Information”.

**Disassociation by the Promoters in the last three years**

None of the Promoters have disassociated themselves from any of the companies / firms during the preceding three years.

## OUR PROMOTER GROUP

In addition to the Promoters named above, the following natural persons, are part of our Promoter Group.

The natural persons who are part of our Promoter Group (due to their relationship with our Promoters), other than the Promoters named above are as follows:

| Name of the Person                            | Relationship      | % of Shareholding |
|-----------------------------------------------|-------------------|-------------------|
| <b><i>Relatives of Mr. Ashok Hiremath</i></b> |                   |                   |
| Ms. Chitra Hiremath                           | Wife              | 0.06              |
| Ms. Supriya Hiremath                          | Daughter          | 0.01              |
| Mr. Varun Hiremath                            | Son               | Nil               |
| Mr. Suresh Hiremath*                          | Brother           | 17.50             |
| Mr. Jai Hiremath*                             | Brother           | Nil               |
| Mr. Prabhu Hiremath*                          | Brother           | Nil               |
| Mrs. Vijaya Hiremath                          | Mother            | Nil               |
| Mr. P.N. Bamroo                               | Father of spouse  | Nil               |
| Mrs. Chandraprabha Bamroo                     | Mother of spouse  | Nil               |
| Mr. Sanjeev Bamroo                            | Brother of spouse | Nil               |
| <b><i>Relatives of Dr. P.L. Tiwari</i></b>    |                   |                   |
| Smt. Rama P. Tiwari                           | Wife              | Nil               |
| Ms. Indu Bansal                               | Daughter          | Nil               |
| Ms. Archana Vazifdar                          | Daughter          | Nil               |
| Ms. Rachana Tiwari                            | Daughter          | Nil               |
| Mr. Chintamani Tripathi                       | Brother           | Nil               |
| Mr. Sharda Prasad Tripathi                    | Brother           | Nil               |
| Mrs. Hubraji Devi                             | Mother            | Nil               |
| Mr. Ramdhani Pandey                           | Father of spouse  | Nil               |
| Mrs. Rajdevi Pandey                           | Mother of spouse  | Nil               |

\* Mr. Ashok Hiremath, Promoter of our Company, has three brothers namely Mr. Suresh Hiremath, Mr. Jai Hiremath and Mr. Prabhu Hiremath. Mr. Prabhu Hiremath and Mr. Suresh Hiremath are NRIs and are not involved in affairs of our Company since incorporation. Mr. Jai Hiremath, is the promoter of Hikal Limited, a listed company on BSE and NSE, and is engaged in R&D, manufacturing and marketing of fine chemicals for the pharmaceutical and agrochemical sector. Since Mr. Suresh Hiremath holds 17.50% equity shares in our Company, he has been included in the Promoter Group of our Company.

Our Company's promoter Mr. Ashok Hiremath does not have any business interest in Hikal Limited, a company promoted by his brother. Mr. Jai Hiremath and Mr. Ashok Hiremath have signed a disassociation agreement on September 20, 2005 wherein both the parties have agreed to run their businesses independently and also agreed that there will not be any business relation and / or business transaction with them in any manner. Further, they agreed that there will not be any right, title, interest whatsoever nature in assets and liabilities of both the parties.

We do not have any access to any information or documents relating to outstanding litigations, financial information and shareholding (other than information available in the public domain) of the entities promoted by Mr. Jai Hiremath, therefore disclosures in this regard have not been made. We are therefore, not in a position to confirm if any such undisclosed details regarding such companies and / or entities, including pending litigations against them, would have an adverse impact on our performance or results.

### Companies / entities forming part of our Promoter Group

The details of the companies which are part of our Promoter Group are as follows:

#### (1) Opus Chemicals Private Limited

|                                      |                                                                                                       |                                                    |                          |
|--------------------------------------|-------------------------------------------------------------------------------------------------------|----------------------------------------------------|--------------------------|
| <b>Nature of Activity</b>            | Trading of agro and pharma chemicals. The company at present is not engaged in any business activity. |                                                    |                          |
| <b>Date of Incorporation</b>         | May 11, 1983                                                                                          |                                                    |                          |
| <b>Registered Office address</b>     | 5-5A, 4 <sup>th</sup> Floor, Kamanwala Chambers, Sir P.M.Road, Fort, Mumbai - 400 001, Maharashtra    |                                                    |                          |
| <b>Name of the Directors</b>         | 1. Mr. Ashok Hiremath<br>2. Mr. V. R. Bhusnoormath<br>3. Ms. Chitra A. Hiremath                       |                                                    |                          |
| <b>Shareholding Pattern</b>          | <b>Name of the Shareholder</b>                                                                        | <b>No of Shares (Face Value of Rs. 100/- each)</b> | <b>% of Shareholding</b> |
|                                      | Mr. Ashok Hiremath                                                                                    | 9999                                               | 99.99                    |
|                                      | Mr. V. R. Bhusnoormath                                                                                | 1                                                  | 0.01                     |
|                                      | <b>Total</b>                                                                                          | <b>10,000</b>                                      | <b>100.00</b>            |
| <b>Audited Financial Information</b> | <b>2008-09</b>                                                                                        | <b>2007-08</b>                                     | <b>2006-07</b>           |
|                                      | <b>(Rs. In lakhs)</b>                                                                                 |                                                    |                          |
| Income                               | -                                                                                                     | -                                                  | -                        |
| Other Income                         | 0.95                                                                                                  | 0.37                                               | -                        |
| Profit after Tax                     | 0.08                                                                                                  | (0.02)                                             | (3.43)                   |
| Equity Capital                       | 10.00                                                                                                 | 10.00                                              | 5.00                     |
| Share Application Money              | -                                                                                                     | -                                                  | 25.00                    |
| Face Value of Equity Share (Rs.)     | 100.00                                                                                                | 100.00                                             | 100.00                   |
| Reserve & Surplus                    | 21.14                                                                                                 | 20.99                                              | 1.01                     |
| Earning per Shares (EPS) Rs.         | 0.83                                                                                                  | (0.20)                                             | (68.63)                  |
| Net Asset Value (NAV) Rs.*           | 311.42                                                                                                | 309.90                                             | 120.12                   |

\*NAV has been calculated excluding Share Application Money.

Opus Chemicals Private Limited is not listed at any Stock Exchange neither it has any subsidiary. Opus Chemicals Private Limited has not come out with any public or rights issue in the preceding three

years. It has not become a sick company within the meaning of SICA and is not under winding up.

**(2) Astec Europe société privée à responsabilité limitée ("Astec Europe")**

|                                             |                                                                                                                                                                                                                 |                                                   |                                      |                                     |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|--------------------------------------|-------------------------------------|
| <b>Nature of Activity</b>                   | Manufacturing and sale of Pharmaceutical products, fertilizers, biological or synthetic substances etc. and carrying out Research and Development activities. The company has not yet commenced its operations. |                                                   |                                      |                                     |
| <b>Date of Incorporation / commencement</b> | January 16, 2007                                                                                                                                                                                                |                                                   |                                      |                                     |
| <b>Registered Office address</b>            | 7500 Tournai, Rue de Pont no.33, Belgium                                                                                                                                                                        |                                                   |                                      |                                     |
| <b>Name of the Directors</b>                | 1. Mr. Ashok Hiremath<br>2. Mr. Delautre Drouillon<br>3. Mr. Daniel Roques<br>4. Mr. Laxmikant Kabra<br>5. Ms. Christine Collette                                                                               |                                                   |                                      |                                     |
| <b>Shareholding Pattern</b>                 | <b>Name of the Shareholder</b>                                                                                                                                                                                  | <b>No of Shares (Face Value of Euro 1/- each)</b> | <b>% of Shareholding</b>             |                                     |
|                                             | Astec LifeSciences Limited                                                                                                                                                                                      | 7600                                              | 40.00                                |                                     |
|                                             | Mr. Delautre-Drouillon                                                                                                                                                                                          | 4750                                              | 25.00                                |                                     |
|                                             | Mr. Daniel Roques                                                                                                                                                                                               | 4750                                              | 25.00                                |                                     |
|                                             | Ms.Christine Collette                                                                                                                                                                                           | 1900                                              | 10.00                                |                                     |
|                                             | <b>Total</b>                                                                                                                                                                                                    | <b>19,000</b>                                     | <b>100.00</b>                        |                                     |
| <b>Financial Information*</b>               | <b>January-December, 2008#</b>                                                                                                                                                                                  | <b>January - December 31, 2007#</b>               | <b>January-December, 2008#</b>       | <b>January - December 31, 2007#</b> |
|                                             | (Euro in Lakhs except per share data)                                                                                                                                                                           |                                                   | (Rs. in Lakhs except per share data) |                                     |
| Sales                                       | 0.1248                                                                                                                                                                                                          | -                                                 | 7.99                                 | -                                   |
| Other Income                                | 0.0171                                                                                                                                                                                                          | 0.0098                                            | 1.09                                 | 0.57                                |
| Profit/(Loss) after Tax                     | 0.0373                                                                                                                                                                                                          | (0.0416)                                          | 2.39                                 | (2.42)                              |
| Equity Capital**                            | 0.1900                                                                                                                                                                                                          | 0.1900                                            | 13.32                                | 11.03                               |
| Reserve & Surplus                           | (0.0041)                                                                                                                                                                                                        | (0.0416)                                          | (0.29)                               | (2.42)                              |
| Earning per Shares (EPS)                    | 0.1963                                                                                                                                                                                                          | (0.2190)                                          | 12.58                                | (12.74)                             |
| Net Asset Value (NAV)                       | 1.5001                                                                                                                                                                                                          | 1.168                                             | 68.58                                | 67.84                               |

\* The information has been disclosed on the basis of unaudited financial accounts as the accounts are not required to be audited under local laws / regulations in Belgium.

\*\*Face value of each equity share is Euro 1

#Figures in Euro have been converted to Indian Rupees applying an average rate of Rs. 58.17 and Rs. 64.03 for Euro 1.00 for Profit and Loss items and closing rate of Rs. 58.08 and Rs. 70.09 for Euro 1.00 for Balance Sheet items for the financial year ended December 31, 2007 and 2008 respectively.

Since Astec Europe has been incorporated in the year 2007, no accounts have been drawn up for the years 2006 and 2005.

Astec Europe is not listed at any Stock Exchange neither it has any subsidiary. Astec Europe has not come out with any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA and is not under winding up.

**Details of companies / firms from which Promoters have disassociated**

During preceding three years, our Promoters have not disassociated themselves from any companies/firm(s).

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

None of our Promoter Group companies of our Promoter Group Companies has been struck off as a defunct company by any ROC in India.

**Undertaking / confirmations**

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

Further none of our Promoter or Promoter Group companies have become sick companies within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and none of them is under winding up. There are no BIFR proceedings against any company promoted by our Promoters. None of our Promoter Group companies / entities are listed on any stock exchange. They do not have any subsidiary(ies). Further, they have not completed any public or right issue in preceding three years.

**Common Pursuits / Conflict of Interest**

The object clauses of our Promoter group company viz. Opus Chemicals Private Limited and our subsidiary company viz. Behram Chemicals Private Limited permit them to operate in the similar line of business. At present they are not engaged in any business activities. Hence to this extent there exists a potential conflict between us in future.

There are no transactions relating to sales or purchases between our Company and any of our Promoter Group Companies or entities or subsidiaries exceeding 10% of the sales or purchases of our Company.

## **RELATED PARTY TRANSACTIONS**

For details of the related party transactions, please refer to page number 146 of this Red Herring Prospectus appearing as Annexure - 17 of Auditors Report under section titled "Financial Information".

## DIVIDEND POLICY

The declaration and payment of dividend if any, will be recommended by the Board of Directors and approved by the shareholders of our Company, at their discretion, and will depend on a number of factors, including but not limited to results of operations, earnings, capital requirements and surplus, general financial conditions, applicable Indian legal restrictions and other factors considered relevant by the Board. The Board may also from time to time pay interim dividend. All dividend payments are made in cash to the shareholders of the Company.

The dividends declared by us in respect of the five accounting year ended March 31, 2005, 2006, 2007, 2008 and 2009 are as under:

| <b>(Rs. in Lakhs)</b>        |                |                |                |                |                |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Particulars</b>           | <b>2008-09</b> | <b>2007-08</b> | <b>2006-07</b> | <b>2005-06</b> | <b>2004-05</b> |
| <b>Class A Equity Shares</b> |                |                |                |                |                |
| Rate of Dividend (%)         | 7.50           | 5.00           | 15.00          | 33.00          | 33.00          |
| *Amount of Dividend (A)      | 70.72          | 47.14          | 11.64          | 14.85          | 14.85          |
| <b>Class B Equity Shares</b> |                |                |                |                |                |
| Rate of Dividend (%)         | -              | -              | 15.00          | 33.00          | 33.00          |
| *Amount of Dividend (B)      | -              | -              | 1.22           | 2.68           | 2.68           |
| <b>Total (A+B)</b>           | <b>70.72</b>   | <b>47.14</b>   | <b>12.86</b>   | <b>17.53</b>   | <b>17.53</b>   |

\* Excluding Tax on Dividend

## FINANCIAL INFORMATION

### AUDITORS REPORT

Board of Directors  
**Astec LifeSciences Limited**  
5/5A, Kamanwala Chambers,  
P.M. Road, Fort,  
Mumbai- 400 001

Dear Sirs,

We have examined the following financial information of Astec LifeSciences Limited ("the Company") on a stand alone basis as attached to this report stamped and initiated by us for identification and as approved by the Board of Directors which has been prepared in accordance with Paragraph B-I of Part II of Schedule II of the Companies Act, 1956 ("the Act") and para (3) of sub-item (B) of Item IX of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("the SEBI (ICDR) Regulations"), and in accordance with the terms of reference received from the company vide their letter dated July 31, 2009, requesting us to carry out the work, proposed to be included in the Red Herring Prospectus / Prospectus of the Company in connection with its proposed Initial Public Issue.

|             |   |                                                                                                                                                                                                                                    |
|-------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annexure 1  | : | Statement of Assets and Liabilities, restated as at 30 <sup>th</sup> June 2009, 31 <sup>st</sup> March 2009, 31 <sup>st</sup> March 2008, 31 <sup>st</sup> March 2007, 31 <sup>st</sup> March 2006 and 31 <sup>st</sup> March 2005 |
| Annexure 2  | : | Statement of Profit and Loss, restated for the year 30 <sup>th</sup> June 2009, 31 <sup>st</sup> March 2009, 31 <sup>st</sup> March 2008, 31 <sup>st</sup> March 2007, 31 <sup>st</sup> March 2006 and 31 <sup>st</sup> March 2005 |
| Annexure 3  | : | Statement of Cash Flows for the year ended 30 <sup>th</sup> June 2009, 31 <sup>st</sup> March 2009, 31 <sup>st</sup> March 2008, 31 <sup>st</sup> March 2007, 31 <sup>st</sup> March 2006 and 31 <sup>st</sup> March 2005          |
| Annexure 4  | : | Significant Accounting Policies                                                                                                                                                                                                    |
| Annexure 5  | : | Notes to restated accounts                                                                                                                                                                                                         |
| Annexure 6  | : | Statement of Changes in Accounting Policies                                                                                                                                                                                        |
| Annexure 7  | : | Details of Contingent Liabilities                                                                                                                                                                                                  |
| Annexure 8  | : | Statement of rate of Dividend                                                                                                                                                                                                      |
| Annexure 9  | : | Statement of other income                                                                                                                                                                                                          |
| Annexure 10 | : | Statement of Accounting ratios                                                                                                                                                                                                     |
| Annexure 11 | : | Capitalization Statement                                                                                                                                                                                                           |
| Annexure 12 | : | Statement of Investment                                                                                                                                                                                                            |
| Annexure 13 | : | Statement showing Age-wise analysis of Sundry Debtors                                                                                                                                                                              |
| Annexure 14 | : | Statement of Loans & Advances                                                                                                                                                                                                      |
| Annexure 15 | : | Statement of Secured and Unsecured Loans                                                                                                                                                                                           |
| Annexure 16 | : | Tax Shelter Statement                                                                                                                                                                                                              |
| Annexure 17 | : | Statement of related party transactions                                                                                                                                                                                            |
| Annexure 18 | : | Statement of Consolidated Financial Statement                                                                                                                                                                                      |

Based on examination of the above statements with the respective audited financial statements and on the basis of information and explanations given to us, we report as under:

- (i) The Statements referred to as Annexure 1 to 16 read with the respective Significant Policies and read together the notes thereon and after making such adjustments, regroupings and disclosures as were, in our opinion, appropriate and required have been prepared out of audited financial statements for the years.
- (ii) We confirm the calculations of (a) accounting ratios in Annexure 8; (b) Long Term Debt / Equity ratios mentioned in Annexure 9; and (c) Tax Shelter Statement in Annexure 14.

We further state that:

- a. There has been no incorrect accounting practices or failures to make provisions or other adjustments which resulted in audit qualifications requiring adjustments / rectification.
- b. There have been no material amounts relating to adjustments for previous years / periods in arriving at the profits of the years / periods to which they relate irrespective of the period in which the event triggering the profit or loss occurred except as mentioned in Annexure 5 i.e. Notes to Restated Accounts in respect of which the changes have been recomputed for all years.
- c. There has been no change in accounting policy in the profits or losses of the years / periods under restated accounts.
- d. There has been no incorrect accounting policy which needs recomputation in the financial information.

This report is intended solely for use for your information and inclusion in the offer document in connection with the Proposed Initial Public Issue of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For P. M. Kathariya & Co.  
Chartered Accountants

P. M. Kathariya  
(Proprietor)  
Membership No. 31315  
Place: - Mumbai  
Date: - September 4, 2009

## Annexure 1

## Unconsolidated Restated Statement of Assets and Liabilities

(Rs. In Lakhs)

| Year ended on                                             | 2004-05         | 2005-06         | 2006-07         | 2007-08         | 2008-09         | 30-06-09        |
|-----------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Fixed Assets (A)</b>                                   |                 |                 |                 |                 |                 |                 |
| Gross Block                                               | 699.01          | 1,444.15        | 2,442.66        | 3,790.93        | 4,064.23        | 4,104.73        |
| Less : Depreciation                                       | 84.38           | 147.54          | 288.50          | 512.33          | 829.95          | 923.38          |
| <b>Net Block</b>                                          | <b>614.63</b>   | <b>1,296.61</b> | <b>2,154.16</b> | <b>3,278.60</b> | <b>3,234.28</b> | <b>3,181.35</b> |
| <b>Investments (B)</b>                                    | <b>2.84</b>     | <b>0.93</b>     | <b>5.40</b>     | <b>47.57</b>    | <b>47.57</b>    | <b>47.57</b>    |
| <b>Current Assets<br/>Loans and<br/>Advances (C)</b>      |                 |                 |                 |                 |                 |                 |
| Inventories                                               | 535.49          | 1,209.93        | 1,235.23        | 1,883.44        | 2,905.65        | 2,803.82        |
| Receivables /<br>Sundry Debtors                           | 552.36          | 554.27          | 1,107.65        | 1,797.01        | 2,870.38        | 2,965.77        |
| Cash and Bank<br>Balances                                 | 37.78           | 89.20           | 117.23          | 153.51          | 105.22          | 246.91          |
| Loans and<br>Advances                                     | 319.62          | 371.99          | 581.60          | 560.64          | 426.98          | 571.68          |
| <b>Total (C)</b>                                          | <b>1,445.25</b> | <b>2,225.39</b> | <b>3,041.71</b> | <b>4,394.60</b> | <b>6,308.23</b> | <b>6,588.18</b> |
| <b>Total Assets<br/>(A+B+C)</b>                           | <b>2062.72</b>  | <b>3522.93</b>  | <b>5201.27</b>  | <b>7720.77</b>  | <b>9,590.08</b> | <b>9,817.10</b> |
| <b>Liabilities and<br/>Provisions (D)</b>                 |                 |                 |                 |                 |                 |                 |
| Secured Loans                                             | 449.88          | 1,509.64        | 2,243.14        | 3,196.28        | 4,093.18        | 3,746.84        |
| Unsecured Loans                                           | 13.25           | 15.65           | 64.00           | 97.88           | 289.86          | 286.97          |
| Current Liabilities<br>and provisions                     | 981.21          | 920.06          | 1,353.79        | 2,165.62        | 2,015.38        | 2,250.82        |
| Deferred Tax<br>Liability                                 | 58.39           | 77.84           | 98.02           | 123.38          | 140.52          | 137.06          |
| <b>Total (D)</b>                                          | <b>1,502.73</b> | <b>2,523.19</b> | <b>3,758.95</b> | <b>5,583.16</b> | <b>6,538.94</b> | <b>6,421.69</b> |
| <b>Net Worth<br/>(A+B+C-D) = (E)</b>                      | <b>559.99</b>   | <b>999.74</b>   | <b>1,442.32</b> | <b>2,137.61</b> | <b>3,051.14</b> | <b>3,395.41</b> |
| <b>Represented by</b>                                     |                 |                 |                 |                 |                 |                 |
| Share Capital                                             | 53.11           | 53.11           | 85.72           | 942.90          | 942.90          | 942.90          |
| Share Application<br>Money                                | -               | 118.90          | -               | -               | -               | -               |
| Reserve & Surplus                                         | 536.88          | 850.94          | 1,413.78        | 1,281.92        | 2,236.30        | 2,579.04        |
| Less :<br>Miscellaneous<br>Expenditure Not<br>Written Off | 30.00           | 23.21           | 57.18           | 87.21           | 128.05          | 126.53          |
| <b>Net Worth</b>                                          | <b>559.99</b>   | <b>999.74</b>   | <b>1,442.32</b> | <b>2,137.61</b> | <b>3,051.14</b> | <b>3,395.41</b> |

## Unconsolidated Restated Statement of Profit and Losses

(Rs. In lakhs)

| Year ended on                                              | 2004-05         | 2005-06         | 2006-07         | 2007-08         | 2008-09         | 30-06-09        |
|------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Income</b>                                              |                 |                 |                 |                 |                 |                 |
| Sales :                                                    |                 |                 |                 |                 |                 |                 |
| Products manufactured by the company                       | 2,187.46        | 2,669.92        | 3,437.76        | 6,046.27        | 8,933.05        | 3,012.34        |
| Products traded by the company                             | -               | -               | -               | -               | -               | -               |
| Less : Excise Duty                                         | 76.75           | 141.89          | 295.40          | 537.42          | 491.59          | 91.31           |
| <b>Net Sales</b>                                           | <b>2,110.71</b> | <b>2,528.03</b> | <b>3,142.36</b> | <b>5,508.85</b> | <b>8,441.46</b> | <b>2,921.03</b> |
| Other Income                                               | 9.10            | 16.50           | 3.22            | 15.41           | 36.39           | 3.96            |
| Accretion / (Depletion) of Stocks                          | 19.18           | 510.55          | 205.83          | 585.02          | 894.41          | (177.30)        |
| <b>Total Income</b>                                        | <b>2,138.99</b> | <b>3,055.08</b> | <b>3,351.41</b> | <b>6,109.28</b> | <b>9,372.26</b> | <b>2,747.69</b> |
| <b>Expenditure</b>                                         |                 |                 |                 |                 |                 |                 |
| Raw Materials consumed                                     | 1,484.77        | 2,146.08        | 2,224.04        | 3,716.59        | 6,240.98        | 1,855.28        |
| Employee Cost                                              | 73.76           | 86.51           | 98.35           | 165.84          | 248.96          | 63.89           |
| Other Manufacturing Expenses                               | 90.83           | 107.26          | 130.00          | 271.83          | 340.28          | 85.61           |
| Administrative, Selling & Distribution Costs               | 239.29          | 188.99          | 254.76          | 382.74          | 376.34          | 74.65           |
| Interest / Financial Charges                               | 45.42           | 62.49           | 97.00           | 418.67          | 605.65          | 173.49          |
| Depreciation                                               | 23.77           | 63.17           | 140.95          | 223.83          | 319.51          | 93.43           |
| <b>Total Expenditure</b>                                   | <b>1,957.84</b> | <b>2,654.50</b> | <b>2,945.10</b> | <b>5,179.50</b> | <b>8,131.72</b> | <b>2,346.35</b> |
| <b>Net Profit before tax and extraordinary items</b>       | <b>181.15</b>   | <b>400.58</b>   | <b>406.31</b>   | <b>929.78</b>   | <b>1,240.54</b> | <b>401.34</b>   |
| Provision for Taxation                                     | 33.25           | 43.82           | 20.27           | 106.91          | 148.54          | 62.01           |
| Provision for Fringe Benefit Tax                           | -               | 3.30            | 3.50            | 4.20            | 2.47            | -               |
| Provision for Deferred Tax                                 | 6.55            | 19.46           | 20.17           | 25.37           | 17.14           | (3.46)          |
| <b>Net Profit after tax but before extraordinary items</b> | <b>141.35</b>   | <b>334.00</b>   | <b>362.37</b>   | <b>793.30</b>   | <b>1,072.39</b> | <b>342.79</b>   |
| <b>Extra Ordinary Items</b>                                | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        |
| <b>Net Profit after tax and extraordinary items</b>        | <b>141.35</b>   | <b>334.00</b>   | <b>362.37</b>   | <b>793.30</b>   | <b>1,072.39</b> | <b>342.79</b>   |

## Annexure - 3

## CASH FLOW STATEMENT, restated

(Rs. In Lakhs)

| A | Cash Flow from Operating Activities                    | 2004-05       | 2005-06         | 2006-07       | 2007-08         | 2008-09         | 30-06-09      |
|---|--------------------------------------------------------|---------------|-----------------|---------------|-----------------|-----------------|---------------|
|   | Net Profit as restated                                 | 141.35        | 334.00          | 362.37        | 793.30          | 1,072.39        | 342.79        |
|   | <b>Adjustment for :</b>                                |               |                 |               |                 |                 |               |
|   | Depreciation for the year                              | 23.77         | 63.17           | 140.95        | 223.83          | 319.51          | 93.43         |
|   | Provision for Taxation                                 | 39.80         | 66.58           | 43.95         | 136.48          | 168.15          | 58.54         |
|   | Misc/ Preliminary Expenditure w/off                    | 7.50          | 7.68            | 18.69         | 12.50           | 19.20           | 1.52          |
|   | Dividend Income                                        | (0.15)        | (0.09)          | (0.02)        | (0.06)          | (0.08)          | -             |
|   | Interest Income                                        | (1.32)        | (1.21)          | (0.29)        | (4.08)          | (4.50)          | (0.01)        |
|   | Interest Expenses                                      | 29.88         | 50.91           | 69.78         | 308.35          | 501.19          | 144.50        |
|   | Profit on Sale of Shares                               | -             | (7.65)          | -             | -               | -               | -             |
|   | Unrealised Foreign Exchange (Gain) / Loss              | (0.84)        | (0.95)          | 1.70          | 10.58           | 1.75            | -             |
|   | Loss of Fixed Assets                                   | 10.46         | -               | -             | -               | 0.25            | -             |
|   | <b>Operating Profit Before Working Capital Changes</b> | <b>250.45</b> | <b>512.44</b>   | <b>637.13</b> | <b>1,480.90</b> | <b>2077.86</b>  | <b>640.77</b> |
|   | Adjustment for Working Capital Changes                 |               |                 |               |                 |                 |               |
|   | Trade and Other Receivables                            | (276.24)      | (2.96)          | (557.91)      | (701.07)        | (1057.29)       | (95.38)       |
|   | Inventories                                            | 12.96         | (674.44)        | (25.30)       | (648.21)        | (1022.22)       | 101.84        |
|   | Other Loans & Advances                                 | (179.24)      | (59.95)         | (151.26)      | 23.12           | 185.86          | (144.70)      |
|   | Trade and other Payables                               | 351.29        | (32.68)         | 308.94        | 788.06          | (277.20)        | 146.06        |
|   | <b>Cash Generated from Operations</b>                  | <b>159.22</b> | <b>(257.59)</b> | <b>211.60</b> | <b>942.80</b>   | <b>(92.99)</b>  | <b>648.59</b> |
|   | Income Tax Paid                                        | (22.44)       | (83.69)         | 31.31         | (106.28)        | (156.93)        | 27.32         |
|   | <b>Net Cash Used in Operating Activities (A)</b>       | <b>136.78</b> | <b>(341.28)</b> | <b>242.91</b> | <b>836.52</b>   | <b>(249.92)</b> | <b>675.91</b> |
| B | <b>Cash Flow from Investing Activities</b>             |               |                 |               |                 |                 |               |
|   | Purchase of Fixed Assets/ Capital Expenditure          | (412.16)      | (745.14)        | (998.51)      | (1,348.27)      | (276.61)        | (40.50)       |
|   | Proceed from Insurance Claim (Fixed Assets)            | 137.01        |                 |               |                 |                 |               |
|   | Dividend Received                                      | 0.15          | 0.09            | 0.02          | 0.06            | 0.08            | -             |
|   | Investment                                             | -             | (0.53)          | (4.47)        | (42.17)         | -               | -             |
|   | Interest Income                                        | 1.32          | 1.21            | 0.29          | 4.08            | 4.50            | 0.01          |
|   | Proceeds from Sale of Investments/ Assets              | -             | 10.10           | -             | -               | 1.17            | -             |
|   | Misc/ Preliminary Expenses Incurred                    | (37.50)       | (0.89)          | (52.67)       | (42.53)         | (60.05)         | -             |

|   |                                                                                |                 |                 |                   |                   |                 |                 |
|---|--------------------------------------------------------------------------------|-----------------|-----------------|-------------------|-------------------|-----------------|-----------------|
|   | <b>Net Cash used in Investing Activities</b>                                   | <b>(311.18)</b> | <b>(735.16)</b> | <b>(1,055.34)</b> | <b>(1,428.83)</b> | <b>(330.91)</b> | <b>(40.49)</b>  |
| C | <b>Cash Flow from Financing Activities</b>                                     |                 |                 |                   |                   |                 |                 |
|   | Secured Loans (Net)                                                            | 227.38          | 1,059.76        | 733.50            | 953.14            | 896.90          | (346.34)        |
|   | Redemption of Preference Shares                                                | (0.30)          | -               | -                 | -                 | -               | -               |
|   | Proceeds of Equity Shares                                                      | -               | -               | 32.61             | -                 | -               | -               |
|   | Proceeds/ (Conversion into fully paid-up capital) from share application money | -               | 118.90          | (118.90)          | -                 | -               | -               |
|   | Share Premium Received                                                         | -               | -               | 217.14            | -                 | -               | -               |
|   | Unsecured Loans Taken / Repaid (Net)                                           | -               | 2.40            | 48.35             | 33.88             | 191.99          | (2.89)          |
|   | Interest Expenses                                                              | (29.88)         | (50.91)         | (69.78)           | (308.35)          | (501.19)        | (144.50)        |
|   | Dividend Paid and Tax thereon                                                  | (19.86)         | (2.29)          | (2.46)            | (50.08)           | (55.16)         | -               |
|   | <b>Net Cash used in Financing Activities</b>                                   | <b>177.34</b>   | <b>1,127.86</b> | <b>840.46</b>     | <b>628.59</b>     | <b>532.54</b>   | <b>(493.73)</b> |
|   | <b>Net Increase (-Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>         | <b>2.94</b>     | <b>51.42</b>    | <b>28.03</b>      | <b>36.28</b>      | <b>(48.29)</b>  | <b>141.69</b>   |
|   | Cash & Cash Equivalent at the beginning of the Year                            | 34.84           | 37.78           | 89.20             | 117.23            | 153.51          | 105.22          |
|   | Cash & Cash Equivalent at the end of the Year                                  | 37.78           | 89.20           | 117.23            | 153.51            | 105.22          | 246.91          |

**Note : Unrealised Foreign Exchange (Gain) / Loss has been adjusted against respective Trade Receivables / Trade Payables of the respective year.**

**SIGNIFICANT ACCOUNTING POLICIES****1. Basis of preparation of Financial statement**

- (a) The Financial statement has been prepared under the historical cost convention in accordance with the generally accepted accounting principles and applicable mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.
- (b) The Company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

**2. Fixed Assets & Depreciation**

- (a) Fixed Assets are accounted at cost of acquisition or construction less depreciation. The company capitalized all direct and indirect costs relating to the acquisition and installation of fixed assets, interest on borrowed funds, if any used to finance acquisition / construction of fixed assets are ready for commercial use.
- (b) Depreciation has been provided on straight-line method at the rates and in the manner specified in schedule XIV to the companies Act, 1956. Depreciation is provided on pro-rata to the period of use.
- (c) Leasehold land is amortized over the period of lease.

**3. Sales**

Revenue from sale of products includes sale value of goods and excise duty collected thereon. Sales turnover are stated at net of trade discount and rebates granted during the ordinary course of business.

**4. Inventories**

The inventories are valued at lower of cost and net realizable value. The basis of determining cost of various categories of inventories is as follows:

- i. Raw Materials : Weighted Average
- ii. Finished Goods & WIP : Material cost plus share of labour and manufacturing overheads.
- iii. Goods in Transit : At Cost.

**5. Miscellaneous Expenditure**

Deferred revenue expenditure is being written off over a period of five years.

## **6. Investments**

Investments are stated at cost and includes interest accrued & due thereon.

## **7. Impairment of Fixed Assets**

At each Balance Sheet date, the company reviews the carrying value of tangible and intangible assets for any possible impairment. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price or estimated future cash flows, which are discounted to their present value based on appropriate discount rates. During the year no provision for impairment of fixed assets has been made, due to the reason that all the fixed assets were recently reinstated / relocated / reconstructed at new location at Mahad.

## **8. Excise Duty and Customs Duty**

Excise duty / Customs duty has been accounted on the basis of payments made in respect of goods Cleared. Modvat credit on raw materials and capital goods has been accounted for, by reducing the purchase cost of raw materials and capital goods respectively.

## **9. Segment Reporting**

In accordance with the requirement of Accounting Standard - 17, Segment Reporting issued by the Institute of Chartered Accountants of India, the Company's Business Segment is "Manufacturing of Agro and Pharma Chemicals" and hence it has no other reportable segment.

## **10. Foreign Currency Transaction**

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any, arising out of transactions settled during the year are recognized in the profit & loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date. The exchange deifferences, if any, are recognized in the profit and loss account and related assets and liabilities are accordingly restated in the balance sheet.

We confirm that the above accounting policy is in accordance with the provisions stated in Accounting Standard 11 issued by ICAI on "Effects of Changes in Foreign Exchange Rates".

## **11. Retirement Benefits**

Provision for Gratuity is made and provided on actuarial valuation basis. Other retirement benefits are accounted as per company's policy.

## **12. Provision, Contingent Liabilities and Contingent Assets**

Provision involving substantial degree of estimation in measurement is 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.

#### Annexure – 5

##### NOTES TO RESTATED ACCOUNTS

- a. Prior period expenses / income have been adjusted in the respective years to which they relate for the purpose of restated financial statements. Further expenses / income pertaining to the period prior to 1-4-2004 have been adjusted in Reserves & Surplus as on 31-3-2004.
- b. The profit and loss account of certain years includes amounts paid/provided for or refunded, in respect of short/excess income tax arising out of assessments and on account of short /excess provision of tax of earlier years. The impact on account of such short/ excess income tax has been adjusted in respective years.

##### Statement of adjustments in Profit and Loss Accounts

| (Rs. In Lakhs)                                                              |               |                |               |               |                |               |
|-----------------------------------------------------------------------------|---------------|----------------|---------------|---------------|----------------|---------------|
| Year ended on                                                               | 2004-05       | 2005-06        | 2006-07       | 2007-08       | 2008-09        | 30-06-09      |
| <b>Profit after Tax &amp; Extraordinary items (As per audited accounts)</b> | 135.50        | 347.82         | 368.44        | 794.29        | 1,037.11       | 342.73        |
| Adjustments on account of :                                                 |               |                |               |               |                |               |
| a. Prior Period Adjustments                                                 | -             | -              | (7.42)        | (13.83)       | 21.19          | 0.06          |
| b. Tax of earlier years                                                     | 5.85          | (13.82)        | 1.35          | 12.84         | 14.09          | -             |
| <b>Net Total (Decrease) / Increase due to adjustments</b>                   | <b>5.85</b>   | <b>(13.82)</b> | <b>(6.07)</b> | <b>(0.98)</b> | <b>35.28</b>   | <b>0.06</b>   |
| <b>Net Profit as per Restated Profit and Loss</b>                           | <b>141.35</b> | <b>334.00</b>  | <b>362.37</b> | <b>793.30</b> | <b>1072.39</b> | <b>342.79</b> |

#### Annexure – 6

##### Statement of Changes in Accounting Policies:

There have been no changes in accounting policies during the reported period.

#### Annexure - 7

##### Details of Contingent Liabilities

| (Rs. In Lakhs)                                                            |         |         |         |         |         |          |
|---------------------------------------------------------------------------|---------|---------|---------|---------|---------|----------|
| Year ended on                                                             | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 30-06-09 |
| Bank Guarantee                                                            | 13.50   | 39.83   | 39.83   | 39.83   | 55.29   | 55.29    |
| Letter of Credit                                                          | 257.35  | 163.70  | 212.93  | 425.37  | 511.66  | 759.00   |
| Bills Discounted but not realized                                         | 372.21  | 55.43   | 101.72  | 381.77  | 316.47  | 134.96   |
| Central Sales Tax                                                         | -       | -       | -       | -       | -       | -        |
| Estimated Amount of Contracts remaining to be executed on capital account | -       | 133.07  | 25.61   | 100.00  | -       | -        |

|                |               |               |               |               |               |               |
|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total =</b> | <b>643.06</b> | <b>392.03</b> | <b>380.09</b> | <b>946.97</b> | <b>883.42</b> | <b>949.25</b> |
|----------------|---------------|---------------|---------------|---------------|---------------|---------------|

Note :

We have examined all the contracts, claims and litigations against the Company and have analyzed the likely impact of the same as indicated above. We certify that apart from the contingent liabilities indicated above, the Company does not have any other contingent liabilities.

#### Annexure – 8

##### Statement of Dividend

| (Rs. in Lakhs)                      |              |              |              |              |              |          |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|----------|
| Year ended on                       | 2004-05      | 2005-06      | 2006-07      | 2007-08      | 2008-09      | 30-06-09 |
| Dividend on 'A' Class Equity Shares | 14.85        | 14.85        | 11.64        | 47.14        | 70.72        | -        |
| Dividend on 'B' Class Equity Shares | 2.68         | 2.68         | 1.22         | -            | -            | -        |
| Dividend on Preference Shares       | -            | -            | -            | -            | -            | -        |
| <b>Total Dividend</b>               | <b>17.53</b> | <b>17.53</b> | <b>12.86</b> | <b>47.14</b> | <b>70.72</b> | <b>-</b> |
| <b>Dividend (%)</b>                 | <b>33.00</b> | <b>33.00</b> | <b>15.00</b> | <b>5.00</b>  | <b>7.50</b>  | <b>-</b> |

#### Annexure -9

##### Statement of Other Income

| (Rs. in Lakhs)                                      |                             |               |               |               |               |                 |               |
|-----------------------------------------------------|-----------------------------|---------------|---------------|---------------|---------------|-----------------|---------------|
| Year ended on                                       | Recurring/<br>Non Recurring | 2004-05       | 2005-06       | 2006-07       | 2007-08       | 2008-09         | 30-06-09      |
| <b>Profit Before Tax &amp; extra ordinary items</b> |                             | <b>181.15</b> | <b>400.58</b> | <b>406.31</b> | <b>929.78</b> | <b>1,240.54</b> | <b>401.34</b> |
| 20% of Net Profit Before Tax                        |                             | 36.23         | 80.12         | 81.26         | 185.96        | 248.11          | 80.27         |
| Other Income for the Year                           |                             | 9.10          | 16.50         | 3.22          | 15.41         | 36.39           | 3.96          |
| <b>Other Income Details</b>                         |                             |               |               |               |               |                 |               |
| Exchange Difference                                 | Recurring                   | -             | 1.43          | -             | 9.62          | 9.02            | 3.91          |
| Profit on Sale of Shares                            | Non Recurring               | -             | 7.65          | -             | -             | -               | -             |
| Discount                                            | Non Recurring               | 5.11          | -             | -             | -             | -               | -             |
| Rent / Service Charges Received                     | Non Recurring               | 0.60          | 0.11          | -             | -             | -               | -             |
| Dividend                                            | Recurring                   | 0.15          | 0.09          | 0.02          | 0.06          | 0.08            | -             |
| Interest Income                                     | Recurring                   | 1.32          | 1.21          | 0.29          | 4.08          | 4.50            | 0.01          |
| Others                                              | Non Recurring               | 1.92          | 6.01          | 2.91          | 1.65          | 22.79           | 0.04          |
| <b>Total</b>                                        |                             | <b>9.10</b>   | <b>16.50</b>  | <b>3.22</b>   | <b>15.41</b>  | <b>36.39</b>    | <b>3.96</b>   |

## Statement of Accounting Ratio

(Rs. in Lakhs)

| Year ended on                                                                                 | 2004-05   | 2005-06   | 2006-07   | 2007-08   | 2008-09   | 30-06-09  |
|-----------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net Profit/(Loss) after tax but before extraordinary items as restated (A)                    | 141.35    | 334.00    | 362.37    | 793.30    | 1,072.39  | 342.79    |
| Net Worth (B)                                                                                 | 559.99    | 999.74    | 1,442.32  | 2,137.61  | 3,051.14  | 3,395.41  |
| Less Share Application money                                                                  | -         | 118.90    | -         | -         | -         | -         |
| Net Worth excluding share application and revaluation reserve at the end of the year (C)      | 559.99    | 880.84    | 1,442.32  | 2,137.61  | 3,051.14  | 3,395.41  |
| Weighted average number of equity shares outstanding during the year (In Nos.) (D)            | 91,02,920 | 91,02,920 | 92,86,050 | 94,28,980 | 94,28,980 | 94,28,980 |
| Add: Effect of share application money on equity shares (In Nos.)                             | -         | 15,522    | -         | -         | -         | -         |
| Weighted average number of equity shares outstanding during the year (In Nos.)- Diluted * (E) | 91,02,920 | 91,18,442 | 92,86,050 | 94,28,980 | 94,28,980 | 94,28,980 |
| Earnings Per Share                                                                            |           |           |           |           |           |           |
| Basic ( In Rupees) (A/D)                                                                      | 1.55      | 3.67      | 3.90      | 8.41      | 11.37     | 3.64      |
| Diluted * (A/E)                                                                               | 1.55      | 3.66      | 3.90      | 8.41      | 11.37     | 3.64      |
| Return on Net Worth (%) (A/C)                                                                 | 25.24     | 37.92     | 25.12     | 37.11     | 35.15     | 10.10     |
| Net Asset Value/ Book Value per share (In Rupees) (C/D)                                       | 6.15      | 9.68      | 15.53     | 22.67     | 32.36     | 36.01     |

\* Refer note no. 3 below

Notes:

1. Net Profit / (Loss), as restated as appearing in the summary statement of Profits and Losses as Restated of the Company has been considered for the purpose of computing the above ratios.
2. Net worth, as restated as appearing in the summary statement of Assets and Liabilities as restated of the Company has been considered for the purpose of computing the above ratios.
3. Numbers of shares under share application are considered for 'diluted earnings per share' in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India.

## Annexure 11

## Statement of Capitalization

| (Rs. in Lakhs)                                   |                                  |             |
|--------------------------------------------------|----------------------------------|-------------|
| Particulars                                      | Pre Issue as at<br>June 30, 2009 | Post Issue* |
| <b>Borrowing</b>                                 |                                  |             |
| Short Term Debt                                  | 2,958.06                         | [•]         |
| Long Term Debt                                   | 1,075.75                         | [•]         |
| <b>Total Debt</b>                                | <b>4,033.81</b>                  | <b>[•]</b>  |
|                                                  |                                  |             |
| <b>Shareholders' funds</b>                       |                                  |             |
| Share Capital                                    |                                  | [•]         |
| Equity                                           | 942.90                           | [•]         |
| Reserves & Surplus                               | 2,579.04                         | [•]         |
| Less:- Miscellaneous expenditure not written off | 126.53                           | [•]         |
| <b>Total Shareholders Funds</b>                  | <b>3,395.41</b>                  | <b>[•]</b>  |
|                                                  |                                  |             |
| <b>Long Term debt/equity ratio</b>               | <b>0.32</b>                      | <b>[•]</b>  |

\* The above figures shall be disclosed on the conclusion of the book building process.

## Annexure - 12

## Details of Investment

| (Rs. In Lakhs)                                         |             |             |             |              |              |              |
|--------------------------------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Year ended on                                          | 2004-05     | 2005-06     | 2006-07     | 2007-08      | 2008-09      | 30-06-09     |
| <b>A. Unquoted Investments</b>                         |             |             |             |              |              |              |
| National Savings Certificate                           | 0.40        | 0.40        | 0.40        | 0.40         | 0.40         | 0.40         |
| Equity Shares of Shamrao<br>Vithal Co-Op. Bank Limited | -           | 0.53        | 0.53        | 0.53         | 0.53         | 0.53         |
| Equity Shares of Astec Europe                          | -           | -           | 4.47        | 4.47         | 4.47         | 4.47         |
| Equity Shares of Behram<br>Chemicals Private Limited   | -           | -           | -           | 42.17        | 42.17        | 42.17        |
| <b>B. Quoted Investments</b>                           |             |             |             |              |              |              |
| Equity Shares of Bank of<br>Baroda                     | 1.28        | -           | -           | -            | -            | -            |
| Equity Shares of Hikal<br>Limited                      | 1.16        | -           | -           | -            | -            | -            |
| <b>Total (A+B)</b>                                     | <b>2.84</b> | <b>0.93</b> | <b>5.40</b> | <b>47.57</b> | <b>47.57</b> | <b>47.57</b> |
|                                                        |             |             |             |              |              |              |

## Annexure - 13

## Statement showing Age-wise analysis of Sundry Debtors

| (Rs. in Lakhs)                     |         |         |         |         |         |          |
|------------------------------------|---------|---------|---------|---------|---------|----------|
| Year ended on                      | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 30-06-09 |
| Debts outstanding<br>exceeding six |         |         |         |         |         |          |

| <b>months</b>      |               |               |                 |                 |                 |                 |
|--------------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|
| - Considered Good  | 26.57         | 73.52         | 134.00          | 173.30          | 149.69          | 135.73          |
| - Considered Bad   | -             | -             | -               | -               | -               | -               |
|                    |               |               |                 |                 |                 |                 |
| <b>Other Debts</b> |               |               |                 |                 |                 |                 |
| - Considered Good  | 525.79        | 480.75        | 973.65          | 1,623.71        | 2,720.69        | 2,830.04        |
| - Considered Bad   | -             | -             | -               | -               | -               | -               |
| <b>TOTAL</b>       | <b>552.36</b> | <b>554.27</b> | <b>1,107.65</b> | <b>1,797.01</b> | <b>2,870.38</b> | <b>2,965.77</b> |

There are no amounts recoverable from promoters, promoter group, group companies, associate companies and directors of the company as at June 30, 2009, except stated as under :

| <b>Year ended on</b>           | <b>2004-05</b> | <b>2005-06</b> | <b>2006-07</b> | <b>2007-08</b> | <b>2008-09</b> | <b>30-06-09</b> |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|
|                                |                |                |                |                |                |                 |
| Opus Chemicals Private Limited | 0.55           | -              | 37.83          | 38.28          | 43.81          | 45.84           |
| <b>Total</b>                   | <b>0.55</b>    | <b>-</b>       | <b>37.83</b>   | <b>38.28</b>   | <b>43.81</b>   | <b>45.84</b>    |

#### **Annexure - 14**

##### **Details of loans and advances**

**(Rs. In Lakhs)**

| <b>Particulars</b>                                                        | <b>2004-05</b> | <b>2005-06</b> | <b>2006-07</b> | <b>2007-08</b> | <b>2008-09</b> | <b>30-06-09</b> |
|---------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|
|                                                                           |                |                |                |                |                |                 |
| Sundry Deposits                                                           | 4.17           | 22.52          | 14.93          | 18.62          | 13.57          | 14.07           |
| Advance to Suppliers                                                      | 11.48          | 2.11           | 5.07           | 47.48          | 33.65          | 91.75           |
| Advances for Capital Goods                                                | 15.32          | 26.54          | 26.60          | 31.22          | 11.79          | 11.79           |
| Advance for Expenses                                                      | 8.40           | 10.94          | 9.79           | 13.16          | 12.24          | -               |
| TDS / Advance Tax                                                         | 44.11          | 36.53          | 94.88          | 97.04          | 149.22         | 149.22          |
| Other Advances (Recoverable in Cash or kind or for value to be received ) | 236.14         | 273.35         | 430.33         | 353.12         | 206.51         | 304.85          |
| <b>Total</b>                                                              | <b>319.62</b>  | <b>371.99</b>  | <b>581.60</b>  | <b>560.64</b>  | <b>426.98</b>  | <b>571.68</b>   |

The above includes the following receivable from related parties

**(Rs. in Lakhs)**

| <b>Particulars</b>               | <b>2004-05</b> | <b>2005-06</b> | <b>2006-07</b> | <b>2007-08</b> | <b>2008-09</b> | <b>30-06-09</b> |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Behram Chemicals Private Limited | 5.17           | 5.17           | 5.17           | -              | 4.38           | 4.35            |

|              |             |             |             |          |             |             |
|--------------|-------------|-------------|-------------|----------|-------------|-------------|
| <b>Total</b> | <b>5.17</b> | <b>5.17</b> | <b>5.17</b> | <b>-</b> | <b>4.38</b> | <b>4.35</b> |
|--------------|-------------|-------------|-------------|----------|-------------|-------------|

**Annexure - 15**

**Statement of Secured and Unsecured Loans**  
**(A) Secured Loans**

**(Rs. in Lakhs)**

| <b>Year ended on</b>      | <b>2004-05</b> | <b>2005-06</b> | <b>2006-07</b> | <b>2007-08</b> | <b>2008-09</b> | <b>30-06-09</b> |
|---------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Term Loans from Bank      | 101.81         | 736.80         | 999.89         | 1195.68        | 862.10         | 788.78          |
| Working Capital from Bank | 337.52         | 761.87         | 1235.56        | 1992.59        | 3227.47        | 2955.40         |
| Car Loans                 | 10.55          | 10.97          | 7.69           | 8.01           | 3.61           | 2.66            |
| <b>Total</b>              | <b>449.88</b>  | <b>1509.64</b> | <b>2243.14</b> | <b>3196.28</b> | <b>4093.18</b> | <b>3746.84</b>  |

**Details of Principal terms of loans and assets charged as securities:**

The following is the details of our principal terms of loans and assets charged as securities:

| Name of the Bank  | Type of the Loan Facility                                                    | Amount (Rs. in Lakhs) | Amount outstanding as on June 30, 2009 (Rs. In lakhs) | Interest                                      | Repayment | Security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------|------------------------------------------------------------------------------|-----------------------|-------------------------------------------------------|-----------------------------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Axis Bank Limited | Cash Credit Limit (including export packing credit and post-shipment credit) | 1400.00               | 1508.94                                               | 2.5% below BPLR effective rate of 12.25% p.a. | -         | <p><b>Primary Security</b><br/>First Charge by way of hypothecation of entire current assets of the Company including stocks and receivables, both present and future, ranking pari passu with The Shamrao Vithal Co-operative Bank Limited and State Bank of Hyderabad.</p> <p><b>Collateral Security</b><br/>Second charge on fixed assets of the Company present and future including equitable mortgage/ hypothecation of factory Land &amp; Building/ Plant &amp; Machinery at the Company's unit at B-16/17/18/21, MIDC Mahad and MIDC Phase II Dombivli (East), Thane, ranking pari passu with The Shamrao Vithal Co-operative Bank Limited and State Bank of Hyderabad</p> |

|                                              |                |        |        |                                               |                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------|----------------|--------|--------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                              |                |        |        |                                               |                                                                                                              | <b>Personal Guarantee</b><br>Mr. Ashok Hiremath                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                              | Term Loan      | 500.00 | 320.30 | 3.0% below BPLR effective rate of 11.75% p.a. | 51 monthly instalments of Rs. 9.62 lakhs and last instalment of Rs. 9.38 lakhs starting from October 1, 2007 | <b>Primary Security</b><br>First charge on fixed assets of the Company present and future including equitable mortgage/ hypothecation of factory Land & Building/ Plant & Machinery at the Company's unit at B-16/17/18/21, MIDC Mahad and MIDC Phase II Dombivli (East), Thane, ranking pari passu with The Shamrao Vithal Co-operative Bank Limited.<br><br><b>Collateral Security</b><br>Second Charge by way of hypothecation of entire current assets of the Company including stocks and receivables, both present and future, ranking pari passu with The Shamrao Vithal Co-operative Bank Limited.<br><br><b>Personal Guarantee</b><br>Mr. Ashok Hiremath  |
|                                              | Corporate Loan | 300.00 | 143.23 | 2.0% below BPLR effective rate of 12.75% p.a. | 35 monthly instalments of Rs. 8.33 lakhs and last instalment of Rs. 8.45 lakhs starting from November, 2007  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| The Shamrao Vithal Co-operative Bank Limited | Cash Credit    | 300.00 | 304.30 | PLR less 5% i.e. presently 13.50% p.a.        | -                                                                                                            | <b>Primary Security</b><br>First Charge by way of hypothecation of entire current assets of the Company including stocks and receivables, both present and future, ranking pari passu with Axis Bank Limited and State Bank of Hyderabad.<br><br><b>Collateral Security</b><br>Second charge on fixed assets of the Company present and future including equitable mortgage/ hypothecation of factory Land & Building/ Plant & Machinery at the Company's unit at B-16/17/18/21, MIDC Mahad and MIDC Phase II Dombivli (East), Thane, ranking pari passu with Axis Bank Limited and State Bank of Hyderabad<br><br><b>Personal Guarantee</b><br>Mr. Ashok Hiremath |

|                         |                                                                        |         |         |                                                  |                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------|------------------------------------------------------------------------|---------|---------|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                         | Term Loan                                                              | 512.54  | 325.52  | At PLR less 1.5% presently at 13.00% p.a.        | <ul style="list-style-type: none"> <li>• 43 monthly Installments of Rs. 11.35 lakhs starting from January, 2008</li> <li>• 48 monthly instalments of Rs. 2.74 lakhs starting from January, 2008.</li> <li>• 58 monthly instalments of Rs. 0.73 lakhs starting from January, 2008.</li> </ul> | <p><b>Primary Security</b><br/>A First mortgage and charge by way of hypothecation on the immovable properties of factory land and building/plant and machinery at the company's unit at B-17/18/21, MIDC Mahad and MIDC Phase II Dombivli (East), Thane ranking pari passu with the The Axis Bank Ltd. and State Bank of Hyderabad, both present and future.</p> <p><b>Collateral Security</b><br/>Second Charge by way of hypothecation of entire current assets of the company including stocks and receivables, both present and future, ranking pari-passu with the Axis Bank Ltd. And State Bank of Hyderabad.</p> <p><b>Personal Guarantee</b><br/>Mr. Ashok Hiremath</p>                        |
| State Bank of Hyderabad | Cash Credit (including export packing credit and post-shipment credit) | 1100.00 | 1142.16 | At 0.25% above SBHPLR i.e. presently 13.00% p.a. |                                                                                                                                                                                                                                                                                              | <p><b>Primary Security</b><br/>First Pari Passu charge on the current assets of the Company including inventory and receivables both present and future along with The Axis Bank Ltd. and The Shamrao Vithal Co-operative Bank Limited.</p> <p><b>Collateral Security</b><br/>Second charge on the fixed assets of the Company , present and future including equitable mortgage / hypothecation of factory Land and Building, Plant and Machinery at the Company's unit at B-17/18/21, MIDC Mahad and MIDC Phase II Dombivli (East), Thane ranking pari passu with the The Shamrao Vithal Co-operative Bank Limited and The Axis Bank Ltd.</p> <p><b>Personal Guarantee</b><br/>Mr. Ashok Hiremath</p> |

**(B) Unsecured Loans****(Rs. in Lakhs)**

| Particulars                   | 2004-05      | 2005-06      | 2006-07      | 2007-08      | 2008-09       | 30-06-09      |
|-------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|
| From Promoters                | 13.25        | 15.00        | -            | -            | 160.43        | 157.26        |
| From Group Companies          | -            | 0.65         | -            | -            | -             | -             |
| From Inter Corporate Deposits | -            | -            | 64.00        | 97.88        | 129.43        | 129.71        |
| <b>TOTAL</b>                  | <b>13.25</b> | <b>15.65</b> | <b>64.00</b> | <b>97.88</b> | <b>289.86</b> | <b>286.97</b> |

**NOTE:**

1. Inter Corporate Deposit amounting Rs. 129.71 Lakhs consists of unsecured loan from Barclays Bank, Kotak Mahindra Bank Ltd, HDFC Bank, Paramount Financial Services and Money Line Credit Ltd.
  - a. Loan from Barclays Bank amounting to Rs. 35 Lakhs is repayable in 36 Monthly installments of Rs. 1.28 Lakhs and outstanding as on 30<sup>th</sup> June 2009 is 18.00 Lakhs. @ 19.00% p.a on reducing balance.
  - b. Loan from Kotak Mahindra Bank amounting to Rs. 40 Lakhs is repayable in 36 Monthly installment of Rs. 1.47 Lakhs and outstanding as on 30<sup>th</sup> June 2009 is 30.60 Lakhs @ 11.25% p.a. flat interest rate.
  - c. Loan from HDFC Bank amounting to Rs. 15 Lakhs is repayable in 24 Monthly installment of Rs. 0.74 Lacs and outstanding as on 30<sup>th</sup> June 2009 is 0.74 Lakhs @ 11% p.a flat interest rate.
  - d. Loan from Money Line Credit Ltd. amounting to Rs. 30.00 Lakhs is repayable 48 Monthly Installment of Rs. 0.91 lakhs and outstanding as on 30<sup>th</sup> June 2009 is 25.21 Lakhs @ 20% p.a.
  - e. Loan from Paramount Financial Services amounting to Rs. 60.00 Lakhs is repayable within 90 days and outstanding as on 30<sup>th</sup> June 2009 is 55.16 Lakhs @ 15% p.a.
2. No terms and conditions as to repayment and interest were stipulated in respect of loans from Promoters and Group companies.

**Annexure - 16****Tax Shelter Statement****(Rs. In lakhs)**

| Year ended on                                     | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09  | 30-06-09 |
|---------------------------------------------------|---------|---------|---------|---------|----------|----------|
| Tax Rate (including surcharge and education cess) | 36.59%  | 33.66%  | 33.66%  | 33.99%  | 33.99%   | 33.99%   |
| MAT Rate (including surcharge and education cess) | 7.84%   | 8.42%   | 11.22%  | 11.33%  | 11.33%   | 17.00%   |
| Net Profit / (Loss) before                        | 181.15  | 400.58  | 406.31  | 929.78  | 1,240.54 | 401.34   |

|                                                      |                |                 |                 |                 |                 |                 |
|------------------------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| tax (as restated)                                    |                |                 |                 |                 |                 |                 |
| <b>Notional Tax Payable (A)</b>                      | <b>66.29</b>   | <b>134.84</b>   | <b>136.76</b>   | <b>316.03</b>   | <b>421.66</b>   | <b>136.41</b>   |
| <b>Timing Difference</b>                             |                |                 |                 |                 |                 |                 |
| (i) Difference Between Restated and Tax depreciation | (18.38)        | 7.55            | (43.10)         | (75.36)         | (50.42)         | 10.19           |
| <b>Total of B</b>                                    | <b>(18.38)</b> | <b>7.55</b>     | <b>(43.10)</b>  | <b>(75.36)</b>  | <b>(50.42)</b>  | <b>10.19</b>    |
| <b>Permanent Differences</b>                         |                |                 |                 |                 |                 |                 |
| (i) Exemption u/s 80HHC                              | -              | -               | -               | -               | -               | -               |
| (ii) Exemption u/s 80G                               | (0.10)         | (0.11)          |                 | -               | -               | -               |
| (iii) Disallowances u/s 43B / 40 (a) (ia)            |                | 1.78            | -               | -               | -               | -               |
| (iv) Exempted Income                                 |                | (178.22)        | (120.78)        | (344.62)        | (795.00)        | (225.00)        |
| (v) Deduction U/s 35(1)(v)                           | (7.02)         | (169.91)        | (192.11)        | (149.17)        | (17.56)         | -               |
| (vi) Other Ajustments                                | (58.77)        | 7.50            | 21.44           | (135.75)        | 19.03           | 1.35            |
| <b>Total of C</b>                                    | <b>(65.89)</b> | <b>(338.96)</b> | <b>(291.45)</b> | <b>(629.54)</b> | <b>(793.53)</b> | <b>(223.65)</b> |
| <b>Net Adjustments (B+ C)</b>                        | <b>(84.27)</b> | <b>(331.41)</b> | <b>(334.55)</b> | <b>(704.90)</b> | <b>(843.95)</b> | <b>(213.46)</b> |
| <b>Tax saving thereon</b>                            | <b>(30.83)</b> | <b>(111.55)</b> | <b>(112.61)</b> | <b>(239.60)</b> | <b>(286.86)</b> | <b>(72.56)</b>  |
| <b>Net Tax for the year / period</b>                 | <b>35.46</b>   | <b>23.29</b>    | <b>24.15</b>    | <b>76.43</b>    | <b>134.80</b>   | <b>63.85</b>    |
| <b>Tax Payable as per MAT</b>                        | <b>14.20</b>   | <b>33.73</b>    | <b>45.59</b>    | <b>105.34</b>   | <b>140.55</b>   | <b>68.23</b>    |

**Note :**

The information pertaining to the years ended 31/03/2003 to 30/06/2009 are as per the Return of Income filed under Section 139(1) of the Income Tax Act, 1961. The effect of assessment / appellate orders has not been considered in the above calculation.

**Annexure - 17**

**Related Party Transaction**

As per Accounting Standard (AS-18) on related party disclosures issued by the ICAI, the disclosures of transaction with related party are as follows:

| <b>Nature of relation</b>                                  | <b>Name of Related Parties</b>                   |
|------------------------------------------------------------|--------------------------------------------------|
| Key Management personnel                                   | Mr. Ashok Hiremath -- Managing Director          |
| Relative of key management personnel                       | Mr. Suresh Hiremath                              |
|                                                            | Ms. Supriya Hiremath                             |
|                                                            | Ms. Chitra Hiremath                              |
| Company/entity in which director has significant influence | Opus Chemicals Pvt. Ltd.                         |
|                                                            | Behram Chemicals Pvt. Ltd.<br>Ashok Hiremath HUF |

(i) Transaction with key management personnel:

(Rs. in lakhs)

| Particulars                                         | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 30-06-09 |
|-----------------------------------------------------|---------|---------|---------|---------|---------|----------|
| Salary / remuneration:                              |         |         |         |         |         |          |
| Mr. Ashok Hiremath                                  | 24.00   | 24.00   | 24.00   | 24.00   | 24.00   | 06.00    |
| Unsecured loan taken by Company:                    |         |         |         |         |         |          |
| Mr. Ashok Hiremath                                  | --      | 45.80   | 39.75   | --      | 130.30  | -        |
| Repayment of unsecured loan taken by Company:       |         |         |         |         |         |          |
| Mr. Ashok Hiremath                                  | -       | 44.05   | 54.75   | --      | -       | -        |
| Closing balance of unsecured loan taken by Company: |         |         |         |         |         |          |
| Mr. Ashok Hiremath                                  | 13.25   | 15.00   | -       | --      | 130.30  | 130.30   |
| Dividend paid:                                      |         |         |         |         |         |          |
| Mr. Ashok Hiremath                                  | 7.61    | 7.61    | 8.35    | 30.60   | 45.87   | -        |

(ii) Transactions with Relatives of key management personnel:

| Particulars                        | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 30-06-09 |
|------------------------------------|---------|---------|---------|---------|---------|----------|
| Unsecured loan taken by Company    |         |         |         |         |         |          |
| Mr. Suresh Hiremath                | --      | -       | -       | -       | 20.25   | -        |
| Repayment of unsecured loan:       |         |         |         |         |         |          |
| Mr. Suresh Hiremath                | -       | -       | -       | -       | -       | -        |
| Closing balance of unsecured loan: |         |         |         |         |         |          |
| Mr. Suresh Hiremath                | --      | -       | -       | -       | 20.25   | 20.25    |
| Service charges:                   |         |         |         |         |         |          |
| Ms. Chitra Hiremath                | --      | --      | -       | 0.60    | 0.60    | -        |
| Dividend paid:                     |         |         |         |         |         |          |
| Mr. Suresh Hiremath                | 4.95    | 4.95    | 2.25    | 8.25    | 17.50   | --       |
| Ms. Supriya Hiremath               | 0.003   | 0.003   | 0.002   | 0.01    | 0.01    | --       |
| Ms. Chitra Hiremath                | 0.02    | 0.02    | 0.01    | 0.03    | 0.06    | --       |

(iii) Transactions with Companies/Entity in which directors and their relatives have significant influence:

| Particulars                                    | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 30-06-09 |
|------------------------------------------------|---------|---------|---------|---------|---------|----------|
| Loans & advances to BCPL given during the year | 0.12    | --      | -       | -       | 4.38    | -        |
| Loans & advances received during the year      | --      | --      | --      | 5.17    | --      | 0.03     |

|                                                  |       |         |       |       |       |       |
|--------------------------------------------------|-------|---------|-------|-------|-------|-------|
| <b>Closing Balance</b>                           | 5.17  | 5.17    | 5.17  | --    | 4.38  | 4.35  |
| Reimbursement of expenses:                       |       |         |       |       |       |       |
| Behram Chemicals Pvt. Ltd                        | --    | -       | -     | -     | 10.80 | 2.70  |
| Rental charges:                                  |       |         |       |       |       |       |
| Behram Chemicals Pvt. Ltd                        | 6.24  | 10.85   | 10.80 | 10.80 | --    | --    |
| Dividend paid:                                   |       |         |       |       |       |       |
| Ashok Hiremath-HUF                               | --    | -       | -     | -     | 0.04  | -     |
| Sales:                                           |       |         |       |       |       |       |
| Opus Chemicals Pvt. Ltd                          | 19.41 | 31.83-  | -     | --    | --    | --    |
| Investments in Behram Chemicals Private Limited: |       |         |       |       |       |       |
| Opening balance                                  | -     | -       | -     | -     | 42.17 | 42.17 |
| During the year                                  | -     | -       | -     | 42.17 | -     | -     |
| Closing balance                                  | -     | -       | -     | 42.17 | 42.17 | 42.17 |
| <b>Amount due from Debtors :</b>                 |       |         |       |       |       |       |
| Opus Chemicals Pvt. Ltd.                         | 0.55  | (17.12) | 37.83 | 38.28 | 43.81 | 45.84 |

#### Annexure – 18

#### Statement of consolidated financial statement

#### Consolidated Restated Statement of Assets and Liabilities

(Rs. In Lakhs)

| <b>Year ended on</b>                         | <b>2007-08</b>  | <b>2008-09</b>  | <b>30-06-09</b> |
|----------------------------------------------|-----------------|-----------------|-----------------|
| <b>Fixed Assets</b>                          |                 |                 |                 |
| Gross Block                                  | 4,024.25        | 4,297.55        | 4,338.05        |
| Less : Depreciation                          | 674.01          | 998.79          | 1,093.72        |
| <b>Net Block (A)</b>                         | <b>3,350.24</b> | <b>3,298.76</b> | <b>3,244.33</b> |
|                                              |                 |                 |                 |
| <b>Investments (B)</b>                       | <b>12.40</b>    | <b>12.40</b>    | <b>12.40</b>    |
| <b>Current Assets Loans and Advances (C)</b> |                 |                 |                 |
| Inventories                                  | 1,883.44        | 2,905.65        | 2,803.82        |
| Receivables / Sundry Debtors                 | 1,797.01        | 2,875.39        | 2,969.37        |
| Cash and Bank Balances                       | 156.97          | 108.73          | 249.93          |
| Loans and Advances                           | 566.49          | 433.37          | 578.26          |
| <b>Total (C)</b>                             | <b>4,403.91</b> | <b>6,323.14</b> | <b>6,601.38</b> |
| <b>Total Assets ( A+B+C)</b>                 | <b>7,766.55</b> | <b>9,634.30</b> | <b>9,858.11</b> |
|                                              |                 |                 |                 |
| <b>Liabilities and Provisions (D)</b>        |                 |                 |                 |
| Secured Loans                                | 3,217.10        | 4,106.79        | 3,758.65        |
| Unsecured Loans                              | 97.88           | 289.86          | 286.97          |
| Current Liabilities and provisions           | 2,166.12        | 2,020.61        | 2,254.46        |
| Deferred Tax Liability                       | 124.86          | 142.34          | 138.98          |
| <b>Total (D)</b>                             | <b>5,605.96</b> | <b>6,559.60</b> | <b>6,439.06</b> |

|                                                  |                 |                 |                 |
|--------------------------------------------------|-----------------|-----------------|-----------------|
|                                                  |                 |                 |                 |
| <b>Minority Interest (E)</b>                     | <b>22.39</b>    | <b>22.59</b>    | <b>22.62</b>    |
|                                                  |                 |                 |                 |
| <b>Net Worth (A+B+C-D-E) = (F)</b>               | <b>2,138.20</b> | <b>3,052.11</b> | <b>3,396.43</b> |
| <b>Represented by</b>                            |                 |                 |                 |
| Share Capital                                    | 942.90          | 942.90          | 942.90          |
| Reserve & Surplus                                | 1,282.51        | 2,237.26        | 2,580.06        |
| Less : Miscellaneous Expenditure Not Written Off | 87.21           | 128.05          | 126.53          |
| <b>Net Worth</b>                                 | <b>2,138.20</b> | <b>3,052.11</b> | <b>3,396.43</b> |

### Consolidated Restated Statement of Profits & Losses

(Rs. In Lakhs)

| <b>Year ended on</b>                                       | <b>2007-08</b>  | <b>2008-09</b>  | <b>30-06-09</b> |
|------------------------------------------------------------|-----------------|-----------------|-----------------|
| <b>Income</b>                                              |                 |                 |                 |
| Sales :                                                    |                 |                 |                 |
| Products manufactured by the company                       | 6,046.27        | 8,933.05        | 3,012.34        |
| Products traded by the company                             | -               | -               | -               |
| Less : Excise Duty                                         | 537.42          | 491.59          | 91.31           |
| <b>Net Sales</b>                                           | <b>5,508.85</b> | <b>8,441.46</b> | <b>2,921.03</b> |
| Other Income                                               | 26.91           | 52.20           | 6.86            |
| Accretion / (Depletion) of Stocks                          | 585.02          | 894.41          | (177.30)        |
| <b>Total Income</b>                                        | <b>6,120.78</b> | <b>9,388.07</b> | <b>2,750.59</b> |
| <b>Expenditure</b>                                         |                 |                 |                 |
| Raw Materials consumed                                     | 3,716.59        | 6,240.98        | 1,855.28        |
| Employee Cost                                              | 166.59          | 248.96          | 63.89           |
| Other Manufacturing Expenses                               | 271.83          | 340.28          | 85.61           |
| Administrative, Selling & Distribution Costs               | 383.29          | 380.47          | 74.97           |
| Interest / Financial Charges                               | 422.79          | 609.14          | 174.37          |
| Depreciation                                               | 228.50          | 326.67          | 94.93           |
| <b>Total Expenditure</b>                                   | <b>5,189.59</b> | <b>8,146.50</b> | <b>2,349.05</b> |
| <b>Net Profit before tax and extraordinary items</b>       | <b>931.19</b>   | <b>1,241.57</b> | <b>401.54</b>   |
| <b>Provision for</b>                                       |                 |                 |                 |
| Provision for Taxation                                     | 107.07          | 148.64          | 62.03           |
| Provision for Fringe Benefit Tax                           | 4.20            | 2.47            | -               |
| Provision for Deferred Tax                                 | 26.28           | 17.48           | (3.38)          |
| <b>Net Profit after tax and before extraordinary items</b> | <b>793.64</b>   | <b>1,072.98</b> | <b>342.89</b>   |
| Extraordinary items                                        | -               | -               | -               |
| <b>Net Profit after tax &amp; Extraordinary items</b>      | <b>793.64</b>   | <b>1,072.98</b> | <b>342.89</b>   |
| Less : Minority Interest                                   | 0.12            | 0.20            | 0.03            |
| <b>Net Profit after tax and minority interest</b>          | <b>793.52</b>   | <b>1,072.78</b> | <b>342.86</b>   |

# CONSOLIDATED CASH FLOW STATEMENT

(Rs. In Lakhs)

| A | Cash Flow from Operating Activities                                    | 2008-09         | 30-06-09        |
|---|------------------------------------------------------------------------|-----------------|-----------------|
|   | Net Profit as restated                                                 | 1,072.78        | 342.86          |
|   | <b>Adjustment for :</b>                                                |                 |                 |
|   | Depreciation for the year                                              | 326.67          | 94.93           |
|   | Provision for Taxation                                                 | 168.59          | 58.65           |
|   | Misc/ Preliminary Expenditure w/off                                    | 19.20           | 1.52            |
|   | Dividend Income                                                        | (0.08)          | -               |
|   | Interest Income                                                        | (4.50)          | (0.01)          |
|   | Interest Expenses                                                      | 504.62          | 145.38          |
|   | Unrealised Foreign Exchange (Gain) / Loss                              | 1.75            | -               |
|   | Loss of Fixed Assets                                                   | 0.25            | -               |
|   | <b>Operating Profit Before Working Capital Changes</b>                 | <b>2089.28</b>  | <b>643.33</b>   |
|   | Adjustment for Working Capital Changes                                 |                 |                 |
|   | Trade and other receivables                                            | (1062.29)       | (93.98)         |
|   | Inventories                                                            | (1022.22)       | 101.83          |
|   | Other Loans & Advances                                                 | 185.50          | (144.68)        |
|   | Trade and other Payables                                               | (272.42)        | 144.55          |
|   | <b>Cash Generated from Operations</b>                                  | <b>(82.15)</b>  | <b>651.05</b>   |
|   | Income Tax Paid                                                        | (157.28)        | 27.02           |
|   | <b>Net Cash Used in Operating Activities (A)</b>                       | <b>(239.43)</b> | <b>678.07</b>   |
| B | <b>Cash Flow from Investing Activities</b>                             |                 |                 |
|   | Purchase of Fixed Assets/ Capital Expenditure                          | (276.61)        | (40.50)         |
|   | Proceed from Insurance Claim (Fixed Assets)                            |                 |                 |
|   | Dividend Received                                                      | 0.08            | -               |
|   | Interest Income                                                        | 4.50            | 0.01            |
|   | Proceeds from Sale of Fixed Assets                                     | 1.17            | -               |
|   | Misc/ Preliminary Expenses Incurred                                    | (60.05)         | -               |
|   | <b>Net Cash used in Investing Activities</b>                           | <b>(330.91)</b> | <b>(40.49)</b>  |
| C | <b>Cash Flow from Financing Activities</b>                             |                 |                 |
|   | Secured Loans (Net)                                                    | 889.69          | (348.14)        |
|   | Minority Interest                                                      | 0.20            | 0.03            |
|   | Unsecured Loans Taken / Repaid (Net)                                   | 191.99          | (2.89)          |
|   | Interest Expenses                                                      | (504.62)        | (145.38)        |
|   | Dividend Paid and Tax thereon                                          | (55.16)         | -               |
|   | <b>Net Cash used in Financing Activities</b>                           | <b>522.10</b>   | <b>(496.38)</b> |
|   | <b>Net Increase (-Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b> | <b>(48.24)</b>  | <b>141.20</b>   |
|   | <b>Cash &amp; Cash Equivalent at the beginning of the Year</b>         | <b>156.97</b>   | <b>108.73</b>   |
|   | <b>Cash &amp; Cash Equivalent at the end of the Year</b>               | <b>108.73</b>   | <b>249.93</b>   |

## Statement of Accounting Ratios (Consolidated basis)

(Rs. In Lakhs)

| Year ended on                                                                                 | 2007-08   | 2008-09   | 30-06-09  |
|-----------------------------------------------------------------------------------------------|-----------|-----------|-----------|
| Net Profit/(Loss) before extraordinary items but after tax, as restated (A)                   | 793.52    | 1,072.78  | 342.86    |
| Net Worth (B)                                                                                 | 2,138.20  | 3,052.11  | 3,396.43  |
| Weighted average number of equity shares outstanding during the year (In Nos.) (C)            | 94,28,980 | 94,28,980 | 94,28,980 |
| Weighted average number of equity shares outstanding during the year (In Nos.)- Diluted * (D) | 94,28,980 | 94,28,980 | 94,28,980 |
| Earnings Per Share                                                                            |           |           |           |
| Basic & diluted ( In Rupees) (A/C)                                                            | 8.42      | 11.38     | 3.64      |
| Return on Net Worth (%) (A/B)                                                                 | 37.11     | 35.15     | 10.09     |
| Net Asset Value/ Book Value per share (In Rupees) (B/C)                                       | 22.68     | 32.37     | 36.02     |

1 Earnings per share (Rs.): Net profit attributable to equity shareholders/weighted average number of equity shares outstanding as at the end of the year/period. Earnings per share are calculated in accordance with Accounting Standard 20 "Earnings per Share", issued by the Institute of Chartered Accountants of India. The E.P.S. is calculated after adjustment for 8571800 bonus shares issued vide resolution passed at the extra-ordinary general meeting held on 28.03.2008 with retrospective effect as provided in Accounting Standard (AS -20) - Earning Per Share.

2. Return on Networth=Profit After Tax/Total Net Worth

(Networth=Fully paid up share capital+Free Reserves-Miscellaneous Expenditure)

3. Net Asset Value per share capital=Total Net Worth/No. of Equity shares outstanding during the year

4. Net Profit as appearing in the statement of restated profits and losses, has been considered for the purpose of computing the above ratios.

### Significant notes on Consolidated restated Profit & Loss account and Assets and Liabilities

#### 1. The Subsidiary Company considered in the consolidated financial statements:

| Name of the Company              | % of voting powers held as at 02.04.07 | % of voting powers held as at 31.03.07 and preceding financial year | Consolidation from |
|----------------------------------|----------------------------------------|---------------------------------------------------------------------|--------------------|
| Behram Chemicals Private Limited | 65.63%                                 | Nil                                                                 | 02.04.2007         |

## **2. Acquisition of Behram Chemicals Private Ltd**

Pursuant to Share Purchase Agreement ("SPA") dated April 2, 2007 entered into between the Company and shareholders of Behram Chemicals Private Ltd on April 2, 2007 the Company acquired 65.63% equity interest in Behram Chemicals Private Ltd for the consideration of 39380 equity shares @ Rs.107.10 per equity share. As a result of this acquisition, Behram Chemicals Private Ltd became a subsidiary of Astec LifeSciences Limited

## **4. Principles of Consolidation**

The consolidated financial statements relate to Astec LifeSciences Ltd (the Company) and its subsidiary company Behram Chemicals Private Limited. The consolidated financial statements have been prepared on the following basis.

- a. The financial statements of the company and its subsidiary company have been combined on a line by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealized profits and losses.
  - b. As far as possible, the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the manner as the Company's separate financial statements. The difference of the cost to the company of its investment in subsidiary over its share in the equity of the investee company as at the date of acquisition of stake is recognized in financial statements as Goodwill or Capital Reserve, as the case may be.
5. The restated financial statement of subsidiary company Behram Chemicals Private Limited, has been audited by M/s. P.M.Kathariya & Co. Chartered Accountants and the restated financial statement of Behram Chemicals Private Ltd has been audited by M/s. P.M.Kathariya & Co.

**Unconsolidated Financial Information of Subsidiaries of our Company**  
**Auditor's Report for Behram Chemicals Private Limited**

The Board of Directors,  
Behram Chemicals Private Limited  
Mumbai.

We have examined the following financial information of **M/s Behram Chemicals Private Limited** ("the Company") on a stand – alone basis as attached to this report stamped and initialed by us for identification and as approved by the Board of Directors which has been prepared in accordance with Paragraph B-1 of Part II of Schedule II of the Companies Act, 1956 ("Act") and para (3) of sub-item (B) of Item IX of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (" the SEBI (ICDR) Regulations") and in accordance with the terms of reference received from the company vide their letter dated July 31, 2009, requesting us to; carryout the work, proposed to be included in the Red Herring Prospectus / Prospectus of the Company in connection with the its proposed Initial Public Issue.

|                   |   |                                                                                                                                                                                                                                          |
|-------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Annexure1</b>  | : | Statement of Assets & Liabilities, restated as at 30 <sup>th</sup> June 2009, 31 <sup>st</sup> March 2009, 31 <sup>st</sup> March 2008, 31 <sup>st</sup> March 2007, 31 <sup>st</sup> March 2006 and 31 <sup>st</sup> March 2005.        |
| <b>Annexure 2</b> | : | Statement of Profit & Loss, restated for the year ended, 30 <sup>th</sup> June 2009, 31 <sup>st</sup> March 2009, 31 <sup>st</sup> March 2008, 31 <sup>st</sup> March 2007, 31 <sup>st</sup> March 2006 and 31 <sup>st</sup> March 2005. |

Based on examination of the above statements with the respective audited financial statements and on the basis of information and explanations given to us, we report as under :

The Statements referred to as Annexure 1 to 2 in our opinion, appropriate and have been prepared out of audited financial statements for the years.

The report is intended solely for use for your information and for inclusion in the offer document prospective in connection with the Proposed Initial Public Issue of Equity Shares of the parent company M/s. Astec Lifesciences Ltd and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For P. M. Kathariya & Co.  
Chartered Accountants

P. M. Kathariya  
(Proprietor)  
Membership No.31315

Place :- Mumbai  
Date :- September 4, 2009

**BEHRAM CHEMICALS PRIVATE LIMITED**  
**Statement of Assets & Liabilities**

(Rs. In Lakhs)

| Year ended on                                | 2004-05      | 2005-06       | 2006-07       | 2007-08      | 2008-09      | 30-06-09     |
|----------------------------------------------|--------------|---------------|---------------|--------------|--------------|--------------|
| <b>Fixed Assets</b>                          |              |               |               |              |              |              |
| Gross Block                                  | 204.26       | 204.26        | 204.26        | 233.32       | 233.32       | 233.32       |
| Less : Depreciation                          | 141.84       | 151.76        | 157.02        | 161.68       | 168.84       | 170.34       |
| <b>Net Block (A)</b>                         | <b>62.42</b> | <b>52.50</b>  | <b>47.24</b>  | <b>71.64</b> | <b>64.48</b> | <b>62.98</b> |
|                                              |              |               |               |              |              |              |
| <b>Investments (B)</b>                       | <b>10.08</b> | <b>10.08</b>  | <b>10.08</b>  | <b>7.00</b>  | <b>7.00</b>  | <b>7.00</b>  |
|                                              |              |               |               |              |              |              |
| <b>Current Assets Loans and Advances (C)</b> |              |               |               |              |              |              |
|                                              |              |               |               |              |              |              |
| Receivables                                  | 7.90         | 5.13          | 4.89          | -            | 5.00         | 3.60         |
| Cash and Bank balances                       | 5.15         | 3.37          | 4.64          | 3.46         | 3.51         | 3.02         |
| Loans and Advances                           | 6.63         | 48.98         | 50.13         | 5.85         | 6.39         | 6.58         |
| <b>Total (C)</b>                             | <b>19.68</b> | <b>57.48</b>  | <b>59.66</b>  | <b>9.31</b>  | <b>14.90</b> | <b>13.20</b> |
|                                              |              |               |               |              |              |              |
| <b>Total Assets ( A+B+C)</b>                 | <b>92.18</b> | <b>120.06</b> | <b>116.98</b> | <b>87.95</b> | <b>86.38</b> | <b>83.18</b> |
|                                              |              |               |               |              |              |              |
| <b>Liabilities and provisions (D)</b>        |              |               |               |              |              |              |
| Secured Loans                                | -            | 32.84         | 28.20         | 20.82        | 13.61        | 11.81        |
| Unsecured Loans                              | 1.10         | 1.10          | 2.35          | -            | -            | -            |
| Deferred Tax Liability                       | -            | -             | 0.57          | 1.48         | 1.82         | 1.92         |
| Current Liabilities and provisions           | 54.39        | 21.05         | 21.06         | 0.50         | 5.23         | 3.64         |
| <b>Total (D)</b>                             | <b>55.49</b> | <b>54.99</b>  | <b>52.18</b>  | <b>22.80</b> | <b>20.66</b> | <b>17.37</b> |
| <b>Net Worth (A+B+C+D) = (E)</b>             | <b>36.69</b> | <b>65.07</b>  | <b>64.80</b>  | <b>65.15</b> | <b>65.72</b> | <b>65.81</b> |
|                                              |              |               |               |              |              |              |
| <b>Represented by</b>                        |              |               |               |              |              |              |
| Share Capital                                | 60.00        | 60.00         | 60.00         | 60.00        | 60.00        | 60.00        |
| Reserve & Surplus                            | (23.31)      | 5.07          | 4.80          | 5.15         | 5.72         | 5.81         |
| <b>Net Worth</b>                             | <b>36.69</b> | <b>65.07</b>  | <b>64.80</b>  | <b>65.15</b> | <b>65.72</b> | <b>65.81</b> |

## Annexure – 2

## Statement of Profit &amp; Loss

(Rs. in Lakhs)

| Year ended on                                              | 2004-05       | 2005-06      | 2006-07       | 2007-08      | 2008-09      | 30-06-09    |
|------------------------------------------------------------|---------------|--------------|---------------|--------------|--------------|-------------|
| <b>Income</b>                                              |               |              |               |              |              |             |
| Sales :                                                    |               |              |               |              |              |             |
| Export Sales                                               | -             | -            | -             | -            | -            | -           |
| Processing Charges Received                                | 6.92          | 10.85        | 10.80         | 10.80        | 15.80        | 2.90        |
| Other Income                                               | 3.35          | 33.01        | 0.07          | 0.70         | 0.01         | 0.00        |
| <b>Total Income</b>                                        | <b>10.27</b>  | <b>43.86</b> | <b>10.87</b>  | <b>11.50</b> | <b>15.81</b> | <b>2.90</b> |
| <b>Expenditure</b>                                         |               |              |               |              |              |             |
| Raw Materials & Goods consumed                             | -             | -            | -             | -            | -            | -           |
| Staff costs                                                | 2.74          | 2.70         | 0.50          | 0.75         | -            | -           |
| Selling & Administrative expenses                          | 3.00          | 2.85         | 0.42          | 0.55         | 4.13         | 0.32        |
| Interest & Other Financial Charges                         | 0.11          | 0.02         | 4.38          | 4.12         | 3.49         | 0.88        |
| Depreciation                                               | 9.92          | 9.92         | 5.26          | 4.67         | 7.16         | 1.50        |
| <b>Total Expenditure</b>                                   | <b>15.77</b>  | <b>15.49</b> | <b>10.56</b>  | <b>10.09</b> | <b>14.78</b> | <b>2.70</b> |
| <b>Net Profit before tax and extraordinary items</b>       | <b>(5.50)</b> | <b>28.37</b> | <b>0.31</b>   | <b>1.41</b>  | <b>1.03</b>  | <b>0.20</b> |
| Provision for Taxation                                     | -             | -            | 0.01          | 0.16         | 0.10         | 0.02        |
| Provision for Deferred Tax                                 | -             | -            | 0.57          | 0.91         | 0.34         | 0.08        |
| <b>Net Profit after tax but before extraordinary items</b> | <b>(5.50)</b> | <b>28.37</b> | <b>(0.27)</b> | <b>0.34</b>  | <b>0.59</b>  | <b>0.10</b> |
| Extraordinary Items                                        | -             | -            | -             | -            | -            | -           |
| <b>Net Profit after tax and extraordinary items</b>        | <b>(5.50)</b> | <b>28.37</b> | <b>(0.27)</b> | <b>0.34</b>  | <b>0.59</b>  | <b>0.10</b> |

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF FINANCIAL OPERATIONS**

You should read the following discussion of our financial condition and results of operations together with our audited financial statements (as restated) for the five financial years ended March 31, 2009 and for the period ended June 30, 2009, including the Schedules, Annexure and Notes thereto and the Reports thereon, which appear in the section titled "Financial Statements" beginning on page no. 129 of this Red Herring Prospectus. You are also advised to read the section titled "Risk Factors" beginning on page no. iii of this Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. These financial statements are prepared in accordance with Indian GAAP, the Companies Act and the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and restated as described in Auditors' Report of March 31, 2009 and for the period ended June 30, 2009.

The following discussions is based on our restated financial statements for the five financial years ended March 31, 2009 and for the period ended June 30, 2009 which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and on information available from other sources. Our fiscal year ends on March 31 each year, so all references to a particular year are to the twelve-month period ended on March 31 of that year.

### **Overview**

We have two major business segments, i.e. Agrochemicals and Pharmaceuticals. Following is a brief overview of the industries in which we operate:

### **Agrochemical Sector**

Agrochemicals are used for preventing destruction of crops from pests, insects, weeds, rodents, fungus, etc. Agrochemical industry plays a vital role in ensuring food security and economic benefits to the farmers. Agrochemicals are the last input in agricultural operation and essential for sustainable development in agriculture.

Agrochemicals are first manufactured as technical grade products having higher commercial purity. These are not used as such and the successful use to control harmful insects, weeds, etc depends to a large extent on their formulation. The active ingredients are mixed with solvents, adjuvants and fillers necessary to achieve the desired formulation. The main purpose of agrochemical formulation is to manufacture a product that has optimum biological efficiency, is convenient to use and minimizes environmental impacts.

In volume terms, the Indian agrochemical industry is second in Asia (after China) and twelfth globally. In spite of India primarily being an agricultural economy & agrochemicals being an essential ingredient for ensuring food security, consumption of agrochemicals is low in India. The industry (domestic and exports) registered a CAGR of 5.37% in last 6 years ended FY 2006 with most of the growth coming from exports. India is also a net exporter of agrochemicals with exports valued at Rs. 2,800 crores in 2005-06. The domestic market grew @ 7.72% in FY 2007 to achieve a turnover of Rs.4463 crores. (Source: CARE Research Report – August, 2009)

## Pharmaceutical Sector

The global pharmaceutical market was valued at US\$ 773bn during calendar year 2008 recording a y-o-y growth of 8.42%. The pharmaceutical market globally is largely being driven by the N. American and the European nations which together constituted approximately 68.8% of the total global pharma sales during calendar year 2008. However the contribution to the growth of global pharma sales by these regions has remained subdued in recent times owing to fewer new product launches, less-than expected demand of recently launched products and of late with the indirect effects of economic slowdown such as reduction in the number of visits to clinics.

The Indian pharmaceutical market was valued at Rs. 62,500 crores during FY08. With the y-o-y growth of Indian pharma sales at 10.62% surpassing the y-o-y growth of global pharma sales at 8.42% during FY08, India represents one of the fastest growing pharma markets in the world.

The Indian pharma industry consists of nearly 330 units in the organised sector and more than 15000 units in the unorganised sector. The organised sector accounts for 96% of the industry with the top 15 companies constituting almost 63% of the total industry sales.

The pharma manufacturers can be classified into bulk & intermediate manufacturers and formulators. In value terms, formulations command nearly 78% share of the Indian pharma market. In addition to the domestic consumption, the industry's exports have grown phenomenally at a Cagr of nearly 20% during the period FY02-FY-08. Significantly during FY08, the exports accounted for 46.6% of the total pharma sales during the year of which the share of exports to US stood highest at 19%. (Source: CARE Research Report – August, 2009).

## Our Business Overview

Our Company is engaged in the manufacture and sale of intermediates, active ingredients and formulations in the off patent-proprietary category with a focus on agrochemical and pharmaceutical Industry. We carry out our manufacturing activities at two locations in Maharashtra, India comprising of three units viz. one at Dombivli and two at Mahad (Unit 1 and Unit 2).

Under the Agrochemical segment, we manufacture active ingredients, intermediates and formulations. Active ingredients are sold to crop protection formulators. Intermediates are supplied to technical grade product manufacturers. Formulations are sold in bulk quantities to companies engaged in retail marketing.

Under the Pharmaceutical segment, our Company carries out manufacturing of intermediates which are supplied to Active Pharma Ingredients (API) manufacturers.

The revenue generated from the agrochemicals and pharmaceutical segment during the last three years is as under:

|               | (Rs. in lakhs) |       |         |       |         |       |
|---------------|----------------|-------|---------|-------|---------|-------|
|               | 2008-09        |       | 2007-08 |       | 2006-07 |       |
|               | Amount         | %     | Amount  | %     | Amount  | %     |
| Agrochemicals | 7565.87        | 84.70 | 4959.95 | 82.03 | 2844.18 | 82.73 |

|                 |                |               |                |               |                |               |
|-----------------|----------------|---------------|----------------|---------------|----------------|---------------|
| Pharmaceuticals | 1367.18        | 15.30         | 1086.32        | 17.97         | 593.58         | 17.27         |
| <b>Total</b>    | <b>8933.05</b> | <b>100.00</b> | <b>6046.27</b> | <b>100.00</b> | <b>3437.76</b> | <b>100.00</b> |

We are currently exporting our products to East Asia, Europe, Middle East, and USA. The total exports constituted 40.52%, 25.63% and 29.52% of total revenue during FY 2007, FY 2008 and FY 2009 respectively.

### **Factors affecting results of our operations**

Our results of operations could potentially be affected by the following factors

- Agrochemical business is subject to seasonal and weather factors, which make its operation relatively unpredictable
- Area under cultivation and the cropping pattern
- Dependence on few products
- Volatility in the prices of the raw material
- Ability to maintain product quality consistently and offer same at competitive pricing to face stiff competition
- Changes in tax incentive structure or any other taxation policies or agricultural policy(ies) by the government
- Fluctuations in foreign exchange
- Compliance with necessary regulatory norms, failure of which would restrict our ability to sell such products
- Ability to obtain/maintain Registrations and/or Licenses in all our Existing and Proposed markets for our Agrochemical products

### **Components of Revenue & Expenditure**

#### **Income**

Our total income comprises of income from operations, which includes

- Income from sale of products manufactured by our Company
- Other Income

#### **Income from sale of products manufactured by our Company**

We are manufacturing and selling active ingredients and intermediates for agrochemicals and pharmaceutical segment. Sales also include scrap sales.

#### **Other Income**

Other Income includes dividend income, interest on fixed deposits, exchange difference, insurance claim, etc.

#### **Expenditure**

Our major heads of expenditure are as under:

#### **Materials & Manufacturing Cost**

Material & manufacturing cost include cost of raw material, consumable stores, repairs & maintenance, rent, cost of power & fuel, and godown charges.

#### **Excise duty paid**

Excise Duty is levied on the products manufactured and sold by us. The excise duty during the above period was 16%. The excise duty is payable at the time of removal of the products for sale in the domestic tariff area. The adjustments are made for credits of Central Value Added Tax (CENVAT) available on inputs procured by our company, as per the Central Excise Rules and regulations. We claim CENVAT credit on capital goods acquired as per the Central excise rules and regulations.

#### **Personnel Expenses**

Personnel expenses include salary and wages and employees welfare expenses.

#### **Administration, selling & distribution expenses**

Administrative, selling & distribution expenses includes expenses incurred on office general expenses, advertisement, insurance expenses, export promotion, traveling, conveyance, selling and distribution, auditors fees, legal charges and other miscellaneous expenditure.

#### **Interest and Financial Charges**

The finance charges incurred by us include interest payable by us for short term and long term loans including working capital loans, interest on unsecured loans, etc.

#### **Analysis on results of financial operations**

|                                                 | (Rs. in Lakhs)  |                 |                 |                 |                                |
|-------------------------------------------------|-----------------|-----------------|-----------------|-----------------|--------------------------------|
| Particulars                                     | Year ended      |                 |                 |                 |                                |
|                                                 | 2006            | 2007            | 2008            | 2009            | April 1, 2009 to June 30, 2009 |
| <b>INCOME</b>                                   |                 |                 |                 |                 |                                |
| <b>Gross Sales</b>                              | <b>2,669.92</b> | <b>3,437.76</b> | <b>6,046.27</b> | <b>8,933.05</b> | <b>3012.34</b>                 |
| Less : Excise Duty                              | 141.89          | 295.40          | 537.42          | 491.59          | 91.31                          |
| <b>Net Sales</b>                                | <b>2,528.03</b> | <b>3,142.36</b> | <b>5,508.85</b> | <b>8,441.46</b> | <b>2921.03</b>                 |
| Other Income                                    | 16.50           | 3.22            | 15.41           | 36.39           | 3.96                           |
| Accretion /(Depletion) of stocks                | 510.55          | 205.83          | 585.02          | 894.41          | (177.30)                       |
| <b>Total Income</b>                             | <b>3,055.08</b> | <b>3,351.41</b> | <b>6,109.28</b> | <b>9372.26</b>  | <b>2747.69</b>                 |
| Raw Material Consumed                           | 2,146.08        | 2,224.04        | 3,716.59        | 6240.98         | 1855.28                        |
| Percentage to total income                      | 70.25           | 66.36           | 60.84           | 66.59           | 67.52                          |
| Other Manufacturing Expenses                    | 107.26          | 130.00          | 271.83          | 340.28          | 85.61                          |
| Percentage to total income                      | 3.51            | 3.88            | 4.45            | 3.63            | 3.12                           |
| Employee Cost                                   | 86.51           | 98.35           | 165.84          | 248.96          | 63.89                          |
| Percentage to total income                      | 2.83            | 2.93            | 2.71            | 2.66            | 2.33                           |
| Administrative, Selling & Distribution Expenses | 188.99          | 254.76          | 382.74          | 376.34          | 74.65                          |

|                              |        |        |          |         |        |
|------------------------------|--------|--------|----------|---------|--------|
| Percentage to total income   | 6.19   | 7.60   | 6.26     | 4.02    | 2.72   |
| EBIDTA                       | 526.24 | 644.26 | 1,572.28 | 2165.70 | 668.26 |
| Percentage to total income   | 17.23  | 19.22  | 25.74    | 23.11   | 24.32  |
| Interest / Financial Charges | 62.49  | 97.00  | 418.67   | 605.65  | 173.49 |
| Percentage to total income   | 2.05   | 2.89   | 6.85     | 6.46    | 6.31   |
| Depreciation                 | 63.17  | 140.95 | 223.83   | 319.51  | 93.43  |
| Percentage to total income   | 2.07   | 4.21   | 3.66     | 3.41    | 3.40   |
| Net Profit before Tax        | 400.58 | 406.31 | 929.78   | 1240.54 | 401.34 |
| Percentage to total income   | 13.11  | 12.12  | 15.22    | 13.24   | 14.61  |
| Net Profit After Tax         | 334.00 | 362.37 | 793.30   | 1072.39 | 342.79 |
| Percentage to total income   | 10.93  | 10.81  | 12.99    | 11.44   | 12.48  |

### **Comparison between FY 2009 and 2008**

#### ***Income :***

Our total income increased from Rs. 6109.28 lakhs in fiscal 2008 to Rs. 9372.26 lakhs in fiscal 2009 registering a growth of 53.41%. Total income registered growth primarily due to increased production and increase in demand for our products.

Other income increased from Rs. 15.41 Lakhs in fiscal 2008 to Rs. 36.39 Lakhs in fiscal 2009. The increase in other income was mainly due to increase in misc. income from Rs 1.65 Lakhs in fiscal 2008 to Rs 22.79 Lakhs in fiscal 2009.

#### ***Raw Materials consumed:***

Raw materials consumed increased from Rs. 3716.59 Lakhs in fiscal 2008 to Rs. 6240.98 Lakhs in fiscal 2009. As a percentage of total income our material consumed was 66.59% during fiscal 2009 as against 60.84% during fiscal 2008. Percentage increase in raw materials consumed was mainly on account of increase in Raw material prices of key Raw Materials.

#### ***Other manufacturing expenses:***

Other manufacturing expenses increased from Rs. 271.83 Lakhs in fiscal 2008 to Rs. 340.28 Lakhs in fiscal 2009. As a percentage of total income our Other Manufacturing expenses were 3.63% during fiscal 2009 as against 4.45% during fiscal 2008. The decrease was mainly attributed to commissioned a coal fired Boiler, which has resulted in considerable saving in fuel cost.

#### ***Employee cost:***

The expenditure on Salaries, wages and other Employee benefits increased from Rs. 165.84 lakhs in the FY 2008 to Rs. 248.96 lakhs in the fiscal 2009. Employee Costs were 2.66% of total income in fiscal 2009 as against 2.71% of total income in fiscal 2008. The increase in staff cost is on account of expanding business activities.

#### ***Administrative expenses :***

Our administrative expenses increased from Rs. 382.74 Lakhs in fiscal 2008 to Rs. 376.34 Lakhs in fiscal 2009. Administrative expenses as a percentage to total income decreased from 6.26% of total income in fiscal 2008 to 4.02% of total income in fiscal 2009. This was due the the fact that fixed administrative overheads did not increase in proportion to the total income.

***Interest and financial charges :***

Our interest and financial charges increased from Rs. 418.67 Lakhs in fiscal 2008 to Rs.605.65 Lakhs in fiscal 2009. As a percentage of total income interest and financial charges were 6.46% in fiscal 2009 as against 6.85% in fiscal 2008. The decrease was due to decrease in borrowing cost.

***Depreciation:***

Depreciation increased from Rs. 223.83 Lakhs in fiscal 2008 to Rs. 319.51 Lakhs in fiscal 2009. The increase in depreciation is mainly due to increase in gross block. As a percentage of total income depreciation was 3.66% in fiscal 2008 as against 3.41% in fiscal 2009.

***Profit before tax :***

Our profits before tax increased from Rs. 929.78 Lakhs in fiscal 2008 to Rs. 1240.54 Lakhs in fiscal 2009. The increase in profit before tax was mainly due to increase in volume of sales and better cost efficiencies. As a percentage of total income profits before tax was 15.22% in fiscal 2008 as against 13.24% in fiscal 2009.

***Taxation:***

The provision for taxation including current and deferred & fringe benefit taxes increased from Rs. 136.48 Lakhs in fiscal 2008 to Rs. 168.15 Lakhs in fiscal 2009. The increase in taxation is due to increase in profitability during fiscal 2009.

***Profit after tax:***

Profit after tax increased from Rs. 793.30 Lakhs in fiscal 2008 to Rs. 1072.39 Lakhs in fiscal 2009. The increase in the profit after tax was due to increase in volume of sales and better cost efficiencies. As a percentage of total income profit after tax was 12.19% in fiscal 2008 as against 11.44% in fiscal 2009.

**Comparison between FY 2008 and 2007*****Income :***

Our total income increased from Rs. 3351.41 lakhs in fiscal 2007 to Rs. 6109.28 lakhs in fiscal 2008 registering a growth of 82.29%. The primary reason for this increase was on account of addition of customers and increase in the production capacities.

Other income increased from Rs. 3.22 Lakhs in fiscal 2007 to Rs.15.41 Lakhs in fiscal 2008. The increase in other income was mainly due to increase in interest income from Rs 0.29 Lakhs in fiscal 2007 to Rs. 4.08 Lakhs in fiscal 2008 and exchange difference income of Rs. 9.62 lakhs in fiscal 2008.

***Raw materials consumed:***

Raw materials consumed increased from Rs. 2224.04 lakhs in fiscal 2007 to Rs. 3716.59 lakhs in fiscal 2008. In absolute terms, the increase was in line with the increase in turnover. As a percentage of total income our material consumed was 60.84% during fiscal 2008 as against 66.36% during fiscal 2007, which was mainly on account of improved sourcing of raw materials and improvement in process efficiencies.

***Other manufacturing expenses:***

Other manufacturing expenses increased from Rs. 130.00 lakhs in fiscal 2007 to Rs. 271.83 Lakhs in

fiscal 2008. The increase was mainly on account of increase in turnover and increase in energy and other utility costs.

***Employee cost:***

The employee cost increased from Rs. 98.35 lakhs in the FY 2007 to Rs. 165.84 lakhs in the fiscal 2008, which was mainly on account of expansion in business activities, recruitment of qualified and skilled manpower.

***Administrative, selling and distribution expenses:***

Our administrative, selling and distribution expenses increased from Rs.254.76 lakhs in fiscal 2007 to Rs. 382.74 lakhs in fiscal 2008, which was in line with the increase in turnover.

***Interest and financial charges:***

Our interest and financial charges increased from Rs.97.00 Lakhs in fiscal 2007 to Rs.418.67 Lakhs in fiscal 2008. The increase was due to increase in working capital facilities and term loans.

***Depreciation:***

Depreciation increased from Rs. 140.95 lakhs in fiscal 2007 to Rs. 223.83 lakhs in fiscal 2008. The increase in depreciation is mainly due to increase in gross block. As a percentage of total income depreciation was 4.21% in fiscal 2007 as against 3.66% in fiscal 2008.

***Profit before tax:***

Our profits before tax increased from Rs. 406.31 lakhs in fiscal 2007 to Rs. 929.78 lakhs in fiscal 2008. Profit before tax as percentage of total income increased from 12.12% in fiscal 2007 to 15.22% in fiscal 2008. The increase in profit before tax was mainly due to increase in volume of sales and increased capacity utilization.

***Taxation:***

The provision for taxation including current and deferred & fringe benefit taxes increased from Rs. 43.94 Lakhs in fiscal 2007 to Rs. 136.48 Lakhs in fiscal 2008. The increase in taxation is due to increase in profitability during fiscal 2008.

***Profit after tax:***

Profit after tax increased from Rs. 362.37 lakhs in fiscal 2007 to Rs. 793.30 lakhs in fiscal 2008. Profit after Tax as a percentage of total income increased from 10.81% in fiscal 2007 to 12.99% in fiscal 2008. The increase in the profit after tax was due to increase in volume of sales and increased capacity utilization.

**Comparison between FY 2007 and 2006**

***Income***

Our total income increased from Rs. 3055.08 lakhs in fiscal 2006 to Rs. 3351.41 lakhs in fiscal 2007, showing an increase of 9.70%. The increase was primarily due to increased production and increase in demand for our products.

Other income decreased from Rs. 16.50 Lakhs in fiscal 2006 to Rs. 3.22 Lakhs in fiscal 2007. The decrease in other income was mainly because of profit on sale of current investments amounting to

Rs. 7.65 Lakhs accounted in fiscal 2006, which was a one time gain and decrease in foreign exchange fluctuation income from Rs 1.43 lakhs in fiscal 2006 to NIL in fiscal 2007.

***Raw materials consumed:***

Raw materials consumed increased from Rs. 2146.08 Lakhs in fiscal 2006 to Rs. 2222.04 Lakhs in fiscal 2007 showing an increase of 3.63%, which is in line with the increase in turnover. As a percentage of total income our raw materials consumed was 66.36% during fiscal 2007 as against 70.25% during fiscal 2006.

***Other manufacturing expenses:***

Other manufacturing expenses increased from Rs. 107.26 Lakhs in fiscal 2006 to Rs.130.00 Lakhs in fiscal 2007. As a percentage of total income, other manufacturing expenses were 3.88% during fiscal 2007 as against 3.51% during fiscal 2006. This increase was mainly on account of increase in production.

***Employee cost:***

The expenditure on employee cost increased from Rs. 86.51 lakhs in the fiscal 2006 to Rs. 98.35 lakhs in the fiscal 2007. Employee Cost was 2.93% of total income in fiscal 2007 as against 2.83% of total income in fiscal 2006. Employee costs increased on account of normal annual increments and addition of new employees.

***Administrative, selling and distribution expenses:***

Our administrative, selling and distribution expenses increased from Rs. 188.99 lakhs in fiscal 2006 to Rs. 254.76 lakhs in fiscal 2007. As a percentage of total income, these expenses were 7.60% in fiscal 2007 as against 6.19% in fiscal 2006. This increase was mainly because of increase in insurance charges, deferred revenue expenditure written off and other general office expenses.

***Interest and financial charges:***

Our interest and financial charges increased from Rs. 62.49 Lakhs in fiscal 2006 to Rs. 97.00 Lakhs in fiscal 2007. The increase was due to increase in working capital facilities and term loans.

***Depreciation:***

Depreciation increased from Rs. 63.17 Lakhs in fiscal 2006 to Rs. 140.95 Lakhs in fiscal 2007. As a percentage of total income depreciation was 4.21% in fiscal 2007 as against 2.07% in fiscal 2006. The increase in depreciation was mainly due to addition in plant & machinery and factory building during the FY 2006-07.

***Profit before tax:***

Our profits before tax increased marginally from Rs. 400.58 lakhs in fiscal 2006 to Rs. 406.31 lakhs in fiscal 2007. However, profit before tax as a percentage of total income decreased from 13.11% in fiscal 2006 to 12.12% in fiscal 2007. The marginal increase in profit before tax in absolute terms was mainly on account of increase in turnover.

***Taxation:***

The provision of taxation including current deferred and fringe benefit taxes decreased from Rs. 66.58 lakhs in fiscal 2006 to Rs. 43.94 lakhs in fiscal 2007. The decrease in taxation was due to increase in volume of business in our EOU in fiscal 2007.

***Profit after tax:***

Our profit after tax increased from Rs. 334.00 lakhs in fiscal 2006 to Rs. 362.37 Lakhs in fiscal 2007. Profit after tax increased on account of increase in turnover and lower tax incidence. Profit after tax as percentage of total income marginally decreased to 10.81% in fiscal 2007 from 10.93% in fiscal 2006.

**Other matters*****Unusual or infrequent events or transactions***

There is no unusual or infrequent events or transactions that have significantly affected our business.

***Significant economic changes that materially affected or are likely to affect income from continuing operations***

There are no significant economic changes that materially affected company's operations or are likely to affect income from continuing operations except for any major changes in policies of government like changes in duty structure, taxation policies, volatility in foreign exchange rates, etc.

***Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations***

Some of the raw materials, which are imported, have shown an increased trend in the past. As a sequel to increase / decrease in prices of raw materials in future, the end product prices tend to move up or come down in the same direction if not in the same proportion.

Apart from the above there are no known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations except as described in the section titled "Risk Factors" on page no. iii and in "Management Discussion and Analysis of Financial Condition and Results of Operations" in this Red Herring Prospectus, to Company's knowledge.

***Future changes in relationships between costs and revenues***

Our Company reasonably does not foresee any factor that may have a material adverse impact on the operation and finances of our Company except disclosed in "Risk Factors" and "Management's Discussion and Analysis of Financial condition and Results of Operations" beginning on page nos. iii and 156 respectively in this Red Hearing Prospectus.

***Increases in net sales or revenue and introduction of new products or services or increased sales prices***

Increase in revenues are by and large linked to increase in volume of manufacturing activity carried out by our Company

***Total turnover of each major industry segment in which the company operated***

Our Company operates in two industry segments i.e. agro-chemicals and pharmaceuticals

***Status of any publicly announced New Products or Business Segment***

Our Company has not announced any new products or business segment.

***Seasonality of Business***

Business of our Company is seasonal as demand for crop protection products is dependent on agricultural production. As in India, the crops are mainly sown in two cropping seasons, namely Kharif (July – November) and Rabi (October – February). The demand is skewed in favour of Kharif crops with about 70% of annual pesticide consumption. Further, majority of the farmers depend on rain for cultivation. Generally rainfall occurs during Kharif season and hence, the timing and seasonality of rainfall also impacts the business of our Company. Thus, we are subject to seasonal and weather factors, which make our operating results relatively unpredictable. In the event of natural calamities such as drought, insufficient rainfall or floods, demand for our Agrochemical products may reduce and this may also adversely affect our sales and profitability.

***Dependence on a single or few suppliers or customers***

There is no dependence on single or few suppliers or customers.

***Competitive conditions***

We will face competition from existing players in our Industry.

***Details of material developments after the date of last balance sheet***

No circumstances have arisen since the date of the last financial statement until the date of filing of this Red Herring Prospectus with SEBI, which materially and adversely affect or is likely to affect the operations or profitability of our Company, or value of its assets, or its ability to pay its liability within next twelve months except for:

- Sanction of short term loan by Axis Bank Limited on July 13, 2009 of Rs. 250 lakhs for 18 months;
- Sanction of term loan by State Bank of Hyderabad on July 20, 2009 of Rs. 500 lakhs for 18 months;
- Replacement of credit facilities sanctioned by The Shamrao Vithal Co-operative Bank Ltd. with the credit facilities of IDBI Bank Limited. IDBI Bank Limited sanctioned term loan of Rs. 340 lakhs and cash credit facilities (including letter of credit of Rs. 200 lakhs) of Rs. 300 lakhs.

## SECTION VI: LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

*Except as stated herein, there are no outstanding or pending litigation, suits, civil prosecution, criminal proceedings or tax liabilities against our Company, our Directors, our Subsidiary, our Promoters and Promoter Group and there are no defaults, non-payment of statutory dues, overdues to banks and financial institutions, defaults against bank and financial institutions and there are no outstanding debentures, bonds, fixed deposits or preference shares issued by our Company; no default in creation of full security as per the terms of the issue, no proceedings initiated for economic or other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part I of Schedule XIII of the Companies Act, 1956), and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Subsidiary, our Promoters, our Directors or Promoter Group.*

*Further, as stated below, there are no show-cause notices / claims served on our Company, our Subsidiary, our Promoters, our Directors or Promoter Group from any statutory authority / revenue authority that would have a material adverse affect on our business.*

#### **Cases filed against our Company, our Promoters and our Directors**

##### **I Supply of Agro-chemical product to Nath Biogene (I) Limited ("NBIL"):**

Our Company in April, 2007 supplied one of its agro-chemical product, 'Imidacloprid 48% FS' an insecticide used for protecting seeds from insects and diseases, to NBIL, a company based in Aurangabad, Maharashtra. NBIL used our product along with other agents like 'Provax' and Polymer on the Bt cotton seeds sold by NBIL to farmers under its own brands in various states.

Under a legal notice dated July 28, 2007, NBIL has alleged that the seeds used by the farmers for growing cotton after germination started yellowing of seedlings, leaf burning, leaf scorching and subsequent mortality of seedlings occurred and resulted in total loss of crop to the farmers. NBIL has alleged that there were various complaints filed by farmers, dealers and distributors and their associations in consumer and other courts. NBIL has alleged that it conducted an investigation in the matter and came to a conclusion that the product supplied by our Company was spurious. NBIL further alleged that our Company did not have the license to manufacture, store and supply the product and that our Company had violated the Insecticides Act, 1968 and its Rules 1971. The legal notice further claimed a sum of Rs.7500 lakhs as damages/compensation. NBIL also issued certain press releases in the local newspapers in Aurangabad on the above subject matter published in and around June/July, 2007.

Our Company has by a letter dated August 11, 2007 denied all allegations as false and frivolous and refuted the allegations of NBIL that our Company had no license to manufacture the product. Our Company clarified that due to an outbreak of fire at its Dombivli unit in May 2004, the license to store and supply materials was suspended. Our Company further clarified that the product was in fact manufactured at its unit at Mahad, which had the requisite license, and only dispatched from the Dombivli unit. The above fact was verified by the Crime Branch, Aurangabad during the course of investigation in the matter.

Our Company has issued a legal notice on July 26, 2008 upon NBIL claiming damages and compensation to the tune of Rs.10000 lakhs for the defamatory statements and articles published against our Company in certain newspapers in June/July 2007. Our Company has also filed a criminal complaint (113/M/2008) against NBIL & Ors. before the Court of Metropolitan Magistrate, 47th Esplanade Court, Mumbai under Sections 500, 501, 502 read with Section 120 of the Indian Penal Code, 1860.

The details of the various proceedings filed by both the parties are set out below in detail.

- A) In relation to the above matter, NBIL lodged an FIR on June 27, 2007 against our Company and its Promoters/Directors under sections 406, 420, 468 and 471 read with Section 34 of the Indian Penal Code 1860 with the Waluj MIDC Police Station, Aurangabad, Maharashtra. Our Company and its directors/officers then filed a criminal writ petition (460 of 2007) before the Bombay High Court (Aurangabad Bench) under Article 226 of the Constitution of India against State of Maharashtra & Others seeking to quash the FIR lodged by NBIL. The Hon'ble High Court by an order dated March 12, 2008 quashed the FIR no. I-164 of 2007 filed by NBIL. NBIL has now preferred an appeal before the Supreme Court of India under Special Leave to Appeal (Cr. No. 2055 of 2008) against the order passed by Bombay High Court and which is still pending.
- B) NBIL has also lodged an FIR against our key employees Mr. Ramesh Pingle (Manager-Regulatory Affairs), Mr. Laxminarayan D. Alur (Marketing Executive) and Mr. K.V. Rao (Technical Consultant) of our Company in the above matter.

## **II Cases filed by our Company in the above matter against Nath Bio-gene (I) Limited**

### *Civil Cases*

- A) Our Company has filed Company Petition (125 of 2008) before the Bombay High Court under Section 433 and 434 of the Companies Act, 1956 for winding up of NBIL for non-payment of Rs.27.41 lakhs with respect to the default in payment of amount due on delivery of its product. The matter is pending for acceptance before the Bombay High Court.

### *Criminal Cases*

- B) Our Company has filed a criminal complaint (3601/ss/07) before Court of Metropolitan Magistrate, 28<sup>th</sup> Esplanade Court, Mumbai under Section 138 of the Negotiable Instruments Act, 1881 against Nath Bio-gene (I) Ltd. & Ors ("NBIL") for dishonor of certain four (4) cheques aggregating to Rs.8.75 lakhs issued by NBIL in favour of our Company in relation to the sale of 3134 kgs. of Imidacloprid – 48% FS, one of the products of the Company. The matter has now been transferred in the Court of Special Metropolitan Magistrate at Small Causes and registered bearing no. Complaint number 539 of 2008. The matter shall come up for hearing on September 23, 2009.
- C) Our Company also filed a criminal complaint CC No. 41/Misc/ 2007 in the court of Metropolitan Magistrate, 47<sup>th</sup> Court at Esplanade, Mumbai against NBIL under Section 420

read with Section 120B of the Indian Penal Code, 1860 for cheating and criminal conspiracy. The Hon'ble Court by an order dated July 26, 2007 had directed the Cuffe Parade Police Station, Mumbai to investigate the matter against NBIL and the said Police Station has registered a case, being MECR No.11/07 against NBIL and its directors and executives.

- D) Our Company has filed a criminal complaint (113/M/2008) against NBIL & Ors. before the Court of Metropolitan Magistrate, 47th Esplanade Court, Mumbai under Sections 500, 501, 502 read with Section 120 of the Indian Penal Code, 1860 for colluding and conspiring with each other for publishing defamatory statements against our Company in certain newspapers. The matter has been adjourned for hearing on October 27, 2009.

### **III Cases filed under Section 138 of the Negotiable Instruments Act, 1881 by our Company**

- A) Our Company has filed a complaint (3745/SS/07) against Retract Chemicals Private Limited ("**RCPL**") and others before the Metropolitan Magistrate, 28<sup>th</sup> Court at Esplanade, Mumbai (now transferred to the Court of Special Metropolitan Magistrate at Small Causes Court, Mumbai) under section 138 and 141 of the Negotiable Instrument Act for the dishonor of six (6) cheques aggregating to Rs.16.39 lakhs issued by RCPL in favor of our Company towards the purchase of agrochemicals products from our Company. The Hon'ble Court has issued a non-bailable warrant against the directors of RCPL.
- B) Our Company has filed a criminal complaint (1414/S/07) against Mr. A. R. Moorthy the proprietor of Annai Crop Sciences before the Court of Metropolitan Magistrate, 28<sup>th</sup> Esplanade, Mumbai (now transferred to Special Metropolitan Magistrate at Small Causes Court, Mumbai) under section 138 and 141 of the Negotiable Instruments Act for the dishonor of cheques aggregating to Rs.20 Lakhs issued in favor of our Company towards payment for the purchase of certain agrochemical products of our Company. The Hon'ble Court has issued a non bailable warrant against Mr. A. R. Moorthy and the report concerning the execution of the warrant is awaited.

### **IV Other criminal cases filed against our Company**

- A) The Government of Maharashtra through Mr. K. S. Jadhav, Insecticide Inspector & Divisional Quality Control Inspector ("**Insecticide Inspector**"), filed a Complaint against our Company and Mr. Janak Rawal, Manager Administration and Communication before the Court of Judicial Magistrate (First Class) Kalyan, at Kalyan, District Thane for the contravention of Section 3(k)(i), (v)(vi), (iii)(vi), 9(1), 13(1), 17(i)(a)(c)(d), 18(i)(a)(c), 18(2) of the Insecticides Act, 1968 and Rules 9(1)(2), 10(2)(3), 15(2)(3), 16, 17, 18, 19(1) to (7) 20, 35, 37, 38, 39, 40, 41, 42 & 44 punishable under Section 29. The Insecticide Inspector has alleged in the Complaint that our Company has illegally manufactured, stored, sold and distributed misbranded insecticides and pesticides without obtaining an appropriate license from licensing authority. The matter shall come up for hearing on October 6, 2009 for filing our Reply.
- B) The Manpada Police Station had filed a Complaint against our Company before the Court of Judicial Magistrate (First Class) Kalyan, at Kalyan, district Thane alleging that the outbreak of fire at our Dombivli unit on May 31, 2004 was due to the negligence of the officials

of the Company which caused death of an employee of the Company. The matter shall come up on February 11, 2010 for filing the reply of the Company.

- C) The State Government of Maharashtra through the Deputy Director of Industrial Safety & Health, Mr. A. S. Kawtikwar had filed a complaint (374 of 2006) before the Court of Chief Judicial Magistrate, Aligad, Raigad against our Ex-Employee Mr. Uday Konde, Work Manager of our Company for contravention of the provisions of rule 115(1) (2) of the Maharashtra Factories Rules, 1963 alleging the non submission of written report within 12 hours at the office of Industrial Safety and Health, Raigad on the flashing of bromine (*one of the raw material for preparation of Propiconazole*) on two workers causing serious injuries. The said matter is heard and the Court levied a penalty of Rs. 10,000 which was paid on November 26, 2008. The warrant against Mr. Uday Konde has been cancelled.

## **V Case in relation to Intellectual Property Rights**

Our Company has made an application with the Trademark Registry on February 12, 2008 (*bearing application No. 1652984*) for registration of its brand name "PROPIZOLE" in Class 5. Our Company has received a notice of opposition for its brand name "PROPIZOLE" from Shalina Laboratories Private Limited ("*Shalina*") for its brand name "PRAZOLE" on various grounds including that the mark "PROPIZOLE" is phonetically, structurally and visually similar to that of "PRAZOLE" for which Shalina has made an application dated December 19, 2007 bearing application number 1632620 with the Trade Mark Registry. Our Company has filed the counter-statement on Shalina on August 5, 2009.

## **VI Cases filed against our Subsidiary Company**

- A) Behram Chemicals Private Limited ("*BCPL*"), the subsidiary of our Company, has filed an Appeal (S.A. 433 to 436 of 2006) before the Sales Tax Tribunal, Mumbai against the order of the Assistant/ Deputy/ Additional Commissioner of Sales Tax for the assessment years 1996-1997, 1997-1998, 1998-1999 and 1999-2000 aggregating to Rs.28.65 lakhs. The Second bench of the Maharashtra Sales Tax Tribunal, Mumbai has passed an order dated December 15, 2008 whereby the second appeals No. 433 and 436 of 2006 relating to the periods 1996-97 and 1999-2000 are dismissed as having been withdrawn. Further the said order has partly allowed the appeals for the period 1997-98 and 1998-99 wherein the dismissal order dated January 3, 2006 for the said period has been set aside and the matters are restored on the file of the first appellate authority with the directions to decide them afresh after giving BCPL an opportunity to produce the relevant records. The order has further directed the first appellate authority to pass fresh order within a maximum period of four (4) months from the communication of the present judgement.

## **VII Other Miscellaneous Proceedings**

Our Company and our Directors have filed one application under Section 621A of the Companies Act, 1956 with the Registrar of Companies, Maharashtra at Mumbai, for compounding of non-compliance by our Company under Section 205A of the Companies Act, 1956 for non-transfer of unclaimed dividend amount to a Special Dividend Account. The Company Law Board has passed an order dated September 23, 2008 in relation to

application made under Section 621A for compounding. The non-compliance by our Company under Section 205A of the Companies Act, 1956 has been compounded on payment of Rs. 0.30 Lakhs (*Rs. 30,000*) by our Company and against Mr. Ashok Hiremath (Managing Director), Dr. P.L. Tiwari and Mr. Laxmikant Kabra (Directors of our Company) on payment of Rs. 0.01 Lakhs (*Rs. 1,000*). The payments had already been made by all the respective parties.

### **Amounts owed to small scale undertakings**

The Company does not owe any amount to small scale undertakings except amount due under normal course of business.

### **Material Developments**

No circumstances have arisen since the date of the last financial statement until the date of filing of this Red Herring Prospectus with SEBI, which materially and adversely affect or is likely to affect the operations or profitability of our Company, or value of its assets, or its ability to pay its liability within next twelve months except for:

- Sanction of short term loan by Axis Bank Limited on July 13, 2009 of Rs. 250 lakhs for 18 months;
- Sanction of term loan by State Bank of Hyderabad on July 20, 2009 of Rs. 500 lakhs for 18 months;
- Replacement of credit facilities sanctioned by The Shamrao Vithal Co-operative Bank Ltd. with the credit facilities of IDBI Bank Limited. IDBI Bank Limited sanctioned term loan of Rs. 340 lakhs and cash credit facilities (including letter of credit of Rs. 200 lakhs) of Rs. 300 lakhs.

## GOVERNMENT APPROVALS / LICENSING ARRANGEMENTS

*In view of the approvals listed below, we can undertake this Issue and our present business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake this Issue and our present business activities. It must however, be distinctly understood that in granting the above approval, the Government and the other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statement or any commitments made or opinion expressed. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.*

### **Approvals for the Issue**

- The Board of Directors has, pursuant to resolutions passed at its meeting held on February 15, 2008, authorised the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.
- The shareholders have, pursuant to a resolution dated March 10, 2008, under Section 81(1A) of the Companies Act, authorised the Issue.

### **Approvals related to the Issue**

- In-principle approval from the National Stock Exchange Limited dated October 17, 2008.
- In-principle approval from the Bombay Stock Exchange Limited dated September 23, 2008.

### **Company specific approvals**

- Certificate of Incorporation in the erstwhile name of our Company i.e., Urshila Traders Private Limited issued by the Registrar of Companies at Mumbai, Maharashtra on January 25, 1994. Our Company's Registration Number is 11-76236 of 1994 and our Corporate Identification Number is U99999MH1994PLC076236.
- The Registrar of Companies at Mumbai, Maharashtra issued a Fresh Certificate of Incorporation on August 19, 1994 pursuant to the change in the name of our Company to Astec Chemicals Private Limited.
- The Registrar of Companies at Mumbai, Maharashtra issued a Fresh Certificate of Incorporation on March 3, 2006 pursuant to a further change in the name of our Company to Astec LifeSciences Private Limited.
- The Registrar of Companies at Mumbai, Maharashtra issued a Fresh Certificate of Incorporation on April 27, 2006 pursuant to conversion of our Company to a public limited company and change of name to Astec LifeSciences Limited.
- Our Company has obtained Registration Certificate of Establishment vide registration number 760003300 under Bombay Shops and Establishments Act, 1948 for our Registered Office.
- Our Company's Permanent Account Number is AAACA4832D.
- Our Company has been allotted Tax Deduction Account Number (TAN) MUMA20370A by the Income Tax Department on May 17, 2004.

- Our Company has been enrolled as an Employer under the Maharashtra State Tax on Professions, Trades, Callings and Employment Act, 1975 and a Certificate of Enrollment number PT/E/1/1/21/18/10292 issued by the Sales Tax Officer, Mumbai on October 20, 1994.
- Our Company has obtained Certificate of Registration number MH01V669158 under Section 16 of the Maharashtra Value Added Tax Act, 2002 dated April 1, 2006 from Department of Sales Tax, Government of Maharashtra and our Taxpayer Identification Number (TIN) is 27270386878V. The TIN allotted is for our registered office and additional places of business being our units B-16 and B-17, Mahad and unit F-39, Dombivli.
- Our Company has obtained Certificate of Registration number MH01C068927 under The Central Sales Tax (Registration & Turnover Rules), 1957 dated April 1, 2006 from Sales Tax Officer, Government of Maharashtra and the Taxpayer Identification Number (TIN) (Central) allotted to us is 27270386878C. The TIN allotted is for sale/ resale of pharmaceutical intermediates, organic chemicals, agro chemicals and intermediates from our registered office and additional places of business being our units B-16 and B-17, Mahad and unit F-39, Dombivli.
- Our Company's Importer Exporter Code issued by the Foreign Trade Development Officer on July 18, 1994 is 0394035402.
- Our Company has obtained registration under the E.P.F. & Misc. Provisions Act, 1952 in our erstwhile name viz. Astec Chemicals Private Limited and has been allotted Establishment Code Number MH-97881. Our Company has made an application dated July 1, 2008 to the Regional Provident Fund Commissioner, Thane for taking on record the present name of our Company. The same was taken on record by the concerned authority.
- Our Company has been allotted Employer's Code Number 31-52210-31 under the Employee's State Insurance Act, 1948 in our erstwhile name viz. Astec Chemicals Private Limited. Our Company vide letter dated July 2, 2008 has requested the authority for taking on record the present name of our Company.-The same was taken on record by the concerned authority.
- Our Company's quality management systems at our units have been assessed to be in compliance with the requirements of ISO 9001:2000 for the design, development, manufacture and supply of organic chemicals and intermediates for pharmaceutical and agrochemical industry and certified under the registration number QAC/R91/0305 by International Standards Certifications Pty. Ltd on June 3, 2008. This registration is valid up to March 22, 2011.
- Our Company has obtained Registration-cum-Membership Certificate from Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council, Mumbai. Our Company has been registered vide registration number CHEM/SSM/A7/09-10/9067 as manufacturer-exporter for exporting basic organic & inorganic chemicals including pharma & agrochemicals (Tech & Formulation). This certificate has been renewed on April 15, 2009 and is valid up to March 31, 2014.

### ***Unit specific approvals***

#### **B-16 at Mahad**

- Our Company has obtained factory license for our manufacturing units located at plot nos. B-16 and B-17 bearing license number 092103 and registration number Raigad/2(m)(i), 2411-24119. The license has been renewed on February 6, 2007 and is valid up to December 31, 2010.
- Our Company has renewed Consent to Operate number BO/RORAIGAD/PCI-I/EIC-930-08/R/CC-152 dated August 2, 2008 from the Maharashtra Pollution Control Board under the provisions of Section 26 of the Water (Prevention & Control of Pollution) Act, 1974 & under Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 and Authorization/ Renewal of Authorization under Rule 5 of the Hazardous Wastes (Management & Handling) Rules, 1989 and Amendment Rules, 2003 for our manufacturing unit located at plot no. B-16 at MIDC, Mahad. This consent has expired on December 31, 2008. Our Company has made an application to the Sub-Regional Officer, MPCB vide letter dated June 15, 2009 for renewal of the said consent.
- Our Company has obtained Certificate of Registration number ACL/Raigad/CLA/RC/-31/06 issued under Section 7(2) of the Contract Labour (Regulation and Abolition) Act, 1970 for our unit at B-16, Mahad by the Registering and Licensing authority under Contract Labour (R&A) Act, Raigad District. As per the certificate, the maximum number of labourers which can be employed on any day through the contractors as specified therein shall not exceed 57. The certificate has expired on December 31, 2008. Our Company has made an application to the Assistant Commissioner of Labour vide letter dated April 3, 2009 for renewal of the said license.
- Our Company has received a letter in the form of Exemption Certificate dated December 28, 2007 from Dy. Director of Steam Boilers, Maharashtra State, Mumbai certifying that the steam generator at B-16, Mahad was not a boiler as defined under Section 2(b) of the Indian Boiler Act, 1923, and therefore the office had no objection in the operation of the steam generator in this Unit. This Exemption Certificate shall stand cancelled if any change was carried out in the existing set up of the steam generator. Our Company vide letter dated July 2, 2008 has requested the authority for rectifying the exemption certificate as the unit for which no objection is granted has been inadvertently mentioned in the letter as B-17 instead of B-16.
- Our Company has obtained Central Excise Registration Certificate number AAACA4832DXM003 for manufacturing of excisable goods at B-16 issued by the Assistant Commissioner of Central Excise, Mahad Division on August 21, 2007.
- Our Company has obtained licence number 0308/00026/M/T to manufacture insecticides from Licensing Authority, Divisional Joint Director of Agriculture, Konkan Division, Thane. Under the licence, our Company is authorized to sell, stock or exhibit for sale or distribute by retail, insecticides from our unit B-16, Mahad. The licence is valid up to June 1, 2010.
- Our Company has obtained Certificate of Registration for the unit B-16, MIDC, Mahad under Section 69 of the Finance Act, 1994 from the Office of the Superintendent of Central Excise, Customs and Service Tax, Navi Nagar, Mahad on December 7, 2007. The Registration Number is RAIGAD/MHD/R-II/ST-47/GTA/07-08 for payment of Service Tax on Services of Good Transport Agency.

- Our Company has been registered for unit B-16 as member of CHW-TSDF at MIDC, Taloja for safe and secure disposal of Hazardous Waste by the Mumbai Waste Management Limited. The registration number allotted is MWML-HzW-MHD 2676.

#### **B-17 at Mahad**

- The factory license for B-17 is common with the one mentioned hereinabove for B-16. The license has been issued on February 6, 2007 and is valid up to December 31, 2010.
- Our units B-17, B-18 and B-21 have been registered under permanent registration number 111202051 as a SSI unit by the General Manager, District Industries Centre, Raigad-Alibag. The Certificate of Registration has been issued on April 27, 2006 in our erstwhile name viz. Astec Chemicals Private Limited. However, our Company by a letter dated June 23, 2008 to the Director of Industries, District Industries Centre, Raigad-Alibad, has made an application surrendering the SSI registration for our units B-17, B-18 and B-21, MIDC, Mahad. An application has been made on July 8, 2008 by our Company to the relevant authority to register units B-17, B-18 and B-21 as a medium scale unit.
- Our Company has obtained licence number P/HQ/MH/15/5708(P165357) in our erstwhile name viz. Astec Chemicals Private Limited to import and store petroleum of the classes and quantities as specified at plot nos. B-17, B-18 and B-21, M.I.D.C, Mahad from Chief Controller of Explosives. This license is valid up to December 31, 2011. Our Company has made an application dated June 23, 2008 to the Controller of Explosives, Petroleum & Safety Organisation (PESO), Nagpur for incorporating the present name of our Company in the license and the same was taken on record.
- Our Company has obtained Consent to Operate number BO/PCI-I/Raigad 32/R/CC-119 dated October 13, 2005 in our erstwhile name viz. Astec Chemicals Private Limited from Maharashtra Pollution Control Board under the provisions of Section 26 of the Water (Prevention & Control of Pollution) Act, 1974 & under Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 and Authorization/ Renewal of Authorization under Rule 5 of the Hazardous Wastes (Management & Handling) Rules, 1989 and Amendment Rules, 2003 for our manufacturing unit located at plot no. B- 17, MIDC, Mahad. This Consent is valid up to June 30, 2010. Our Company has vide application dated June 23, 2008 to the Maharashtra Pollution Control Board, Navi Mumbai has requested the authority for taking on record the present name of our Company.
- Our Company has obtained Certificate of Registration for our unit located at plot no. B-17, MIDC, Mahad under Section 69 of the Finance Act, 1994 from the Superintendent, Central Excise, Customs and Service Tax, Mahad, Raigad. The Service Tax Code Number for payment of Service Tax on Services of Transport of Goods by Road and Business Auxiliary Services is AAACA4832DST002.
- Our Company has obtained Certificate of Registration number ACL/Raigad/CLA/RC/-30/06 issued under Section 7(2) of the Contract Labour (Regulation and Abolition) Act, 1970 for our units B-17, B-18 and B-21 Mahad by the Registering and Licensing authority under Contract Labour (R&A) Act, Raigad District. As per the certificate, the maximum number of labourers

which can be employed on any day through the contractors must not exceed 57. The certificate has expired on December 31, 2008. Our Company has made an application vide letter dated April 3, 2009 to the Assistant Commissioner of Labour for renewal of the said license.

- Our Company has received a letter in the form of Exemption Certificate dated January 1, 2008 from Dy. Director of Steam Boilers, Maharashtra State, Mumbai certifying that the steam generator installed at plot no. B-17, Mahad was not a boiler as defined under Section 2(b) of the Indian Boiler Act, 1923, and therefore the office has no objection on our Company operating the steam generator in our unit B-17. This Exemption Certificate shall stand cancelled if any change is carried out by our Company in the existing set up of the steam generator.
- Our Company has obtained licence number 0308/00026/M/T to manufacture certain insecticides from Licensing Authority, Divisional Joint Director of Agriculture, Konkan Division, Thane. Under the licence, our Company is authorized to sell, stock or exhibit for sale or distribute by retail, the insecticides from our unit B-17, Mahad. The licence is valid up to June 1, 2010.
- Our Company has obtained licence number 118/2008 to acquire, store and consume solvent, raffinate and slop under the Maharashtra Solvents Raffinate and Slop (Licensing) Order, 2007 at our units B-17, B-18 and B-21, Mahad from Additional Collector, Raigad, Alibag. Our Company has renewed the license on July 23, 2009 and is now valid upto April 16, 2011.
- Our Company has obtained Green Card number 01833 from Joint Development Commissioner, Ministry of Commerce, SEEPZ SEZ. The green card is valid up to March 31, 2010.
- Our unit B-17 has been registered as a member of CHW-TSDF at MIDC, Taloja for safe and secure disposal of Hazardous Waste by the Mumbai Waste Management Limited. The registration number allotted to our Company is MWML-HzW-MHD 2033 and the registration is valid up to March 31, 2010.
- Our Company has obtained Central Excise Registration Certificate number AAACA4832DXM002 for operating an export oriented undertaking (EOU) at plot no. B-17, Mahad from the Assistant Commissioner of Central Excise, Mahad issued on August 24, 2007.

#### **F-39 at Dombivli**

- Our Company has renewed factory license from the Officer of Industrial Security and Health dated July 14, 2008 for our unit F-39 bearing license number 61872 and registration number Kalyan/24231/69-A. The license is valid up to December 31, 2011.
- Our Company has received consent from the Fire Officer, Kalyan Dombivli Municipal Corporation for storage of chemicals at our unit located at plot no. F-39, Dombivli on May 8, 2008. This consent has expired on March 31, 2009. Our Company has renewed the consent on April 2, 2009 and is now valid upto March 31, 2010.
- Our Company's unit located at plot no. F-39, Dombivli has been categorized as a small unit and allocated Entrepreneurs Memorandum Number 270211200607 for manufacturing certain products on May 5, 2007 by the Manager, District Industries Centre, Thane.

- Our Company has renewed Consent to Operate number BO/ROKalyan/PCI-I/EIC-1731-08/R/CC-153 dated August 2, 2008 from Maharashtra Pollution Control Board under the provisions of Section 26 of the Water (Prevention & Control of Pollution) Act, 1974 & under Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 and Authorization/ Renewal of Authorization under Rule 5 of the Hazardous Wastes (Management & Handling) Rules, 1989 and Amendment Rules, 2003 for our manufacturing unit located at plot no. F- 39 at MIDC, Dombivli. This consent has expired on December 31, 2008. Our Company has made an application vide letter dated June 20, 2009 for renewal of the said consent.
- Our Company's in-house Research & Development unit located at F-39, MIDC Phase II, Dombivli, Thane has been accorded recognition by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India, New Delhi vide letter number TU/IV-RD/2704/2007 dated October 19, 2007. The recognition is valid up to March 31, 2010.
- Our Company's unit located at F-39, Dombivli has been registered as a member of the Dombivli Common Effluent Treatment Plant. The membership certificate has expired on March 31, 2009. Our Company has obtained a fresh membership certificate from Dombivli Common Effluent Treatment Plant on April 12, 2009 which is now valid up to March 31, 2010.
- The Service Tax Code Number for payment of Service Tax on services of Goods Transport Agency Services is AAACA4832DST001 and the registration number is ST/MUM/DIV-VI/GTA/322/TG-I/04-05.
- Our Company has obtained Central Excise Registration Certificate number AAACA4832DXM001 for manufacturing of excisable goods at our unit F-39 from Assistant Commissioner of Central Excise, Kalyan on December 1, 2006.

#### **Dealer Licences:**

##### **Ludhiana:**

- Our Company has obtained Central Excise Registration Certificate number AAACA4832DXD003 in our erstwhile name viz. Astec Chemicals Private Limited for operating as a dealer of excisable goods at SCF 82, New Grain Market, Near Jalandhar Bye-pass Chowk, Ludhiana, Punjab 141008 from Assistant Commissioner of Central Excise, Ludhiana on June 25, 2004. Our Company vide letter dated July 11, 2007 has requested for taking on record the present name of our Company. The same was taken on record by the concerned authority.
- Our Company has obtained licence number LCPP/ADO-5/531 in our erstwhile name viz. Astec Chemicals Private Limited to sell, stock, exhibit for sale or distribute by retail insecticides from the Deputy Director, Locust Control & Plant Protection, Punjab for our premises located at 82, New Grain Market, Near Jalandhar Bypass, Ludhiana. The licence has been issued on December 29, 2006 and has now been renewed on December 31, 2008 for a validity upto March 31, 2010. Our Company vide their letter dated August 6, 2009 has requested for the change in the present registered office of our Company.

- Our Company has obtained Certificate of Registration under Section 7(1)/ 7(2) of the Central Sales Tax Act, 1956 dated July 11, 2007 for our principal place of business within the State of Punjab located at SCF 82, New Grain Market, Near Jalandhar Bye-pass Chowk, Ludhiana, Punjab 141008 for resale of insecticides and pesticides from Assistant Collector, First Grade, Ludhiana and the Taxpayer Identification Number (TIN) (Central) allotted to our Company is 03341136027.

#### **Hyderabad & Baroda:**

Our Company has closed its depots / godowns located at Hyderabad and Baroda with effect from April 1, 2009.

#### **Approvals for which applications are made and are pending:**

One of the Objects of this Issue is to expand our Company's manufacturing facilities at our unit B-18 for which applications shall be made by our Company with the concerned government authorities at an appropriate time. We have received / applied following approval / consents:

- Our Company has made an application dated June 27, 2008 to the Office of the Regional Officer, Maharashtra Industrial Development Corporation, Mahad, Dist. Raigad for obtaining its consent for change in activity from non-manufacturing to manufacturing in our unit at plot no. B-18, Mahad. Our Company has received the said consent vide letter dated January 7, 2009 to operate for manufacture of our product "Pantenediol" at our Unit B-18 at MIDC, Mahad subject to clearance from Maharashtra Pollution Control Board and obtaining membership from CETP as per usual norms before starting the commercial production.
- Our Company has made an application dated June 27, 2008 to Sub Regional Office, Maharashtra Pollution Control Board, MIDC, Mahad, District Raigad for obtaining Consent to Operate for manufacturing of our product at our Unit B-18 at MIDC, Mahad.

Our Company shall require the following licenses and registrations for the proposed expansion of the manufacturing facilities at unit B-18:

- a. 100% EOU – Green card
- b. Factory License
- c. Consent from the Dy. Director of Steam Boilers, Maharashtra State, Mumbai under the Indian Boilers Act, 1923
- d. No Objection Certificate from MIDC for construction of new facility at plot no. B-18
- e. Consent for water supply from MIDC
- f. Consent for electricity supply from Maharashtra State Electricity Distribution Company Limited
- g. Central Excise Registration
- h. Service Tax Registration
- i. Registration with Mumbai Waste Management Limited
- j. Membership of Common Effluent Treatment Plant established by the MMA-CETP Co-op Housing Society Limited in Mahad Industrial Area for the treatment and disposal of effluent.

## SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

The Issue of Equity Shares in the Issue by the Company has been authorised by the resolution of the Board of Directors passed at their meeting held on February 15, 2008 subject to the approval of shareholders through a special resolution is to be passed pursuant to Section 81(1A) of the Companies Act, 1956. The shareholders approved the issue at the Extra Ordinary General Meeting of the Company held on March, 10 2008.

### Prohibition by SEBI

Neither the Company, nor its Promoters, its Directors, its Subsidiary, any of its Promoter Group Entities, and the companies or entities with which Directors of the Company are associated, as directors or promoters, have been prohibited from accessing or operating in the capital market or restrained from buying, selling or dealing in securities under any order or directions passed by SEBI.

None of the Promoters, their relatives, the Company, its Subsidiary, its Directors or the Promoter Group are detained as wilful defaulters by RBI/Government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past.

### Eligibility for the Issue

Our Company is eligible for the Issue as per Regulation 26(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as confirmed by the Auditors of our Company:

- Our Company has net tangible assets of atleast Rs. 300.00 lakhs in each of the 3 preceding full years (of 12 months each) of which not more than 50% is held in monetary assets.
- Our Company has had a pre-issue net worth of not less than Rs. 100.00 lakhs in each of the three preceding full years (of 12 months each).
- Our Company has had a track record of distributable profits as per Section 205 of the Companies Act, 1956, for atleast three out of the immediately preceding five years.
- The proposed issue size would not exceed five (5) times the pre-issue net worth of our Company as per the audited accounts for the year ended March 31, 2008.
- Our Company has not changed its name within the last one year.

The net tangible assets, monetary assets, distributable profits and net worth as derived from the restated financial statements prepared in accordance with SEBI (ICDR) Regulations, for the last five financial years is set forth below:

| (Rs in Lakhs)       |         |         |         |         |         |
|---------------------|---------|---------|---------|---------|---------|
| Financial Year      | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
| Net Tangible Assets | 7574.70 | 5555.15 | 3874.48 | 2602.87 | 1081.51 |
| Monetary Assets     | 105.22  | 153.51  | 117.23  | 89.20   | 37.78   |

|                                                        |         |         |         |        |        |
|--------------------------------------------------------|---------|---------|---------|--------|--------|
| Monetary Assets as a Percentage of Net Tangible Assets | 1.39    | 2.76    | 3.02    | 3.43   | 3.49   |
| Distributable Profits                                  | 1072.39 | 793.30  | 362.37  | 344.00 | 141.35 |
| Net Worth                                              | 3051.14 | 2137.61 | 1442.32 | 999.74 | 559.99 |

- (1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities).
- (2) Monetary assets include cash on hand and bank.
- (3) The distributable profits of the company as per section 205 of the Companies Act has been calculated from the restated Financial Statements.
- (4) Net Worth includes equity share capital and reserves (net off miscellaneous expenditure not written off, if any)

In addition, we shall ensure that number of allottees getting Equity Shares is not less than one thousand in number.

#### **SEBI Disclaimer clause**

AS REQUIRED, A COPY OF THIS DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ALMONDZ GLOBAL SECURITIES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, ALMONDZ GLOBAL SECURITIES LIMITED IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGE THEIR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, ALMONDZ GLOBAL SECURITIES LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 11, 2009 WHICH READS AS FOLLOWS:

- "1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING

TO THE SAID ISSUE;

2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER,

WE CONFIRM THAT:

- (A) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - (B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE, AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED / ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
  - (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.
  4. WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
  5. WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED OR SOLD OR TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.
  6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS' CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATIONS HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.
  7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM

THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. - NOT APPLICABLE.

8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.
10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. NOT APPLICABLE- AS THE ISSUE SIZE IS MORE THAN RS. 1000 LAKHS, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT ONLY.
11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:
  - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND
  - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.
14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK

**FACTORS, PROMOTERS EXPERIENCE, ETC.**

- 15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY."**

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER, RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.**

**ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, MAHARASHTRA IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956.**

**Disclaimer from the Issuer Company, the Book Running Lead Manager and Co-BRLM**

The Company, its Directors, the Book Running Lead Manager and Co-BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisement or any other material issued by or at its instance and that anyone placing reliance on any other source of information would be doing so at his or her own risk.

The BRLM and Co-BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Book Running Lead Manager, Almondz Global Securities Limited and our Company dated July 4, 2008; the Co-Book Running Lead Manager, IDBI Capital Market Services Limited and our Company dated August 21, 2009 and the Underwriting agreement to be entered into between the Underwriters and our Company.

All information shall be made available by the BRLM, Co-BRLM and the Company to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including road show presentations, research or sales reports or at collection centres or elsewhere.

Neither the Company nor BRLM or Co-BRLM or Syndicate Members or SCSB shall be liable to the Bidders for any failure in downloading the bids due to faults in any software/ hardware system or otherwise.

*Note: The process of bidding through the ASBA process by ASBA Investors under the SEBI Circular dated July 30, 2008 may be subject to change from time to time which may either be of a clarificatory nature or otherwise and ASBA Investors are advised to make their own judgment about investment through this process prior to submitting a Bid-cum-ASBA Form to a SCSB.*

**Caution**

Investors that bid in this Issue will be required to confirm and will be deemed to have represented to the Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares. The Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

**Disclaimer in respect of jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India), who are majors, HUF, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to NRIs on non-repatriable basis and FIIs and sub-account registered with SEBI other than a sub-account which is a foreign corporate or foreign individual. This Red Herring Prospectus does not, however, constitute an Issue to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes into is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public offering in any jurisdiction where permission would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Red Herring Prospectus has been filed with RoC as per the provisions of the Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act ("the Securities Act") or any state securities laws in the United States and may not be issued or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Accordingly, the Equity Shares are only being issued and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those issues and sales occur.

**Disclaimer clause of Bombay Stock Exchange limited (BSE, the Designated Stock Exchange)**

Bombay Stock Exchange Limited (the Exchange) has given vide its letter dated September 23, 2008 permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

**Disclaimer clause of the National Stock Exchange of India Limited (NSE)**

As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref: NSE/LIST/87702-V dated October 17, 2008, permission to the Issuer to use the Exchange's name in this Offer Document as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised this Draft Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; nor does it warrant that this Issuers securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoter, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever

**Disclaimer clause of CARE for IPO Grading**

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be

accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

### **Filing**

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, SEBI Bhavan, Plot No. C-4A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai- 400 051, Maharashtra.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the ROC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC situated at Registrar of Companies, 100, Everest, Marine Lines, Mumbai - 400 002.

### **Listing**

The initial listing applications have been made to Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company. The Bombay Stock Exchange Limited (BSE) will be the Designated Stock Exchange.

In case the permission for listing of the Equity Shares and for official quotation of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Red Herring Prospectus and if such money is not repaid within eight days after the day from which the Issuer becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from the expiry of 8 days, be jointly and severally liable to repay the money with interest prescribed under Section 73 of the Companies Act 1956.

The Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalization and adoption of the basis of allotment for the Issue.

### **Consents**

Consents in writing of Directors, the Company Secretary, Compliance Officer, the Statutory Auditors, Bankers to the Company, Book Running Lead Manager to the Issue, Co-Book Running Lead Manager to the Issue, Registrars to the Issue, Escrow Bankers / Bankers to the Issue, Syndicate Members, and Legal Advisors, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, as required under Sections 60 of the Companies Act, 1956 and such consents have not

been withdrawn up to the time of delivery of a copy of the Red Herring Prospectus, for registration with the Registrar of Companies, Maharashtra at Mumbai.

M/s. P. M. Kathariya & Co., Statutory Auditors, have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Red Herring Prospectus and also tax benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the Registrar of Companies, Maharashtra at Mumbai.

#### **Expert opinion**

No opinion of any expert has been obtained by the Company, except that of M/s. P. M. Kathariya & Co., Statutory Auditors of the Company and M/s. Rajani Associates, Advocates and Solicitors, Legal Advisors to the Issue.

#### **Public issue expenses\***

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

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

\* Will be incorporated after finalization of Issue Price

#### **Fees payable to the BRLM, Co-BRLM, underwriting, brokerage and selling commission**

The total fees payable to the BRLM and Co-BRLM including brokerage and selling commission for the Issue will be as per their respective engagement letter(s) dated July 3, 2008 and August 18, 2009 is available for inspection at the Registered Office of the Company.

#### **Fees payable to the Registrar to the Issue**

The total fees payable to the Registrar to the Issue will be as per the Memorandum of

Understanding executed between the Company and the Registrar dated February 27, 2008 copy of which is available for inspection at the Registered Office of the Company.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) or allotment advice by registered post or speed post or under certificate of posting.

**Previous public and rights issues**

The Company has not made any public or rights issue since its inception.

**Previous issues of shares otherwise than for cash**

The Company has not issued shares for consideration other than for Cash, except as stated in the title "Capital Structure" on page no. 21 of this Red Herring Prospectus.

**Commission and brokerage paid on previous issues**

Since this is the initial public issue of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of Equity Shares of the Company since its inception.

**Details of capital ssue made during last three years in regard to the Issuer Company and other listed companies under the same management within the meaning of section 370(1)(b) of the Companies Act, 1956.**

There have been no capital issues during last 3 years by our Company and other listed companies under the same management within the meaning of Section 370(1)(B) of the Act at present or during the last three years.

**Option to subscribe**

Equity Shares being issued through this Red Herring Prospectus can be applied for in Dematerialized form only.

**Promise vis-à-vis performance**

Our Company has not made any Issue.

**Listed ventures of promoter**

Our promoter does not have any listed ventures.

**Outstanding debentures, bonds, redeemable preference shares or other instruments**

As on the date of filing of the Draft Red Herring Prospectus with SEBI, Our Company does not have any outstanding debentures, bonds, redeemable preference shares or other instruments.

**Stock market data for equity shares of the company**

This being the Initial Public Issue of Astec LifeSciences Limited, the Equity Shares of the Company are not listed on any stock exchange.

**Mechanism for redressal of investor grievances**

We have appointed Bigshare Services Private Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with Compliance Officer of our Company. All grievances relating to the present issue may be addressed to the Registrars to the Issue, with a copy to the

Compliance Officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and Bidder/Bank branch where the application was submitted. Our Company will monitor the work of the Registrars to the Issue to ensure that the grievances are settled expeditiously and satisfactorily.

All grievances relating to the ASBA process may be addresses to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the Bid cum Application Form was submitted by the ASBA Bidders.

#### **Disposal of investor grievances**

Bigshare Services Private Limited, the Registrars to the Issue, or the SCSBs in case of ASBA Bidders, will handle investor grievances pertaining to the Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to our Company. Our Company would also be coordinating with Registrar to the Issue in attending to the grievances of the investors. Our Company assures that the Board of Directors, in respect of the complaints, if any, to be received, shall adhere to the following schedules:

| <b>Sr. No.</b> | <b>Nature of Complaint</b>                      | <b>Time Taken</b>                                                                      |
|----------------|-------------------------------------------------|----------------------------------------------------------------------------------------|
| 1.             | Non-receipt of refund                           | Within 7 days of receipt of complaint, subject to production of satisfactory evidence. |
| 2.             | Change of Address notification                  | Within 7 days of receipt of Information                                                |
| 3.             | Any other complaint in relation to Public Issue | Within 7 days of receipt of complaint with all relevant details                        |

We have appointed Ms. Nikita Jain, as Compliance Officer who would directly deal with SEBI with respect to implementation /compliance of various laws, regulations and other directives issued by SEBI and matters related to investor Complaints. The investor may contact the Compliance Officer in case of any pre issue/post issue related problems. The Compliance Officer can be contacted at the following address:

**Ms. Nikita Jain**

**Astec LifeSciences Limited**

5-5A, 4<sup>th</sup> Floor,

Kamanwala Chambers,

Sir P.M.Road,

Mumbai – 400 001

Maharashtra, India.

Tel. No.: +91-22-2261 8212-13;

Fax No.: +91-22-2261 8289;

E-mail: [ipo@astecls.com](mailto:ipo@astecls.com); [nikita@astecls.com](mailto:nikita@astecls.com)

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

#### **Changes in Auditors**

There has been no change in the Auditors of the Company during the last three years

**Capitalization of reserves or profits (during the last five years)**

The Company has not capitalized its profits or reserves at any time except as stated in the section titled “Financial Statement” and “Capital Structure” on page no. 129 and 21 of this Red Herring Prospectus.

**Revaluation of assets (during the last five years)**

The Company has not revalued its assets during the last five years.

## **SECTION VIII: ISSUE RELATED INFORMATION**

### **TERMS OF THE ISSUE**

The Equity Shares being issued are subject to the provisions of the Companies Act, our Company's Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government, Stock Exchanges, FIPB, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### **Ranking of Equity Shares**

The Equity Shares being issued shall be subject to the provisions of Memorandum and Articles of Association of our Company and shall rank pari-passu in all respects with the existing Equity Shares of our Company including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of allotment.

#### **Mode of payment of Dividend**

Our Company shall pay dividend to its shareholders as per the provisions of the Companies Act, 1956, if recommended by our board and declared at its general meeting.

#### **Face Value and Issue Price**

The Equity Shares with a face value of Rs. 10/- each are being issued in terms of this Red Herring Prospectus at a Issue Price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

#### **Rights of the Equity Shareholders**

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public Company under the Companies Act and Memorandum and Articles of Association of our Company.

For a detailed description of the main provisions of Articles of Association of our Company dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on "Main Provisions of Articles of Association of the

Company” on page no. 239 of this Red Herring Prospectus.

### **Market lot and trading lot**

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. As per existing SEBI (ICDR) Regulations, the trading of Equity Shares of our Company shall be in dematerialised form only. Since trading of Equity Shares of the Company is compulsorily in dematerialized mode, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Shares subject to a Minimum Allotment of 75 Equity Shares.

### **Nomination facility to the investor**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any Person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the Registrar or Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If an investor needs to change the nomination, they are requested to inform their respective depository participant.

### **Minimum Subscription**

If the Company does not receive the minimum subscription of 90% of the net Issue to the public, including devolvement of Underwriters, within 60 days from the date of closure of the Issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond

eight days after the Company become liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act, 1956.

#### **Arrangements for disposal of odd lots**

Since the market lot for Equity Shares of the Company will be one, no arrangements for disposal of odd lots are required.

#### **Restriction on Transfer of Shares**

There are no restrictions on transfer and transmission of shares / debentures and on their consolidation and splitting except as provided in our Articles. Please see section "Main Provisions of Articles of Association" on page no. 239 of this Red Herring Prospectus.

#### **Withdrawal of the issue**

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime before the Bid/Issue Opening Date, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. If the Company does not receive minimum subscription of 90% of the Issue size, including devolvement of the members of the syndicate, the Company shall forthwith refund the entire subscription amount received. In case, the Company receives minimum subscription but wishes to withdraw the Issue after Issue Opening but before allotment, the Company will give public notice giving reasons for withdrawal of Issue. The public notice will appear in an English national newspaper, a Hindi national newspaper and one regional language (Marathi) newspaper with wide circulation.

#### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, Maharashtra India.

## ISSUE PROCEDURE

### **Book Building Procedure**

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Net Issue shall be allotted on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

### ***The ASBA Process***

### **Supplementary process of applying in public issues through Bid cum Applications Supported by Blocked Amount for certain eligible Retail Individual Investors, who qualify as ASBA Investors**

*Note: The process of bidding through the ASBA process by ASBA Investors under the SEBI Circular dated July 30, 2008 may be subject to change from time to time which may either be of a clarificatory nature or otherwise and ASBA Investors are advised to make their own judgment about investment through this process prior to submitting a Bid-cum-ASBA Form to a SCSB.*

In addition to the current process of applying through Bid-cum-Application Forms, wherein a cheque is used as a mode of payment, SEBI, by its circular no. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008 has introduced an optional and supplementary process for applying in public issues by ASBA Investors, viz. the Application Supported by Blocked Amount ("**ASBA**"), containing an authorisation to block the application money in a bank account held with a Self Certified Syndicate Bank (SCSB).

Only those Retail Individual Bidders who qualify as ASBA Investors are eligible to submit their Bids through the ASBA process. Investors other than ASBA Investors are required to follow the process as mentioned under Bid-cum-Application Form beginning on page no. 202 of the Red Herring Prospectus.

### ***Who can Bid as an ASBA Investor?***

- a. is a "Resident Retail Individual Investor";
- b. is bidding at cut-off, with single option as to the number of shares bid for;
- c. is applying through blocking of funds in a bank account with the SCSB;
- d. has agreed not to revise his/her bid;
- e. is not bidding under any of the reserved categories

An ASBA Investor shall only use a Physical Bid-cum-Application form Supported by Blocked Amounts ("**Physical Bid Cum ASBA Form**") or Electronic Bid-cum-Application form Supported by Blocked Amounts ("**Electronic Bid Cum ASBA Form**") and collectively ("**Bid Cum ASBA Form**") available with the SCSB which shall be submitted either physically or electronically as the case may be through the internet banking facility, to the Designated Branches ("**DB**") of the SCSB with whom the bank account to be blocked, is maintained by such ASBA Investor.

SCSB is a bank, registered under the SEBI (Bankers to the Issue) Regulations 1996, which offers the facility of applying through the ASBA process and has its name included in the SEBI's list of SCSBs displayed on its website at [www.sebi.gov.in](http://www.sebi.gov.in). Bid-cum-ASBA forms can be accepted only by SCSBs.

A SCSB shall identify its DBs at which an ASBA investor shall submit the bid-cum-ASBA forms and shall also identify the CB which shall act as a coordinating branch for the Registrar to the Issue, Stock Exchanges and BRLM and Co-BRLM. The SCSB may identify new DBs for the purpose of ASBA process and intimate details of the same to SEBI, after which SEBI will add the DB to the list of SCSBs maintained by it.

The ASBA investor should ensure that it has a Savings Account with the DB, to be eligible for making an application through ASBA. The Investor should check the SEBI website, [www.sebi.gov.in](http://www.sebi.gov.in), for details of the DBs.

*A soft copy of the Abridged Prospectus would also be made available on the website of the SCSB, along with the Electronic Bid Cum ASBA Form, so as to enable an ASBA Investor to confirm that he/she has read and understood the terms and conditions of the Abridged Prospectus, before applying in the Issue.*

### **Bid-cum-ASBA Form**

The prescribed colour of Physical Bid-cum-ASBA Form is Green.

The BRLM and Co-BRLM shall ensure that adequate arrangements are made to circulate copies of the Red Herring Prospectus and Bid cum ASBA Form to the SCSBs and the SCSBs will then make available such copies to investors applying under the ASBA process. Additionally, the BRLM and Co-BRLM shall ensure that the SCSBs are provided with soft copies of the abridged prospectus and the Bid cum ASBA Form and that the same are made available on the websites of the SCSBs, Stock Exchange(s), BRLM, Co-BRLM and Syndicate Members.

ASBA Bidders, under the ASBA process, who would like to obtain the Red Herring Prospectus and/or the Bid cum ASBA Form can obtain the same from the Designated Branches of the SCSBs or the BRLM or Co-BRLM. ASBA Bidders can also obtain a copy of the abridged prospectus and/or the Bid-cum-ASBA Form in electronic form on the websites of the SCSBs.

An ASBA Investor shall only use the Bid-cum-ASBA Form for making a Bid in terms of the Red Herring Prospectus which shall be submitted either electronically or physically to the SCSB with whom the bank account to be blocked is maintained. The ASBA Investor shall have only one option as to the number of Equity Shares Bid for. The SCSB shall give an acknowledgement specifying the application number to the ASBA Investor as proof of having accepted the Bid in physical or electronic form. The SCSB shall then block the application money in the bank account of such ASBA.

Investor held with the SCSB specified in the Bid-cum-ASBA Form, on the basis of an authorisation to this effect given by the ASBA Investor and thereafter upload the Bid Cum ASBA in the electronic bidding system of the Stock Exchange. In case sufficient funds are not available in the account of the ASBA Investor, SCSB shall reject the Bid cum ASBA and shall not upload such Bids with the Stock Exchanges.

Upon completing and submitting the Bid-cum-ASBA Form to a SCSB, either electronically or physically, as has been elaborated hereinbelow, the ASBA Investor is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-ASBA Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the ASBA Investor.

### **Method and Process of Bidding for ASBA Investors**

1. An ASBA Investor, shall submit a completed Bid –cum- ASBA Form to a SCSB, with whom the bank account to be blocked, is maintained, by either submitting the Bid-cum-ASBA Form physically with the Designated Branches of the SCSB or submit the Bid-cum-ASBA Form electronically through the internet banking facility offered by the SCSB. In case of an electronic upload of the Bid-cum-ASBA Form, the ASBA Investor himself shall fill in all the abovementioned details, except the application number which shall be system generated.
2. The SCSB shall give an acknowledgement specifying the application number to the ASBA investor, as a proof of having accepted his/ her ASBA in a physical or electronic mode.
3. After accepting an ASBA, the SCSB shall block funds available in the bank account specified in the physical & electronic ASBA, to the extent of the application money specified in the ASBA; only thereafter the SCSB shall capture/upload the following details in the electronic bidding system provided by the Stock Exchanges:
  - Name of the Bidder(s);
  - Application Number;
  - Permanent Account Number;
  - Number of Equity Shares Bid for;
  - Depository Participant identification No.; and
  - Client identification No. of the Bidder's beneficiary account.
4. In case of an electronic upload of the Bid-cum-ASBA Form, the SCSB shall thereafter upload all the abovementioned details in the electronic bidding system provided by the Stock Exchange(s).
5. The SCSB shall generate a Transaction Registration Slip/ order number, confirming upload of ASBA details in the electronic bidding system of the Stock Exchanges. The Transaction Registration Slip number shall be given to the ASBA investor as a proof of uploading the details of ASBA, only on demand.
6. The SCSB shall also ensure that the amount blocked by it in the bank accounts specified in the Bid-cum-ASBA form shall be available at all times for giving to the Issuer at the time of finalization of allotment.

### **Mode of Payment**

Upon submission of an Bid cum ASBA Form with the SCSB, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block the entire Bid Amount and authorized the Designated Branch of the SCSB to block the Bid Amount, in the bank account maintained with the SCSB.

Bid Amounts paid in cash, by money order or by postal order or by stockinvest, or Bid cum ASBA Form accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the SCSB bank accounts, shall not be accepted.

After verifying that sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the Bid cum ASBA Form till the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Bidders from the respective ASBA Account, in terms of the SEBI (ICDR) Regulations, into the ASBA Public Issue Account. The balance amount, if any against the said Bid in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue.

The entire Bid Amount, as per the Bid cum Application Form submitted by the respective ASBA Bidders, would be required to be blocked in the respective ASBA Accounts from the time of the submission of the Bid-cum-ASBA Form, whether in physical or electronic mode, until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount against allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or withdrawal of bids by ASBA Investor or until rejection of the ASBA Bid, as the case may be.

#### **Electronic registration of Bids by SCSBs**

- b) In case of Bid-cum-ASBA Form, whether in physical or electronic mode, the Designated Branch of the SCSBs will register the Bids using the online facilities of the Stock Exchanges. SCSB shall not upload any ASBA Application Form in the electronic bidding system of the Stock Exchange(s) unless
  - i) it has received the ASBA in a physical or electronic form; and
  - ii) it has blocked the application money in the bank account specified in the ASBA or has systems to ensure that Electronic ASBAs are accepted in the system only after blocking of application money in the relevant bank account opened with it.
- c) The Stock Exchanges offer a screen-based facility for registering Bids for the Issue which will be available on the terminals of Designated Branches during the Bid/Issue Period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. ASBA Bidders are cautioned that high inflow of bids typically received 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 are not uploaded may not be considered for allocation.
- d) The aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be displayed online on the websites of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available on the websites of the Stock Exchanges during the Bidding Period.
- e) At the time of registering each Bid, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:

- Name of the Bidder(s);
- Application Number;
- Permanent Account Number;
- Number of Equity Shares Bid for;
- Depository Participant identification No.; and
- Client identification No. of the Bidder's beneficiary account.

In case of electronic ASBA, the ASBA Bidder shall himself fill in all the above mentioned details, except the application number which shall be system generated. The SCSBs shall thereafter upload all the above mentioned details in the electronic bidding system provided by the Stock Exchange(s).

- f) A system generated TRS will be given to the ASBA Bidder upon request as proof of the registration of the Bid. **It is the ASBA Bidder's responsibility to obtain the TRS from the Designated Branches of the SCSBs.** The registration of the Bid by the Designated Branch of the SCSB does not guarantee that the Equity Shares bid for shall be allocated to the ASBA Bidders.
- g) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- h) 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 or the BRLM or Co-BRLM or the Designated Branches of the SCSBs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements; nor does it take any responsibility for the financial or other soundness of our Company, our management or any scheme or project of our Company.
- i) The SCSB may reject the ASBA Bid upon receipt of Bid-cum-ASBA Form, if the ASBA Account maintained with the SCSB as mentioned in the Bid-cum-ASBA Form does not have sufficient funds equivalent to the Bid Amount. Subsequent to the acceptance of the Bid by the Designated Branch, our Company would have a right to reject the Bids only on technical grounds.
- j) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/Allotment. In case of discrepancy of data between the BSE or NSE and the Designated Branches of the SCSBs, the decision of the Registrar, in consultation with the BRLM, Co-BRLM, the Company and the Designated Stock Exchange, based on the physical records of the Bid-cum-ASBA Form shall be final and binding on all concerned.

### **Issuance of Confirmation of Allocation Note**

The dispatch of the CAN to an ASBA Investor shall be deemed to be a valid, binding and irrevocable contract for the ASBA Investor, whose funds shall thereafter be unblocked by the SCSB and shall be transferred to the ASBA Public Issue Account for the payment of the entire Issue Price for allocation for all the Equity Shares transferred to such ASBA Investor.

### **Terms of Payment and Payment into the Public Issue Account by the SCSB**

Once the Basis of Allotment is approved by the Designated Stock Exchange, the Registrar shall provide the following details to the SCSB, along with instructions to unblock the relevant bank

accounts and transfer the requisite money to the ASBA Public Issue Account on a date falling within 15 days from the Bid/Issue Closing Date as informed by the Book Running Lead Manager.

1. Number of shares to be allotted against each valid ASBA
2. Amount to be transferred from the relevant bank account to the ASBA Public Issue Account, for each valid ASBA
3. The date by which the funds referred to in sub-para (2) above, shall be transferred to the ASBA Public Issue Account
4. Details of rejected ASBAs, if any, along with reasons for rejection and details of withdrawn/unsuccessful ASBAs, if any, to enable SCSBs to unblock the respective bank accounts.

### **General Instructions**

#### **Do's:**

- a. Check if you are a Resident Retail Individual Investor and eligible to Bid under ASBA process.
- b. Ensure that you use the Bid-cum-ASBA Form specified for the purposes of ASBA process.
- c. Read all the instructions carefully and complete the Bid-cum-ASBA Form (if the Bid is submitted in physical mode, the prescribed Bid-cum-ASBA Form is green in colour).
- d. Ensure that your Bid is at the Cut-off Price.
- e. Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be allotted in dematerialised form only.
- f. Ensure that your Bid is submitted at a Designated Branch of an SCSB, with a branch of which the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar or BRLM or CoBRLM to the Issue.
- g. Ensure that Bid-cum-ASBA Form is signed by the account holder in case the applicant is not the account holder.
- h. Ensure that you have mentioned the correct bank account No. in the Bid-cum-ASBA Form.
- i. Ensure that you have funds equal to the number of Equity Shares Bid for at Cut-off Price available in your bank account maintained with the SCSB before submitting the Bid-cum-ASBA Form to the respective Designated Branch of the SCSB.
- j. Ensure that you have correctly checked the authorisation box in the Bid-cum-ASBA Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the Bid-cum-ASBA Form in your ASBA Account maintained with a branch of the concerned SCSB.
- k. Ensure that you receive an acknowledgement from the Designated Branch of the concerned SCSB for the submission of your Bid-cum-ASBA Form.

- l. Ensure that you have mentioned your Permanent Account Number ("PAN") allotted under the I.T. Act.
- m. Ensure that the name(s) given in the Bid-cum-ASBA Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Bid is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid-cum-ASBA Form.
- n. Ensure that the Demographic Details are updated, true and correct, in all respects

**Don'ts:**

- b. Do not submit an ASBA Bid if you are not a Resident Retail Individual Investor.
- c. Do not submit an ASBA Bid if you are applying under any reserved category.
- d. Do not revise your Bid.
- e. Do not Bid for lower than the minimum Bid size.
- f. Do not Bid on another ASBA or Non- Bid-cum-ASBA Form after you have submitted a Bid to a Designated Branch of the SCSB.
- g. Payment of Bid Amounts in any mode other than blocked amounts in the bank accounts maintained by SCSBs, shall not be accepted under the ASBA process.
- h. Do not send your physical Bid-cum-ASBA Form by post; instead submit the same to a Designated Branch of the SCSB only.
- i. Do not fill up the Bid-cum-ASBA Form such that the bid amount against the number of Equity Shares Bid for exceeds Rs. 1,00,000.
- j. Do not submit the GIR number instead of the PAN Number.
- k. Do not instruct your respective banks to release the funds blocked in the bank account under the ASBA process.

**Specific Instructions for ASBA Investors and grounds for rejection of Bids:**

- Check whether you are eligible to apply as an ASBA Investor. If you are not covered by the definition of an "ASBA Investor", the Bid shall be rejected
- Eligible employees applying under ASBA bidding.
- Check all the details entered into the Bid-cum-ASBA Form are correct. If the DP ID, Client ID or PAN furnished by the ASBA Investor in his Bid-cum-ASBA Form is incorrect or incomplete, the ASBA shall be rejected and the Issuer or the SCSB shall not be liable for losses, if any. The Registrar to the Issue shall inform each SCSB about errors, if any, in the bid details, along with an advice to send the rectified data within the time as specified by the Registrar.
- The Registrar shall match the reconciled data with the depository's database for correctness of DP ID, Client ID and PAN. In case any DP ID, Client ID or PAN mentioned in the bid file for ASBAs does not match with the one available in the depository's database, such Bid-cum-ASBA Form shall be rejected by the Registrar.

- Multiple applications by ASBA applicant with common PAN.
- Use of Bid-cum-application form other than Bid-cum-ASBA Forms (green in colour), meant only for ASBA Investor.
- Bids at any price levels other than “cut-off”.
- Bid for lower number of Equity Shares than minimum bid size.
- Bid-cum-ASBA Form not signed by the account holder in case the ASBA Bidder is not the account holder
- Insufficient funds in the bank account specified in the Bid-cum-ASBA Form
- Submission of Bid-cum-ASBA Form after the issue closure timing.
- Ensure that you have authorised the SCSB to do all acts as are necessary to make an application in this Issue, including uploading of his Bid, blocking or unblocking of funds in the bank account maintained with the SCSB specified in the ASBA, transfer of funds to the ASBA Public Issue Account on receipt of instruction from the Registrar to the Issue after finalisation of the basis of allotment entitling yourselves to receive shares on such transfer of funds, etc, failing which the Bid-cum-ASBA Form shall be rejected.
- Bid-cum-ASBA forms should bear the stamp of the Syndicate Member and / or Designated branch of SCSB. Bid-cum-ASBA forms which do not bear the stamp will be rejected.
- Ensure that you have authorised the Registrar to the Issue to issue instructions to the SCSB to remove the block on the funds in the bank account specified in the ASBA, upon finalisation of the basis of allotment and to transfer the requisite money to the ASBA Public Issue Account failing which the Bid-cum-ASBA Form shall be rejected.

#### **Revision of Price Band**

SCSB shall ensure that information about revision in the Bidding Period or price band, as and when received, is communicated and effected to in its systems promptly, for information of ASBA Investors.

#### **Withdrawal of Bids**

In case an ASBA investor wants to withdraw his / her Bid-cum-ASBA Form during the bidding period, he / she shall submit his withdrawal request to the SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA from the electronic bidding system of the Stock Exchanges and unblocking of funds in the relevant bank account.

In case an ASBA Investor wants to withdraw his / her Bid-cum-ASBA Form after the Bid/ Issue Closing Date, he / she shall submit the withdrawal request to the Registrar. The Registrar shall delete the withdrawn Bid from the bid file.

#### **Other Information**

In case of failure or withdrawal of the Issue, on receipt of appropriate instruction from the Book Running Lead Manager, Co-Book Running Lead Manager, the SCSB shall unblock the bank accounts latest by the next day of receipt of such instruction.

The SCSB shall not accept any Bid-cum-ASBA Form after the closing time of acceptance of Bids on the last day of the Bidding period.

## **Unblocking of Funds**

Once the Basis of Allotment is approved by the Designated Stock Exchange, the Registrar shall provide the following details to the Controlling Branch of each SCSB, along with instructions to unblock the relevant bank accounts and transfer the requisite money to the ASBA Public Issue account within the timelines specified in the ASBA process:

- (i) Number of shares to be allotted against each valid ASBA
- (ii) Amount to be transferred from the relevant bank account to the ASBA Public Issue account, for each valid ASBA
- (iii) The date by which the funds referred to in sub-para (ii) above, shall be transferred to the ASBA Public Issue account
- (iv) Details of rejected Bid Cum ASBA, if any, along with reasons for rejection and details of withdrawn/ unsuccessful ASBAs, if any, to enable SCSBs to unblock the respective bank accounts. SCSB shall thereafter unblock the amounts blocked in the account of the ASBA Investor.

## **Joint ASBA Bids**

ASBA Bids may be made in single or joint names (not more than three). In case of joint ASBA Bids, all communication will be addressed to the first Bidder and will be dispatched to his/her address.

## **Multiple ASBA Bids**

An ASBA Bidder should submit only one Bid for the total number of Equity Shares desired. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications is described in "Issue Procedure- Multiple Bids" on page 225 of this Red Herring Prospectus.

## **Right to Reject ASBA Bids**

The Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the 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 would have a right to reject the ASBA Bids only on technical grounds.

Further, in case any DP ID, Client ID or PAN mentioned in the Bid-cum-ASBA Form does not match with one available in the depository's database, such ASBA Bid shall be rejected by the Registrar to the Issue.

## **DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY IN INSTRUCTIONS TO SCSBs BY THE REGISTRAR TO THE ISSUE**

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI (ICDR) Regulations, we undertake that:

- Allotment and transfer shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;

- Instructions for unblocking of the ASBA Bidder's Bank Account shall be made within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum for any delay beyond the 15 day period mentioned above, if Allotment is not made, instructions for unblocking of ASBA Bidder's Bank Account are not dispatched and/or demat credits are not made to investors within the 15 day period prescribed above.

### **Basis of Allocation**

Bids received from ASBA Bidders will be considered at par with Bids received from non-ASBA Bidders. The basis of allocation to such valid ASBA and non-ASBA Bidders will be that applicable to Retail Individual Bidders. For details, see section "Issue Procedure- Basis of Allocation" on page 228 of this Red Herring Prospectus.

### **Undertaking by our Company**

In addition to our undertakings described under "Issue Procedure- Undertaking by our Company", with respect to the ASBA Bidders, we undertake that adequate arrangement shall be made to consider ASBA Bidders similar to other Bidders while finalizing the basis of allocation.

### **Issue Procedure (Other than ASBA Bidders)**

**Current process of applying through a Bid-cum-Application Form wherein a cheque is used as a mode of payment**

Bidders are required to submit their Bids through the Syndicate Members only. In case of QIB Bidders, our Company in consultation with BRLM and Co-BRLM may reject Bid procured by any or all members of the syndicate at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Employee reservation Portion, our Company would have a right to reject the Bids only on technical grounds.

**Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.**

### **Bid-cum-Application Form**

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

| Category                                                                                                                                                           | Colour of Bid-cum-Application Form |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| Indian Nationals or NRIs applying on a non-repatriation basis                                                                                                      | White                              |
| NRIs or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis | Blue                               |
| Eligible Employees of our Company.                                                                                                                                 | Pink                               |

#### Who Can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
- Indian nationals resident in India who are majors, in single or joint names (not more than three) or in the names of their minor children as natural / legal guardians in single or joint names (not more than three);
- HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity shares;
- Indian mutual funds registered with SEBI;
- Indian financial institutions, scheduled commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);
- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the issue;
- State Industrial Development Corporations;
- Insurance companies registered with the Insurance Regulatory and Development Authority;
- Provident funds with minimum corpus of Rs. 2500 Lakhs and who are authorized under their constitution to invest in Equity Shares;
- Pension funds with minimum corpus of Rs. 2500 Lakhs and who are authorized under their constitution to invest in Equity Shares;
- Multilateral and bilateral development financial institutions;
- National Investment Fund set up by resolution F.No. 2/3/2005-DD-11 dated November 23, 2005 of Government of India.
- Trusts/Societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorized under their constitution to hold and invest in equity shares;
- Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable local laws; and
- Scientific and/or industrial research organizations authorized under their constitution to

- invest in equity shares.
- Eligible Employees
- FIIs and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual.

**As per existing regulations, OCBs are prohibited from investing in this Issue.**

**Note:** The BRLM, Co-BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations if any. However, associates and affiliates of the BRLM, Co-BRLM and Syndicate Member are entitled to bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allotment will be on a proportionate basis.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.**

#### **Bids by Mutual Funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than 1,85,000 Equity Shares, allocation shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

#### **Bids by Eligible NRIs**

Eligible NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from Registered Office of our Company, members of the Syndicate or the Registrar to the Issue.
2. NRI applicants may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The NRIs who

intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for Resident Indians (White in color) and shall not use the forms meant for 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:*

No single FII can hold more than 10% of post-issue paid-up capital of our Company (i.e., 10% of 1,69,28,980 Equity Shares). In respect of an FII investing in Equity Shares of our Company on behalf of its sub-accounts other than a sub-account which is a foreign corporate or foreign individual, the investment on behalf of each sub-account shall not exceed 10% of total issued capital. Under the current foreign investment policy applicable to us foreign equity participation upto 100% is permissible under the automatic route.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity

### **Bids by SEBI registered VCF and FVCI**

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, prescribe investment restrictions on foreign venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the investment by any VCF or FVCI should not exceed the prescribed investment limit as the case may be.

According to Regulation 37(a) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, the equity shares held by a venture capital fund or foreign venture capital investor would be exempt from the lock-in requirements only if the equity shares have been held for a period of at least one year prior to the date of the filing of the Draft Red Herring Prospectus with the SEBI.

### **Bids and revision of Bids by non-residents including Eligible NRIs, FIIs and Foreign Venture capital Funds registered with SEBI on a repatriation basis must be made:**

1. On the prescribed Bid cum Application Form or Revision Form, as applicable (blue in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details);

3. Eligible NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Bidders portion for the purposes of allocation and Bids for a Bid amount of more than Rs. 1,00,000 would be considered under the Non-Institutional Bidders portion for the purposes of allocation; Other Non-Resident Bidders must bid for a minimum of such number of Equity Shares and in multiples of 75 Equity Shares thereafter that the Bid amount exceeds Rs. 1,00,000; for further details see "Maximum and Minimum Bid Size" at page no. 207 of this Red Herring Prospectus.
4. In the names of individuals, or in the names of FIIs or in the names of Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

**It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.**

**The above information is given for the benefit of the Bidders. Our Company, the BRLM and the Co-BRLM are not liable for any amendments or modifications or changes in the applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.**

#### **Bids by Eligible Employees**

For the purpose of the Employee Reservation Portion, Eligible Employee means a permanent employee of our Company or our Subsidiary and based, working and present in India as on the date of submission of the Bid cum Application Form.

Bids under Employee Reservation Portion by Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour Form).
- Eligible Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.
- The sole/ first Bidder should be Eligible Employees. 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 in the same sequence in which they appear in the Bid-cum-Application Form.

- Only Eligible Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Eligible Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
- The maximum bid under Employee Reservation Portion by an Employee may exceed the total number of Equity Shares allocated for the Employee Reservation portion.
- Bid by Employees can be made also in the “Net Issue” portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 1,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.
- If the aggregate demand in this category is greater than 1,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, please see section titled “Basis of Allocation” beginning on page no. 228 of this Red Herring Prospectus.
- Under-subscription, if any, in the Employee Reservation portion will be added back to the Net Issue, and the ratio amongst the investor categories will be at the discretion of our Company and the Book Runner. 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.

#### **Maximum and Minimum Bid size**

**For Retail Bidders:** The Bid must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Shares and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 1,00,000. *Bidders may note that the total Bid amount will be used to determine if a Bid is in the retail category or not, and not just the amount payable on Application.* In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid amount does not exceed Rs. 1,00,000. In case the Bid amount is over Rs. 1,00,000 due to revision of the Bid or revision of the Price Band or on exercise of option to Bid at Cut-off price, the Bid would be considered for allocation under the Non-Institutional Portion. The option to Bid at Cut-off price is an option given only to the Retail Individual Bidders indicating their agreement to bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

**For Non-Institutional Bidders and QIBs Bidders:** The Bid must be for a minimum of such number of Equity Shares in multiples of 75 Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 1,00,000 and in multiples of 75 Equity Shares thereafter. A Bid cannot be submitted for more than the Net Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under the existing SEBI (ICDR) Regulations, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the QIB margin amount upon submission of the Bid.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000, for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under the Retail Portion in respect of the Bids by Non-Institutional Bidders who are otherwise eligible for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

**For Bidders in the Employee Reservation Portion:**

The Bid must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 1,00,000 Equity Shares. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs.1,00,000 may bid at Cut-off price. Bidders may note that the total Bid amount will be used to determine whether the Bid exceeds Rs. 1,00,000 or not. The allotment in the employee reservation portion will be on proportionate basis. However, in case of an oversubscription in the Employee Reservation Portion, the maximum allotment to any Eligible Employee will be capped at 1,00,000 Equity Shares. Eligible Employees whose Bid Amount exceeds Rs. 1,00,000 may not Bid at Cut-off Price.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.**

**Information for the Bidders**

- a. Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- b. Our Company, BRLM and Co-BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band, after registering the Red Herring Prospectus with RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Part A of Schedule XIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. The members of the syndicate shall accept bids from the Bidders during the bidding/ issue period in accordance with the terms of the syndicate agreement.
- c. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors. Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of the Red Herring Prospectus along with the Bid-cum- Application Form can obtain the same from the registered office of our Company or from the BRLM or Co-BRLM, or from a member of the Syndicate.
- d. Eligible investors who are interested in subscribing for the Equity Shares should approach the BRLM or Co-BRLM or Syndicate Member or their authorized agent(s) to register their Bids.

- e. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. The Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.
- f. The Bidding/Issue Period shall be a minimum of three working days and shall not exceed seven working days. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.
- g. In case the Price Band is revised, the Bidding/ Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/ Issue Period not exceeding 10 working days. The revised Price Band and Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, and by issuing published in two national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the Book Runner and at the terminals of the members of the Syndicate.
- h. We, in consultation with the BRLM and Co-BRLM, can finalise the Issue Price within the Price Band, without the prior approval of, or intimation to, the Bidders.

### **Method and Process of bidding**

1. The Price Band has been fixed at Rs. 77 to Rs. 82 per Equity Share. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1 (One). Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" on page no. 210 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.
2. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph "Build up of the Book and Revision of Bids" on page no. 217 of this Red Herring Prospectus.
3. The members of the Syndicate will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum application Form.
4. During the Bidding Period, the Bidders may approach the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through

them and shall have the right to vet the Bids.

5. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Account" on page no. 213 of this Red Herring Prospectus.

#### **Bids at different price levels and revision of Bids**

1. The Price Band has been fixed at Rs. 77 to Rs. 82 per Equity Share of Rs. 10/- each, Rs. 77 being the lower end of the Price Band and Rs. 82 being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (One).
2. Our Company, in consultation with the BRLM and Co-BRLM, can revise the Price Band during the Bid/Issue Period in accordance with the SEBI (ICDR) Regulations, in which case the Bidding Period shall be extended further for a period of three additional days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the Floor of the Price-band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the Floor Price disclosed in this Red Herring Prospectus.
3. Any revision in the Price Band and the revised Bid /Issue Period, if applicable, will be widely disseminated by informing the stock exchanges, by issuing a public notice in two widely circulated newspapers (one each in English and Hindi) and in one Marathi newspaper with a wide circulation and also indicating the change on the relevant website of the BRLM, Co-BRLM, Company and the terminals of the members of the Syndicate.
4. The Company, in consultation with the BRLM and Co-BRLM, can finalise the Issue Price within the Price Band, in accordance with this clause, without the prior approval of, or intimation to, the Bidders.
5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 1, 00,000 may bid at "Cut-off". However, bidding at "Cut-off" is not permitted for QIB or Non Institutional Bidders who bid for and such Bids from QIBs and Non Institutional Bidders shall be rejected.
6. Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who bid at the Cut-off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employee bidding at Cut-off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who bid at the Cut-off Price and Eligible Employees bidding under the Employee Reservation Portion at Cut-off Price, such Bidders shall receive the refund of the excess amounts from the respective Refund Account.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion at Cut-Off Price, who had bid at Cut-Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 1,00,000 if the bidder wants to continue to bid at Cut-

off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.1, 00,000, the Bid by retail Individual Bidder will be considered for allocation under the Non-Institutional portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downward for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidders is deemed to have approved such revised Bid at Cut-off Price.

8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Refund Account.
9. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size shall be within the range of Rs. 5,000 to Rs. 7,000. The Company in consultation with the BRLM and Co-BRLM shall accordingly stipulate the minimum application size (in terms of number of shares) falling within the aforesaid range.
10. During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding/Issue Period using the printed Revision Form, which is a part of the Bid cum Application Form.
11. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
12. The Bidder can make revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.
13. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
14. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
15. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

## **Instructions for completing the Bid-cum-Application Form**

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and non-residents applying on a non-repatriation basis; blue colour for the Eligible NRIs, FIIs applying on a repatriation basis and [pink] colour for eligible employees applying in the Employee Reservation Portion).
- (b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (c) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form.
- (d) The Bids from the Retail Individual Bidders must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Shares thereafter, subject to a maximum Bid Amount of Rs. 100,000.
- (e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 75 Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 75 Equity Shares. Bids cannot be made for more than the Net Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (f) For Bidders bidding under the Employee Reservation Portion, the Bid must be for a minimum of 75 Equity Shares in multiple of 75 Equity Shares thereafter subject to a maximum of Bid of 1,00,000 Equity Shares.
- (g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

## **Application in the Issue**

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

## **PAYMENT INSTRUCTION**

### **Escrow Mechanism**

1. Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of our Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue and to the Refund Account as per the terms of the Escrow Agreement. Payment of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.
2. The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between our Company, the Syndicate, Escrow Collection

Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

**Terms of Payment and Payment into the Escrow Collection Account**

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid-cum-Application Form by drawing a cheque, demand draft in favour of the Escrow Account of the Escrow Collection Bank(s) as per the below terms:

- (a) The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds whose bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held in the Refund Account for the benefit of the Bidders who are entitled to refunds.
- (b) Each category of Bidders (i.e. QIBs, Non Institutional Bidders, Retail Individual Bidders and bidding under the Employee Reservation Portion) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form by way of a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) and submit the same to the member of the Syndicate to whom the Bid is being submitted. (For details please see the section titled "Issue Procedure - Payment Instructions" beginning on page number 212 of this Red Herring Prospectus. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Basic Terms of Issue" beginning on page no. 48 of this Red Herring Prospectus. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid Price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.
- (c) Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date which shall be a minimum period of two (2) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and Co-BRLM. If the payment is not made favouring the Escrow account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid-cum-Application Form.
- (d) Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid Closing Date/Issue Closing Date, failing which our Company shall pay interest @15% per annum for any delay beyond the periods mentioned above.
- (e) The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount

in favour of the Escrow Account of our Company and submit the same to the member of the Syndicate.

- (f) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of our Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- (g) The payment instruments for payment into the Escrow Account of our Company should be drawn in favour of:
  - (i) In case of resident QIB Bidders- **"Escrow Account-Astec - Public Issue - QIB-R"**
  - (ii) In case of Resident Retail and Non-Institutional Bidders- **"Escrow Account- Astec - Public Issue - R"**
  - (iii) In case of Non-Resident QIB Bidders- **"Escrow Account- Astec - Public Issue-QIB-NR"**
  - (iv) In case of Non -Resident Retail and Non-Institutional Bidders - **"Escrow Account - Astec - Public Issue - NR"**
  - (v) In case of Eligible Employees- **"Escrow Account- Astec - Public Issue - Employees"**
- (h) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary Account of a Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- (i) In case of Bids by NRIs applying on non repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO account of a Non-resident Bidder bidding on non repatriation basis Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account or an NRO account.
- (j) In case of Bids by FIIs, FVCI's registered with SEBI the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (k) Where a Bidder has been allocated a lesser number of equity shares than the Bidder has bid for, the excess amount, if any, paid on bidding, after adjusting towards the balance payable on equity shares allocated, will be refunded to the Bidder from the refund amount.

- (l) The monies deposited in the Escrow Account of our Company will be held for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of our Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
- (m) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
- (n) Payments should be made by cheque, or demand drafts drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the Bid cum Application Form is submitted. Outstation cheque/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/ Postal Orders will not be accepted.
- (o) Bidders are advised to mention the number of the Bid Cum Application Form on the reverse of the cheque or demand draft to avoid misuse of the instrument submitted along with the Bid cum application Form.

#### **Payment by Stock-invest**

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-2004 dated November 5, 2003, the option to use the stock-invest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stock-invest would not be accepted in this Issue.

#### **Electronic Registration of Bids**

- (a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one NSE/ BSE on-line connectivity to each city where a Stock Exchange is located in India and the Bids are accepted.
- (b) The NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be uploaded on a regular basis, consolidated and displayed on-line at all bidding centres and the websites of NSE and BSE i.e. [www.nseindia.com](http://www.nseindia.com) and [www.bseindia.com](http://www.bseindia.com) respectively. A graphical representation of consolidated demand and price would be made available at the bidding centres during the bidding period.

- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
- Name of the Bidder(s): Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depository Account is held. In case the Bid-cum-Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form;
  - Investor Category – Individual, Corporate, QIB, NRI, FII, Mutual Fund etc.;
  - Numbers of Equity Shares bid for;
  - Bid price;
  - Bid-cum-Application Form number;
  - Whether Margin Amount, as applicable, has been paid upon submission of Bid-cum-Application Form; and
  - Depository Participant Identification Number and Client Identification Number of the demat Account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the members of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) The BRLM/ Co-BRLM/ member of the Syndicate have the right to accept the Bid or reject it in case of QIBs; however, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids should not be rejected except on the technical grounds listed on page no. 226 of this Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or BRLM or Co-BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by BSE and/or NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

- (j) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of discrepancy of data between BSE or NSE and members of the Syndicate, the decision of the BRLM based on the physical records of Bid-cum-Application Form shall be final and binding to all concerned.

#### **Build Up of the Book and Revision of Bids**

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
- (b) The book gets build up at various price levels. This information will be available with the BRLM and Co-BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired numbers of Equity Shares and the bid 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 unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (f) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she has placed the original Bid. **Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.**
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be

considered for allocation/allotment. In case of discrepancy of date between BSE or NSE and members of the Syndicate, the decision of the BRLM based on the physical records of Bid-cum-Application Form shall be final and binding to all concerned.

### **Price Discovery and Allocation**

- (a) After the Bid/Issue Closing Date, the BRLM and Co-BRLM shall analyze the demand generated at various price levels.
- (b) Our Company, in consultation with the BRLM and Co-BRLM shall finalise the “Issue Price” and the number of Equity Shares to be allotted in each category to Bidders.
- (c) The allocation for QIBs would be not more than 50% of the Net Issue and to Non-Institutional Bidders and Retail Individual Bidders will be not less than 15% and not less than 35% of the Net Issue, respectively, on proportionate basis in the manner specified in the SEBI (ICDR) Regulations and this Red Herring Prospectus and in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Any under-subscription in the Employee Reservation Portion would be included in the Net Issue. Under-subscription, if any, in any category of the Net Issue, would be allowed to be met with spill over from any of the other categories at the discretion of our Company, in consultation with the BRLM and Co-BRLM. However, if the aggregate demand by Mutual Funds is less than 1,85,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB portion has been met, under-subscription, if any, would be allowed to be met with spillover from any other category or combination of categories at the discretion of Company, in consultation with the BRLM, Co-BRLM and the Designated Stock Exchange
- (e) Allocation to Eligible NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions registered with SEBI applying on repatriation basis will be subject to the applicable laws, rules, regulations, guidelines and approvals.
- (f) The BRLM and Co-BRLM, in consultation with our Company shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning reasons whatsoever but before the Board meeting for (to check) allotment.
- (h) In terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, QIB Bidders shall not be allowed to withdraw their bid after the bid / issue closing date.
- (i) The allotment details shall be put on the website of the Registrar to the Issue at [www.bigshareonline.com](http://www.bigshareonline.com).

### **Signing of Underwriting Agreement and RoC Filing**

- (a) Our Company, the BRLM, Co-BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

- (b) After signing the Underwriting Agreement, our Company will update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

#### **Filing of the Prospectus with RoC**

Our Company will file a copy of the Prospectus with the Registrar of Companies, Mumbai, situated at 100 Everest, marine Lines, Mumbai-400 002 in terms of Section 56, Section 60 and Section 60B of the Companies Act, 1956.

#### **Announcement of Pre-Issue Advertisement**

Subject to section 66 of the Companies Act, our Company shall, after registering the Red Herring Prospectus with the Registrar of Companies, make a pre-issue advertisement in the format specified in Part A of Schedule XIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, in one English national daily newspaper with wide circulation, Hindi national daily newspaper with wide circulation and one regional language (Marathi) newspaper with wide circulation.

#### **Advertisement regarding Issue Price and Prospectus**

A statutory advertisement will be issued by our Company in two widely circulated national newspapers (one each in English & Hindi) and a Marathi newspaper with a wide circulation, after filing of the Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Issue Price. Any material updates between the date of the Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

#### **Issuance of Confirmation of Allocation Note (CAN)**

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders and bids for Employees bidding in the Employee Reservation portion. Investor should note that our Company shall ensure that the demat credit of the Equity Shares pursuant to allotment shall be made on the same date to all investors in this Issue;
- (b) The BRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay in full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN;
- (c) Such Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from

the Registrars to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder;

- (d) The Issuance of CAN will be subject to “Notice to QIBs: Allotment Reconciliation and Revised CANs” as set forth below in this Red Herring Prospectus.

#### **Notice to QIBs: Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, an electronic book will be prepared, by the Registrar, on the basis of, Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI (ICDR) Regulations, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

#### **Designated Date and Allotment of Equity Shares**

1. Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account and Refund Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account of the allotted Equity Shares to the allottees within two working days of the date of allotment.
2. **As per the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

#### **General Instructions**

##### **Do's:**

- (a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of this Red Herring Prospectus;
- (b) Read all the instructions carefully and complete the Bid-cum-Application Form (white or blue or pink in colour) as the case may be;

- (c) Ensure that the details about Depository Participant and Beneficiary Account are correct and the beneficiary account is activated, as allotment of Equity Shares will be in the dematerialized form only;
- (d) Ensure that the Bids are submitted at the Bidding Centers only on forms bearing stamp of the Syndicate Member;
- (e) Investors must ensure that the name given in the Bid cum Application form is exactly the same as the name in which the Depository account is held. In case the Bid cum Application Form is submitted in Joint names, it should be ensured that the Depository account is also held in the same Joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- (f) Ensure that you have been given a TRS for all your Bid options;
- (g) Submit Revised Bids to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS;
- (h) Ensure that the Bid is within the Price Band;
- (i) Each Bidder should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act.
- (j) Ensure that demographic details (as defined herein below) are updated true and correct in all respects.

**Don'ts:**

- (a) Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- (b) Do not Bid for lower than minimum Bid size;
- (c) Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- (d) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- (e) Do not pay Bid amount in cash, money order, postal order or by stockinvest;
- (f) Do not Bid at cut off price (for QIB Bidders, Non-Institutional Bidders and Bidders bidding under the Employee Reservation Portion, for whom the Bid Amount exceed Rs. 1,00,000);
- (g) Do not bid where bid amount exceeds Rs. 1,00,000 (for Retail Individual Bidders)
- (h) Do not fill up the Bid cum Application Form for an amount that exceeds the Issue size and / or investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws / regulations or maximum amount permissible under the applicable regulations.;
- (i) Do not send Bid cum Application Form by post; instead submit the same to a member of the Syndicate only;
- (j) Do not provide your GIR number instead of your PAN as bid is liable to be rejected on those ground;
- (k) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by QIB.

### **Bidder's Bank Account Details**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders bank account details, including the nine digit MICR code as appearing on a cheque leaf. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through Direct Credit to or ECS. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and such delay shall be at the Bidders sole risk and neither our Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor BRLM nor Co-BRLM shall be liable to compensate for the losses caused to the Bidders due to any such delay or liable to pay any interest for such delay.

### **Bidder's Depository Account Details**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or giving credit through ECS, Direct Credit , RTGS or NEFT and occupation (hereinafter referred to as "Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid-cum-Application Form would not be used any other purposes by the Registrars to the Issue.

**Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.**

By signing the Bid-cum-Application Form, Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic details as available on its records.

Refund Orders/ Allocation Advice/ CANs would be mailed at the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ allocation advice/ CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidders in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk. Please note that any such delay shall be at the Bidders sole risk and neither our Company, the Registrar, Escrow Collection Bank(s) nor the BRLM nor Co-BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes as detailed in this Red Herring Prospectus, Bidders may note that refunds may get delayed if bank particulars obtained from the depository participants are incorrect.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Our Company in its absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

**Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company and/or the Book Runner will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

#### **Bids under Power of Attorney**

In case of bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered Societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case

without assigning any reason thereof.

*In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.*

In case of Bids made by provident fund with the minimum corpus of Rs. 2500 lakhs (subject to applicable law) and pension fund with the minimum corpus of Rs. 2500 lakhs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

*In case of Bids made pursuant to Power of Attorney by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.*

In case of Bids made pursuant to Power of Attorney by National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India, a certified copy of the relevant resolution or authority, as the case may be must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions as our Company and the BRLM 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 to the Issue that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such case, the Registrar to the Issue shall use Demographic details as given on the Bid cum application form instead of those obtained from the Depositories.

#### **Submission of Bid-cum-Application Form**

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by Account Payee cheques or drafts equivalent to the margin amount shall be submitted to the Members of the Syndicate at the time of submitting the Bid-cum-Application Form.

*No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the Members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.*

## OTHER INSTRUCTIONS

### **Joint Bids in the case of Individuals**

Individuals may make bid in single or joint names (not more than three). In the case of joint Bids, all refunds will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, illustrations of certain procedures, which may be followed by the Registrar to the Issue to detect multiple applications, are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file, which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN numbers are different, the same will be deleted from this master.
3. The Registrar will obtain, from depositories, details of the applicants' address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applicants in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the application processed. A print-out of the addresses will be taken to check for common names. The application with same name and same address will be treated as multiple applications.
5. The applications will be scrutinized for their DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of multiple master will be taken and applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Employees both under Employees Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

Our Company reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

#### **Permanent Account Number (PAN)**

The Bidders or in the case of Bids made in joint names, each of the Bidder, should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act. SEBI has issued a Circular No. MRD/DoP/Cir-05/2007 dated April 27, 2007 requiring that with effect from July 2, 2007 the PAN would be the sole identification number for the participants transacting in the securities market, irrespective of the amount of transaction. **Applications without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.**

#### **Right to Reject Bids**

In case of QIB Bidders, our Company in consultation with the BRLM and Co-BRLM may reject a Bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the Bid and the reasons therefore shall be disclosed to the QIB Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject Bids only on technical grounds. Consequent refunds as described in this Red Herring Prospectus and will be sent to the Bidders address at the Bidders' risk

#### **Grounds for Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected on, inter alia, on the following technical grounds:

1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. In case of Partnership firms, the shares may be registered in the name of individual partners and no such partnership firm, shall be entitled to apply;
4. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
5. PAN not stated;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than the lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at cut-off price by Non-Institutional and QIB Bidders and by Bidders in the Employee Reservation Portion bidding in excess of Rs. 1,00,000;
10. Bids for number of Equity Shares, which are not in multiples of 75;
11. Category not ticked;
12. Multiple bids as defined in this Red Herring Prospectus;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied by Stock invest/money order/ postal order/ cash;
15. Signature of sole and/or joint Bidders missing;

16. Bid-cum-Application Form does not have the stamp of the BRLM or Co-BRLM or the Syndicate Member;
17. Bid-cum-Application Form does not have Bidder's depository account details;
18. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Form; or
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
20. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's account number;
21. Bids by OCBs;
22. Bids by US persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act or other than in compliance with Regulation S under the Securities Act;
23. Bids by QIBs not submitted through BRLM or Co-BRLM or members of the syndicate;;
24. Bids by NRIs not disclosing their residential status;
25. If GIR number is mentioned instead of PAN number;
26. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
27. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority; and
28. Bids by any person resident outside India, if not in compliance with applicable foreign and Indian laws, or by any persons who are not eligible to acquire Equity Shares of the Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.

#### **Equity Shares in Dematerialised Form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among our Company, the Depositories and the Registrar,

1. An Agreement dated June 26, 2008 among NSDL, our Company and Registrars to the Issue.
2. An Agreement dated June 19, 2008 among CDSL, our Company and Registrars to the Issue.

*All Bidders can seek allotment only in Dematerialized mode. Bids from any Bidder without the following details of his or her depository account are liable to be rejected:*

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's Identification number) appearing in the Bid cum Application Form or Revision Form.
3. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the

beneficiary account (with the Depository Participant) of the Bidder.

4. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account details of the Bidder(s) with the Depository.
5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
6. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
7. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
8. The trading of Equity Shares of our Company would only be in dematerialized form for all investors in the demat segment of the respective Stock exchanges.
9. Non transferable allotment advice or refund orders will be directly sent to the Bidders by the Registrar to the Issue

## **Communications**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

## **Basis of Allocation**

### **A. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail individual Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.

- If the valid Bids in this category is less than or equal to 75 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid bids.
- If the valid Bids in this category is greater than 75 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 75 Equity Shares and in multiples of one Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

**B. For Non Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non- Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the valid Bids in this category is less than or equal to 75 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the valid Bids in this category is greater than 75 Equity Shares at or above the Issue Price; allocation shall be made on a proportionate basis up to a minimum of 75 Equity Shares and in multiples of one Equity Shares thereafter. For the method of proportionate basis of allotment refer below.

**C. For Employee Reservation Portion**

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 1,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 75 Equity Shares and in multiple of One Equity Share thereafter. For the method of proportionate basis of allocation, refer below.
- Only Eligible Employees eligible to apply under Employee Reservation Portion.

**D. For QIB Bidders**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIBs will be made at the issue price.

- The Issue size less allocation to Non-Institutional portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of up to 1,85,000 Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled “Illustration of Allotment to QIBs” appearing below. If the valid Bids by Mutual Funds are for less than 1,85,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders.
- The allotment shall be undertaken in the following manner –
  - (a) In the first instance, allocation to mutual funds for upto 5% of the QIB portion shall be determined as follows-
    - In the event that bids from mutual funds exceed 5% of the QIB portion, allocation to mutual funds shall be done on a proportionate basis upto 5% of the QIB portion.
    - In the event that the aggregate demand from mutual funds is less than 5% of QIB portion, then all mutual funds shall get full allotment to the extent of valid bids received above the issue price.
    - Equity Shares remaining unsubscribed, if any, not allocated to mutual funds shall be available to all QIB Bidders as set out in as (b) below;
  - (b) In the second instance, allocation to all QIBs shall be determined as follows –
    - In the event that the over subscription in the QIB portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for upto 95% of the QIB portion.
    - Mutual Funds, who have received allocation as per (a) above, for less than the number of equity shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
    - Under-subscription below 5% of the QIB portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Undersubscription, if any, in any category would be allowed to be met with spillover from any other category at the sole discretion of our Company, BRLM and Co-BRLM.

### **Illustration of Allotment to QIBs and Mutual Funds (“MF”)**

#### **A. Issue details**

| <b>S. No.</b> | <b>Particulars</b>                           | <b>Issue details</b>   |
|---------------|----------------------------------------------|------------------------|
| 1             | Issue size                                   | 100 Lacs Equity Shares |
| 2             | Allocation to QIB (minimum 50% of the Issue) | 50 Lacs Equity Shares  |

|   |                                                |                          |
|---|------------------------------------------------|--------------------------|
|   | Of which:                                      |                          |
|   | a. Reservation For Mutual Funds, (5%)          | 2.50 Lacs Equity Shares  |
|   | b. Balance for all QIBs including Mutual Funds | 47.50 Lacs Equity Shares |
| 3 | Number of QIB applicants                       | 10                       |
| 4 | Number of Equity Shares applied for            | 250 Lacs Equity Shares   |

#### B. Details of QIB Bids

| Sr. No. | Type of QIB Bidders# | No. of shares bid for (in Lacs) |
|---------|----------------------|---------------------------------|
| 1       | A1                   | 25                              |
| 2       | A2                   | 10                              |
| 3       | A3                   | 65                              |
| 4       | A4                   | 25                              |
| 5       | A5                   | 25                              |
| 6       | MF1                  | 20                              |
| 7       | MF2                  | 20                              |
| 8       | MF3                  | 40                              |
| 9       | MF4                  | 10                              |
| 10      | MF5                  | 10                              |
|         | <b>TOTAL</b>         | <b>250</b>                      |

# A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

#### C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in lakhs)

| Type of QIB Bidders | Shares bid for | Allocation of 2.5 lakh Equity Shares to MF proportionately (please see note 2 below) | Allocation of balance 47.50 Lacs Equity Shares to QIBs proportionately (please see note 4 below) | Aggregate allocation to Mutual Funds |
|---------------------|----------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------|
| (I)                 | (II)           | (III)                                                                                | (IV)                                                                                             | (V)                                  |
| A1                  | 25             | 0                                                                                    | 4.80                                                                                             | 0                                    |
| A2                  | 10             | 0                                                                                    | 1.92                                                                                             | 0                                    |
| A3                  | 65             | 0                                                                                    | 12.48                                                                                            | 0                                    |
| A4                  | 25             | 0                                                                                    | 4.80                                                                                             | 0                                    |
| A5                  | 25             | 0                                                                                    | 4.80                                                                                             | 0                                    |
| MF1                 | 20             | 0.50                                                                                 | 3.74                                                                                             | 4.24                                 |
| MF2                 | 20             | 0.50                                                                                 | 3.74                                                                                             | 4.24                                 |
| MF3                 | 40             | 1.0                                                                                  | 7.48                                                                                             | 8.48                                 |
| MF4                 | 10             | 0.25                                                                                 | 1.87                                                                                             | 2.12                                 |
| MF5                 | 10             | 0.25                                                                                 | 1.87                                                                                             | 2.12                                 |
|                     | <b>250</b>     | <b>2.50</b>                                                                          | <b>47.50</b>                                                                                     | <b>21.20</b>                         |

**Please note:**

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled “Basic Terms of Issue” beginning on page no. 48 of this Red Herring Prospectus.
2. Out of 50 Lacs Equity Shares allocated to QIBs, 2.50 lakh (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 lakh shares in the QIB Portion.
3. The balance 47.50 Lacs Equity Shares [i.e. 50 – 2.5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 250 lakh Equity Shares (including 5 Mutual Fund applicants who applied for 100 lakh Equity Shares).
4. The figures in the fourth column titled “Allocation of balance 47.50 Lacs Equity Shares to QIBs proportionately” in the above illustration are arrived as under:
  - i. For QIBs other than Mutual Funds (A1 to A5)=  $\text{Number of Equity Shares Bid for X } 47.5/247.5$
  - ii. For Mutual Funds (MF1 to MF5)=  $[(\text{No. of shares bid for (i.e., in column II of the table above) less Equity Shares allotted ( i.e., column III of the table above)}] \times 47.5/247.5$

The numerator and denominator for arriving at allocation of 47.5 Lacs Equity Shares to the 10 QIBs are reduced by 2.5 lakh shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

**Method of Proportionate Basis of Allocation**

In the event of the issue being over-subscribed, our Company shall finalize the basis of allotment to Retail Individual Bidders and Non-Institutional Bidders in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrars to the issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner. Allotment to the Bidders shall be made in marketable lots on a proportionate basis as explained below:-

- (a) Bidders will be categorized according to the number of Equity Shares applied for by them.
- (b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is the total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

- (d) If the proportionate allotment to a Bidder is a number that is more than 75 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (e) In all Bids where the proportionate allotment is less than 75 Equity Shares per Bidder, the allotment shall be made as follows:
- Each successful Bidder shall be Allotted a minimum of 75 Equity Shares; and
  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
- (f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

### **Disposal of Applications and Applications Money**

Our Company shall give credit to the beneficiary account with depository participants within 2 working days of from the date of allotment. Applicants having bank accounts at any of the 68 centres where clearing houses are managed by the Reserve Bank of India (RBI), State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, our Company shall dispatch refund orders, if any, of value upto Rs. 1,500 by "Under Certificate of Posting", and will dispatch refund orders above Rs. 1,500, if any, by registered post only at the sole or first Bidder's sole risk within 15 days of the Bid / Issue Closing date. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter through "Under Certificate of Posting" within 15 days of closure of issue, intimating them about the mode of credit of refund, the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

**Our Company will provide adequate funds required for dispatch of refund orders or for credit of refunds, as the case may be, to the Registrar to the Issue.**

We undertake that we shall use our best efforts to ensure that all steps for completion of necessary formalities for allotment and trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of basis of allotment.

## **Impersonation**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

**“Any person who:**

- (a) makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or**
- (b) otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years.”**

## **Procedure and Time Schedule for Allotment**

The Issue will be conducted through a “100% book building process” pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on October 29, 2009 and expire on November 4, 2009. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM and Co-BRLM, will determine the issue price, and, in consultation with the BRLM and Co-BRLM, the basis of allotment and entitlement to allotment based on the bids received and subject to the confirmation by the BSE/NSE. Successful Bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI and the Registrar of Companies and will be made available to investors. SEBI (ICDR) Regulations require our Company to complete the allotment to successful Bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors’ demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

## **MODE OF MAKING REFUNDS**

The payment of refund, if any, would be done through various modes in the following order of preference –

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following 68 centers - Ahmedabad, Bangalore, Bhubneshwar, Kolkatta, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvanthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakhpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank

of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete bank account details including the MICR Code as appearing on a cheques leaf from the Depositories. The payment of refunds is mandatory through this mode for applicants having a bank account at any of the above-mentioned 68 centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS or NEFT. Refunds through ECS may also be done at other locations based on operational efficiency and in terms of demographic details obtained by the Registrar from the Depository participant.

2. Direct Credit – Applicants having bank accounts with the Refund Bankers, shall be eligible to receive funds through direct credit. Charges, if any, levied by the Refund Bankers for the same would be borne by the Company.
3. RTGS – Applicants having a bank account at any of the above-mentioned fifteen centers and whose refund amount exceeds Rs. Ten Lakhs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC Code in the Bid-cum-Application form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the refund banks for the same would be borne by the Company. Charges, if any, levied by the applicants' bank receiving the credit would be borne by the applicant.
4. NEFT – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the IFSC, which can be linked to a MICR, if any, available to that particular bank branch. IFSC will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.
5. Refund Orders – For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

**Please note that only applicants having a bank account at any of the 68 centres where clearing houses for ECS are managed by the RBI, State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of**

Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur are eligible to receive refunds through the modes detailed in 1, 2, 3 & 4 hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine digit MICR code, the refund orders would be dispatched "Under Certificate of Posting" for refund orders of value upto Rs. 1,500 and through Speed Post / Registered Post for refund orders of Rs. 1,500 and above.

#### **Interest in case of delay in dispatch of allotment letters / refund orders**

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI (ICDR) Regulations, our Company undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid /Issue Closing Date; and

The company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of public issue. The company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been despatched to the applicants (or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner) within 15 days from the date of the closure of the issue.

Save and except for refunds effected through an electronic mode i.e., ECS, NEFT, Direct Credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

#### **UNDERTAKING BY OUR COMPANY**

Our Company undertake as follows:

- (a) that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- (b) that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the securities are to be listed within seven working days of finalisation of the basis of allotment;
- (c) that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed under the heading "Mode of Making Refunds" appearing on page no. 234 of this Red Herring Prospectus shall be made available to the Registrar to the Issue by our Company;
- (d) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of Issue, giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund;

- (e) that the certificates of the securities / refund orders to the non-resident Indians shall be dispatched within the specified time; and
- (f) that no further Issue of securities shall be made till the securities offered through this Red Herring Prospectus are listed or till the application moneys are refunded on account of non-listing, under-subscription etc.
- (g) that adequate arrangements shall be made to collect all Applications Supported by Blocked Amount (ASBA) and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

## **UTILISATION OF ISSUE PROCEEDS**

Our Board of Directors of our Company certifies that:

- (a) all monies received out of the Issue shall be credited / transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act, 1956;
- (b) details of all monies utilized out of the Issue referred above shall be disclosed under an appropriate separate head in its balance sheet indicating the purpose for which such monies have been utilized;
- (c) details of all unutilized monies out of the Issue, if any, shall be disclosed under the appropriate separate head in its balance sheet indicating the form in which such unutilised monies have been invested;
- (d) the utilization of all monies received under Employee Reservation Portion shall be disclosed under an appropriate head in the balance sheet of our Company indicating the purpose for which such monies have been utilized.
- (e) details of all unutilized monies out of the funds received from the Employee Reservation Portion shall be disclosed under the appropriate separate head in its balance sheet indicating the form in which such unutilized monies have been invested.

Our Company shall comply with the requirements of clause 49 of the Listing Agreement in relation to the disclosure & monitoring of the utilisation of the proceeds of the issue.

Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

## **Restrictions on Foreign Ownership of Indian Securities**

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the GoI and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government of India, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment.

**Subscription by Non-Residents**

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or the requirements of the Investment Company Act.

Accordingly, the Equity Shares are only being offered and sold (i) in the United States to entities that are both "qualified institutional buyers", as defined in Rule 144A of the Securities Act and "qualified purchasers" as defined under the Investment Company Act and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

**As per the current regulations, OCBs cannot participate in this Issue.**

The above information is given for the benefit of the Bidders. Our Company, the BRLM and Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations. However we shall update this Red herring Prospectus and keep the public informed of any material changes in matters concerning our business and operations till the listing and commencement of trading of the Equity Shares.

## **SECTION IX - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY**

Capitalised terms used in this section have the meaning given to such terms in the Articles of the Company.

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of equity shares and or their consolidation/splitting are required to be stated. The regulations contained in Table A of Schedule I of the Companies Act, 1956, shall apply to our Company in so far as they are not inconsistent with or repugnant to any of the regulations contained in the Article of Association of our Company.

**4. *Increase in the Capital by Company & how carried into effect:***

The Company in General Meeting may, from time to time, increase the Capital by the creation of new shares or alteration of present share capital structure such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

**7. *Equity Share Capital with Differential Rights:***

Subject to the provisions of Section 86 of the Act and applicable rules, guidelines and regulations, the Company shall have the power to issue equity shares with differential right as to dividend, voting or otherwise.

**8. *Redeemable Preference Shares:***

Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue Preference Shares which are, or at the option of the Company are to be liable, to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.

**9. *Provisions to apply on issue of redeemable preference shares***

On the issue of Redeemable Preference Shares under the provisions of Article 8 hereof the following provisions shall take effect: -

- a) No such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of the redemption;
- b) No such shares shall be redeemed unless they are fully paid;
- c) The premium, if any, payable on redemption must have been provided for out of the profits of the Company or the Company's Securities Premium Account before the shares are redeemed;
- d) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called the "Capital Redemption Reserve Account", a sum equal to the nominal amount of the shares redeemed and the provisions of the Act, relating to the reduction of the share Capital of the Company shall except as provided in section 80

of the Act, apply as if the Capital Redemption Reserve Account were paid up share Capital of the Company.

**7. *Reduction of Capital:***

The Company may (subject to the provision of sections 78, 80, 100 to 105 inclusive, of the Act) from time to time by Special Resolution, reduce its Capital and any Capital Redemption Reserve Account or Securities Premium Account in any manner for the time being authorized by law, and in particular Capital may be paid off on the footing that it may be called upon again or otherwise. This article is not to derogate from any power the Company would have if it were omitted.

**8. *Buy Back of Equity Shares:***

Subject to the provisions as laid down in Section 77A, 77AA and 77B and subject to such approvals as may be required under other applicable sections of the Act, if any, and other provisions, rules, guidelines, regulations and any amendment and modifications thereto, the Company shall have the power to purchase / buy back its own shares and / or other securities.

**9. *Sub-Division, Consolidation & Cancellation of shares:***

Subject to the provisions of Section 94 of the Act, the Company in General Meeting may, from time to time subdivide or consolidate its shares, or any of them, and resolution whereby any share is sub-divided, may determine that as between the holders of the shares resulting from such subdivision one or more of such shares shall have some preference or special advantage as regards dividend, Capital or otherwise over or as compared with the others or other. Subject as aforesaid the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share Capital by the amount of the shares so cancelled.

## **SHARES AND CERTIFICATES**

**17. *Further issue of Capital:***

- a) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares, in the Company made for the first time after its formation whichever is earlier it is proposed to increase the subscribed Capital of the Company by allotment of further shares, whether out of un-issued share Capital or out of increased share Capital, then such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the Capital paid up on these shares at that date. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they think most beneficial to the Company.
- b) Notwithstanding anything contained in the preceding sub-clause, the Company may -
  - (i) by a Special Resolution; or

- (ii) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands, or on a poll, as the case may be) in favour of the proposal contained in the Resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) by Members who being; entitled to do so, vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by Members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company, offer further shares to any person or persons, and such person or persons may or may not include the persons who, at the date of the offer, are the holders of the Equity Shares of the Company.
- c) Notwithstanding anything contained in sub-clause (i) above, but subject, however, to Section 81 (3) of the Act, the Company may increase its Subscribed Capital on exercise of an option attached to the Debentures issued or loans raised by the Company to convert such Debentures issued or loans into shares, or to subscribe for shares in the Company.

**18. *Shares under control of Directors:***

Subject to the provisions of these Articles and of the Act the shares (including any shares forming part of any increased Capital of the Company) shall be under the control of the Directors; who may allot or otherwise dispose of the same to such persons in such proportion on such terms and conditions and at such times as the Directors think fit and subject to the sanction of the Company in General Meeting with full power, to give any person the option to call for or be allotted shares of any class of the Company either (subject to the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount and such option being exercisable for such time and for such consideration as the Directors think fit. The Board shall cause to be filed the Returns as to allotment provided for in Section 75 of the Act.

**19. *Acceptance of Shares:***

Any application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register shall, for the purposes of these Articles, be a Member.

**20. *Deposit & Call etc. to be debt payable immediately:***

The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them, shall immediately on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

**21. *Liability of Members:***

Every Member, or his heirs, executors or administrators shall pay to the Company the portion of the Capital represented by his share or shares which may, for the time being, remain unpaid thereon, in such amounts, at such time or times, and in such manner as the Board shall, from time to time in accordance with the Company's regulations, require or fix for the payment thereof.

## **22. Shares Certificates:**

- a) Every Member or allottee of shares shall be entitled without payment, to receive one certificate specifying the name of the person in whose favour it is issued, the shares to which it relates and the amount paid-up thereon. Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its Letter of Allotment or its fractional coupons of requisite value save in cases of issues against Letters of Acceptance or of Renunciation or in cases of issue of bonus shares. Every such certificate shall be issued under the Seal of the Company, which shall be affixed in the presence of two Directors or persons acting on behalf of the Directors under a duly registered power of attorney and the Secretary or some other person appointed by the Board for the purpose, and two Directors or their attorneys and the Secretary or other person shall sign the share certificate, provided that if the composition of the Board permits of it, at least one of the aforesaid two Directors shall be a person other than a Managing or a Whole time Director. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person, to whom it has been issued, indicating the date of issue.
- b) Any two or more joint allottees of a share shall, for the purpose of this Article, be treated as a single Member, and the certificate of any share, which may be the subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them. For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding Rupee One. The Company shall comply with the provisions of Section 113 of the Act.
- c) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose. Provided that, these provisions shall not apply to the shares held in dematerialised form.

## **23. Renewal of Shares certificate:**

- a) No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out or mutilated or where the pages on the reverse for recording transfers have been fully utilised, unless the certificate in lieu of which it is issued is surrendered to the Company.
- b) When a new share certificate has been issued in pursuance of clause (a) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is "Issued in lieu of Share Certificate No. sub-divided/ replaced/on consolidation of shares".
- c) If a share certificate is lost or destroyed, a new or duplicate certificate in lieu thereof shall be issued only with the prior consent of the Board and on such terms, if any, as to evidence and Indemnity as to the payment of out-of-pocket expenses incurred by the Company in investigating evidence, as the Board thinks fit.
- d) When a new or duplicate share certificate has been issued in pursuance of clause (c) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is "Duplicate issued in lieu of Share Certificate No. "The word "Duplicate" shall be stamped or punched in bold letters across the face of the share certificate.

- e) Where a new or duplicate share certificate has been issued in pursuance of clause (a) or clause (c) of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate Certificate indicating against the names of the persons to whom the certificate is issued, the number and date of issue of the share certificate in lieu of which the new certificate is issued, and the necessary changes indicated in the Register of Members by suitable cross reference in the "Remarks" column.
- f) All blank forms to be issued for issue of share certificates shall be printed and the printing shall be done only on the authority of a Resolution of the Board. The blank forms shall be consecutively machine-numbered and the forms and the blocks, engravings, facsimiles and hues relating to the printing of such forms shall be kept in the custody of the Secretary or of such other person as the Board may appoint for the purpose; and the Secretary or the other person aforesaid shall be responsible for rendering an account of these forms to the Board.
- g) The Managing Director of the Company for the time being or, if the Company has no Managing Director, every Director of the Company shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates except the blank forms of share certificates referred to in sub-article (f).
- h) All books referred to in sub-article (g) shall be preserved in good order permanently.

## **DEMATERIALIZATION OF SECURITIES**

### **28. *Dematerialization of securities:***

- a) Either on the Company or on the investor exercising an option to hold his securities with a Depository in a dematerialised form, the Company shall enter into an agreement with the Depository to enable the investor to dematerialise the securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.
- b) Options to receive security certificates or hold securities with depository every person subscribing to securities offered by the Company shall have the option to receive the security certificates or hold securities with a depository. Where a person opts to hold a security with a depository, the Company shall intimate such depository the details of allotment of the security and on receipt of such information the depository shall enter in its record the name of the allottee as the beneficial owner of that security.
- c) Securities with depositories to be in fungible form all securities held by a depository shall be dematerialised and shall be in a fungible form.
- d) Nothing contained in Sections 153, 153A, 153B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

### **35. *Distinctive numbers of securities held in a depository:***

Nothing contained in the Act or these Articles regarding the necessity of having distinct numbers for securities issued by the Company shall apply to securities held with a depository.

## **UNDERWRITING AND BROKERAGE**

### **37. *Commission may be paid:***

- a) Subject to the provisions of Section 76 of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe

(whether absolutely or conditionally) for any shares or debentures in the Company, or procuring, or agreeing to procure subscriptions (whether absolute or conditional) for any shares or debentures in the Company, but so that the commission shall not exceed in the case of shares five per cent of the price at which the shares are issued and in the case of debentures two and a half per cent of the price at which the debentures are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares, debentures or debenture stock or partly in one way and partly in the other.

- b) The Company may pay a reasonable sum for brokerage on any shares, debentures or debenture stock.

## **LIEN**

### **53. *As to enforcing lien by sale:***

For the purpose of enforcing such lien the Board may sell the shares subject thereto to such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorise one of their number to execute a transfer thereof on behalf and in the name of such Member. No sale shall be made until such period as aforesaid shall have arrived, and until notice in writing of the intention to sell shall have been served on such Member or his representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

## **FORFEITURE OF SHARES**

### **55. *If money payable on shares not paid, notice to be given to members:***

If any Member fails to pay any call or installment of a call, on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter, during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

### **57. *In default of payment, shares to be forfeited:***

If the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expense due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends, declared or any other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

### **59. *Forfeited shares to be property of the Company & may be sold etc.:***

Any share so forfeited shall be deemed to be the property of the Company, and may be sold, re-allotted, or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

### **60. *Members still liable to pay money owing at time of forfeiture and interest:***

Any Member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon

from the time of the forfeiture until payment, at the rate not exceeding 5 per cent, per annum as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.

**61. *Effect of forfeiture:***

The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

**62. *Evidences for forfeiture:***

A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles 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.

**63. *Validity of sale under Article 53 & 59:***

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

**64. *Cancellation of share certificates in respect of forfeited shares:***

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a duplicate certificate or certificates in respect of the said shares to the person or persons entitled thereto.

**65. *Power to annul forfeiture:***

The Board may at any time before any share, so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

## **TRANSFER AND TRANSMISSION OF SHARES**

**66. *Register of Transfers:***

The Company shall keep a "Register of Transfers", and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share and whereas in case of shares held in dematerialised form, the Register of Transfer maintained by the Depository shall be deemed to be the Register of Transfer.

**70. *Directors may refuse to register transfer:***

Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contract (Regulation) Act, 1956 the Board may refuse to register any transfer of or the transmission by operation of law of the right to, any shares or interest of a member in the Company, but in such

case the Company shall, within one month from the date on which the instrument of transfer, or intimation of such transmission, as the case may be, was delivered to the Company send notice of such refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal; Provided, however, that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with another person or persons being indebted to the Company on any account whatsoever, except where the Company has a lien on the shares.

**75. *No transfer to minor etc.:***

No share shall in any circumstances be transferred to any minor, insolvent or person of unsound mind. However a transfer of fully paid-up shares to a minor shall be allowed.

**76. *Compliance with the Estate Duty Act, 1953:***

If any Member of the Company dies, and the Company through any of its principal officers within the meaning of the Estate Duty Act, 1953, has knowledge of the death, it shall not be lawful for the Company to register the transfer of any shares standing in the name of the deceased Member unless the Company is satisfied that the Transferee has acquired such shares for valuable consideration or there is produced to it a certificate from the Controller, Deputy Controller, or Assistant Controller of Estate Duty that either the Estate Duty in respect thereof has been paid or will be paid or none is due as the case may be. Where the Company has come to know through any of its principal officers of the death of any Member, the Company shall, within three months of the receipt of such knowledge, furnish to the Assistant Controller, the Deputy Controller or Controller of Estate Duty who is exercising the functions of the Income-tax Officer under the Income-tax Act in relation to the Company, such particulars as may be prescribed by the Estate Duty Rules, 1953.

**81. *Power to issue share warrants:***

The Company subject to the conditions prescribed under Section 114 of the Act and with the prior permission of the Central Government, may issue share warrants by deleting the name of Shareholder from the Register of Members and recording the fact of issuance of share warrant.

## **DIVIDENDS**

**190. *Division of profits:***

The profits of the Company, subject to the provisions of Sections 205 to 208 of the Act and subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles, shall be 'divisible among the Members in proportion to the amount of Capital paid-up or credited as paid-up on the shares held by them respectively.

**191. *The Company in general meeting may declare a dividend:***

The Company in General Meeting may declare dividend to be paid to Members according to their respective rights but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

**192. *Dividends only to be paid out of profits:***

If so required by the Act, no dividend shall be declared or paid otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of the Act or out of the profits of the Company for any previous financial year or years arrived at after

providing for depreciation in accordance with these provisions and remaining undistributed or out of both; Provided that -

- a) If the Company has not provided for depreciation for any previous financial year or years it shall, before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or out of the profits of any other previous financial year or years.
- b) If the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or against both.
- c) Provided further that, no dividend shall be declared or paid for any financial year out of the profits of the Company for that year arrived at after providing for depreciation as above, except after the transfer to the reserves of the Company of such percentage of its profits for that year as may be prescribed in accordance with Section 205 of the Act or such higher percentage of its profits as may be allowed in accordance with that Section.

**193. *Interim dividend:***

The Directors may from time to time pay to the members such interim dividends as in their judgment the position of the Company justifies.

## **RESERVES**

**203. *Creation of the Reserves:***

The Board may, from time to time, before recommending any dividend, set apart any or such part of the profits of the Company as it thinks fit as reserves to meet contingencies or for the liquidations of any debentures, debts or other liabilities of the Company for equalizations of dividends for repairing improving or maintaining any of the property of the Company and for such other purpose of the Company and for such other purposes of the Company as the Board in its absolute discretion thinks conducive to the interest of the Company, and may subject to the provisions of the section 372 of the Act invest the several sums so set aside upon such investments (other than the shares of the Company) as it may think fit from time to time, deal with and vary such investments and dispose of all or any part thereof for the benefits of the Company and may divide the reserves into such special funds as it think fit, with full power to employ the Reserves or any part of business of the Company, and that without being bound to keep separate from the assets.

## **CAPITALISATION**

**205. *Capitalisation:***

- a) The Company in General Meeting may resolve that any money, investments or other assets forming part of undivided profits of the Company standing to the credit of the Reserve Fund, or any Capital Redemption Reserve Account or in the hands of the Company and

available or dividend (representing premium received on the issue of shares and standing to the credit of the Securities Premium Account) be Capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as Capital and that all or any part of such Capitalised fund be applied on behalf of such shareholder in paying up in full either at par or at such premium as the resolution may provide, any un-issued shares or Debentures or Debenture-stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability or any issued shares or debentures or debenture-stock and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said Capitalised sum; Provided that a Securities Premium Account and Capital Redemption Reserve Account may, for the purpose, this Article, only be applied in the paying of any un-issued shares to be issued to Members of the Company as fully paid bonus shares.

- b) Company in a General Meeting may resolved that any surplus moneys arising from the realisation of any Capital assets of the Company, or any investments representing the same, or any other undistributed profits of the Company not subject to charge for income-tax be distributed among the Members on the footing that they receive the same as Capital.
- c) For the purpose of giving effect to any resolution under the preceding paragraphs of this article the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that such cash payments shall be made to any Members upon the footing of the value so fixed or that any fraction of less value than Rs. 10/- may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets, in trustees upon such trusts for the person entitled to the dividend or Capitalised fund as may seem expedient to the Board, where requisite, a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Companies Act, 1956, and the Board may appoint any person to sign such contracts on behalf of the persons entitled to the dividend or Capitalised fund, and such appointment shall be effective.

## **SECTION X: OTHER INFORMATION**

### **MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of the Red Herring Prospectus, have been delivered to the Registrar of Companies, Maharashtra, Mumbai for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company, from 10.00 a.m. to 4.00 p.m. on any working day from the date of the Red Herring Prospectus until the date of closing of the Issue.

#### **Material Contracts**

1. Memorandum of Understanding dated July 4, 2008 signed between our Company and Almondz Global Securities Limited, the Book Running Lead Manager to the Issue.
2. Memorandum of Understanding dated August 21, 2009 signed between our Company and IDBI Capital Market Services Limited, the Co-Book Running Lead Manager to the Issue.
3. Memorandum of Understanding dated February 27, 2008 signed between the Company and Bigshare Services Private Limited, Registrar to the Issue.
4. Copy of the Tri-partite Agreement dated June 26, 2008 between NSDL, the Company and Bigshare Services Private Limited
5. Copy of the Tri-partite Agreement dated June 19, 2008 between CDSL, the Company and Bigshare Services Private Limited

#### **Material Documents for Inspection**

1. Memorandum and Articles of Association of Astec LifeSciences Limited as amended till date.
2. Resolution of our Board dated February 15, 2008 and our EOGM resolution dated March 10, 2008 for authorizing the Issue.
3. Certificate of Incorporation.
4. Resolution of the general body for appointment and remuneration to our Managing Director and Executive Director.
5. Copy of Auditors Report issued by Statutory Auditors of our Company regarding Re-stated financials of our Company for the last 5 financial years for the period ended March 31, 2005; March 31, 2006; March 31, 2007; March 31, 2008; March 31, 2009 and for the period ended June 30, 2009.
6. Copies of Annual Reports of our Company for the past five financial year's period ended March 31, 2005; March 31, 2006; March 31, 2007; March 31, 2008 and March 31, 2009.
7. Copies of Annual Reports of our Promoter Group Companies and our Subsidiaries for the past three financial years.

8. Statement of Tax Benefits from Statutory Auditors of our Company.
9. Certificate by Statutory Auditors of our Company, P.M. Katharia & Co., Chartered Accountants confirming compliance of Accounting Standards issued by the Institute of Chartered Accountants of India.
10. Consent of Auditors, for the inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus/Red Herring Prospectus/Prospectus.
11. Consents of Statutory Auditors, Bankers to the Company, BRLM, Co-BRLM, Registrar to the Issue, Legal Counsel to the Company, Directors of our Company, Syndicate member, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
12. No objection certificate from Bankers to the Company viz. Axis Bank Limited, IDBI Bank Limited and State Bank of Hyderabad in respect of proposed public issue of the Company.
13. Copy of valuation report dated April 2, 2007 of P.M. Katharia & Co., Chartered Accountants
14. Copy of Share Purchase Agreement dated April 2, 2007.
15. Copy of Agreement entered with Behram Chemicals Private Limited dated August 1, 2004.
16. Copy of Grading Agency for IPO grade.
17. Copies of letter addressed to BSE and NSE regarding in-principle approval for listing.
18. In-principle listing approval dated September 23, 2008 and October 17, 2008 from BSE and NSE respectively.
19. Due Diligence Certificate dated September 11, 2009 to SEBI from Almondz Global Securities Limited.
20. Disassociation agreement dated September 20, 2005 between Mr. Ashok Hiremath and Mr. Jai Hiremath.
21. SEBI's Observation letter no. CFD/DIL/NB/NB/142958/2008 dated November 04, 2008

## DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. The Company further certifies that all statements in this Red Herring Prospectus are true and correct.

## SIGNED BY ALL THE DIRECTORS OF ASTEC LIFESCIENCES LIMITED

**Mr. Ashok Hiremath**  
Managing Director

**Mr. Sitendu Sharma**  
Director

**Dr. P.L. Tiwari**  
Director

**Mr. Mohammed Zakir\***  
Director

**Mr. Laxmikant Kabra**  
Director

**Dr. Vinod Malshe**  
Director

**Mr. Vijay Kumar Jain**  
Chief Finance Officer

\*Through duly constituted attorney Mr. Ashok Hiremath, Managing Director

Date: September 11, 2009  
Place: Mumbai

**RATIONALE FOR CARE IPO GRADING****IPO Grading****CARE IPO Grade 2**

CARE has assigned a 'CARE IPO Grade 2' to the proposed Initial Public Offer (IPO) of Astec LifeSciences Limited (ALSL). CARE IPO Grade 2 indicates below average fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the relative assessment of the fundamentals of that issuer. ALSL proposes an IPO of 75 lakh equity shares of face value of Rs.10 each, at a price which will be determined through the book building process.

*The grading factors in promoters' experience in the agro chemicals and pharmaceuticals industry, long track record of ALSL, consistent growth in terms of turnover and profitability levels in the last few years, moderate gearing and diversified geographical presence.*

*However, the grading is constrained by ALSL's relatively small size of operations, pre-dominant control by a single family member product concentration risk, absence of long-term contracts with raw material suppliers and clients, dependence on IPO proceeds for the proposed project completion, various pending court cases against the company & the promoter and moderate corporate governance practices. The grading is further constrained by project risk involved in setting up of new manufacturing facility with deployment of proposed IPO funds.*

**Background of the company**

ALSL started its first manufacturing unit in August 1994 by acquiring a sick unit in Dombivli, Maharashtra, having an installed capacity of 120 MT for the manufacture of Dicap, a pharmaceutical intermediate. Subsequently, in the year 2002, ALSL entered into a lease agreement with Behram Chemicals Private Limited for using and operating their manufacturing facilities located at Mahad Industrial Area, Maharashtra.

ALSL is engaged in the manufacture and sale of intermediates, active ingredients and formulations in the off patent-proprietary category with a focus on agrochemical and pharmaceutical industries.

ALSL has its production/research facilities at two locations in Maharashtra, India, viz, one R & D unit at Dombivli and two manufacturing units at Mahad.

As on March 31, 2009, Astec had one subsidiary - Behram Chemicals Pvt. Ltd. (with 65% equity holding) and two group companies viz Opus Chemicals Private Limited and Astec Europe.

**Management**

The Board of Directors comprises six members, with Mr. Ashok Hiremath, being the Chairman and Managing Director. The Board is assisted by a team of senior executives including Mr. D.K. Joshi, Vice President [VP] (Operations), Mr. Javed Sayyed, VP (Marketing), Mr. Ranjan Shastri, VP (R&D), Ms. Nikita Jain, Company Secretary (CS) and Mr. Vijay Kumar Jain, Chief Financial Officer (CFO).

**Corporate Governance****Separation of ownership and management**

As per the Corporate Governance requirements of Clause 49 of the Listing Agreement, it is

mandatory to have half of the Board independent, if the Chairman of the Board is also the Executive Director of the company. The said clause is applicable in case of ALSL, since Mr. Ashok Hiremath holds both the positions. Accordingly, as on March 31, 2009, the company had six members on its Board which included three Independent Non-Executive Directors. The Independent Directors are Mr. Mohammed Zakir, Mr. Sitendu Sharma and Dr. Vinod Malshe. The Independent and Non-Executive Directors as above have significant experience in varied fields. Further, in order to comply with the Corporate Governance requirement, ALSL has constituted an Audit Committee, Shareholders/Investor Grievance Committee and Remuneration Committee in August, 2008 and had meetings during the FY2008-09.

#### **Pending legal cases & their status**

The company has the following cases pending against it:

##### **I. Criminal Cases filed against ALSL, its promoters and Directors**

Nath Biogene (I) Limited (NBIL) has filed a legal notice against ALSL claiming Rs.75 crore as damages/compensation for alleged supply of spurious material by ALSL. Further, NBIL lodged an FIR on June 27, 2007 against the Company and its Promoters/Directors. However, the Hon'ble Bombay High Court by an order dated March 12, 2008 quashed the FIR filed by NBIL. Currently, NBIL and State of Maharashtra have preferred appeals before the Supreme Court of India under Special Leave to Appeal against the order passed by Bombay High Court which is still pending.

##### **II. Other criminal cases filed against ALSL**

A) The Government of Maharashtra through Insecticide Inspector & Divisional Quality Control Inspector, filed a Complaint against ALSL and its Manager, Administration and Communication, before the Court of Judicial Magistrate (First Class) Kalyan, district Thane under Insecticides Act, 1968 for illegal manufacturing, storage, selling and distribution of misbranded insecticides and pesticides without obtaining an appropriate license from licensing authority. The matter is still pending.

B) The Manpada Police Station had filed a Complaint against ALSL before the Court of Judicial Magistrate (First Class) Kalyan, alleging that the outbreak of fire at Company's Dombivli unit on May 31, 2004 was due to the negligence of the officials of the Company which caused death of an employee of the Company. The matter is sub-judice.

##### **III. Cases filed against ALSL's Subsidiary Company**

A) **Behram Chemicals Private Limited ("BCPL")**, the subsidiary of ALSL, has filed an Appeal before the Sales Tax Tribunal, Mumbai against the order of the Assistant/ Deputy/Additional Commissioner of Sales Tax for the assessment years 1996-1997, 1997-1998, 1998-1999 and 1999-2000 aggregating to Rs.28.65 lakh. Appeals relating to the period 1996-97 and 1999-2000 were dismissed as having been withdrawn vide order dated December 15, 2008 by second bench of The Maharashtra Sales tax Tribunal. Appeals relating to 1997-98 and 1998-99 are partly allowed. The case is transferred to Thane Sales Tax Office for re-assessment.

B) The Sales Tax Officer, Raigad Division has issued a notice for default in filing the Sales Tax returns for the assessment years 2006-2007, 2007-08 and 2008-2009 within the prescribed time. In this regard, ALSL has taken new VAT TIN number and on the basis of the available records, returns are expected to be filed shortly.

#### **IV. Other Miscellaneous Proceedings**

ALSL and its Directors have filed one application under the Companies Act, 1956 with the Registrar of Companies, Maharashtra at Mumbai, for compounding of non-compliance by ALSL for non-transfer of unclaimed dividend amount to a Special Dividend Account. In the case, a compounded penalty of Rs.30,000 and Rs.1,000 each has been imposed on ALSL and the individual Directors, respectively.

#### **Operations**

ALSL operates under two major segments viz agrochemicals and pharmaceuticals. Under the agrochemicals segment, ALSL manufactures active ingredients, intermediates and formulations, whereas under the pharmaceutical segment, ALSL manufactures pharma intermediates which in turn are supplied to Active Pharmaceutical Ingredients (API) manufacturers. ALSL's major focus is on agrochemicals segment which accounted for 85% of its total revenue in FY09. The key products in agrochemical segment which contributed approximately 80% of the total revenue in FY09 were Hexaconazole, Tebuconazole, Metalaxyl and Propiconazole and the key product in pharmaceutical segment viz Dicap, a pharmaceutical intermediate accounted for 14% of the total revenue in FY09. Share of exports in ALSL's total revenue increased from 25.32% in FY08 to 29.52% in FY09. ALSL currently exports its products to East Asia, Europe, Middle East and USA, with Europe accounting for 17% of the total revenue in FY09 followed by East Asia accounting for 7%.

The major raw materials used in manufacturing of the company's products are procured from domestic as well as overseas markets. The ratio of imported and indigenous raw materials consumed in value terms was 23.94% and 76.06%, respectively, in FY2009.

ALSL has established an R&D centre at Dombivli, Maharashtra, which is recognised by Department of Science and Industrial Research.

The company has been granted ISO 9001:2000 Certificate of Assessment by International Standards Certification Pty Limited, Australia for "Design, development, manufacture and supply of organic chemicals and intermediates for Pharmaceutical and Agrochemical industry". This certificate is valid till March 22, 2011.

#### **IPO Issue Details**

##### ***Size of the Issue***

ALSL is proposing to make an Initial Public Offer (IPO) of 75,00,000 equity shares of face value of Rs.10/- each for cash at a premium to be determined through a book building process. Out of these, 1,00,000 equity shares are set aside as Employee Reservation Portion for subscription by eligible employees.

##### ***Terms of the issue***

Not more than 50% of the net issue to public shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (QIBs). In addition, approximately 5% of the QIB Portion shall be available for allocation on a proportionate basis to mutual funds only and the balance shall be available for allotment on a proportionate basis to QIBs and mutual funds. Further, not less than 15% of the net issue to public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the net issue to public shall be available for allocation on a proportionate basis to Retail Individual Bidders.

##### ***Purpose of the issue***

The company plans to expand its installed capacity in phases. The enhanced capex would be undertaken at its existing facilities at Mahad, Maharashtra which is proposed to be a 100% Export

Oriented Unit. The land for expansion has already been acquired on lease from MIDC for a period of 95 years with effect from March 2005. Also, the Company plans to use the proceeds of the IPO for augmenting the existing Research and Development facility at Dombivli, Maharashtra, meeting registration expenses, long-term working capital requirements, for general corporate purposes and issue expenses.

### **Industry outlook**

#### **Agrochemical Industry**

Agrochemicals are used for preventing destruction of crops from pests, insects, weeds, rodents etc. Agrochemical industry plays a vital role in ensuring food security and economic benefits to the farmers. In spite of India primarily being an agricultural economy, consumption of agrochemicals is low in India. The agrochemical industry (domestic and exports) registered a CAGR of 11.86% in last five-year period ended FY07 with most of the growth coming from exports. The domestic market grew at a CAGR of 8.67% in last five-year period ended FY07 to achieve a turnover of Rs.4,463 crore. The agrochemical consumption pattern in India is dominated by Insecticides (64.21% in FY07). This is due to tropical climate of India which is more conducive for growth of insects and higher cultivation of crops like cotton, rice, etc, which are more prone to insect attack. With growing income levels, changing food consumption patterns and current trend in population growth, agricultural productivity needs to be enhanced substantially that too on lower per capita land, less water and under increasingly challenging environmental conditions. The target for agricultural growth in XI Five Year Plan is pegged at 4% p.a. Also, the Union Budget 2008-09 continues to focus on agriculture. The budget proposed additional investments on key inputs like irrigation, fertilizers and seeds. The growth in agricultural crops will augur well for the agrochemical industry. In the years to come, the consumption pattern of insecticides, herbicides and fungicides is likely to mirror the global consumption pattern. Exports, as in the past, will continue to grow at healthy rates. Globally, the growth in agrochemical industry will be driven by growth in biofuels, increase in cropping area in Latin America and higher commodity prices.

#### **Pharmaceutical Industry**

##### **Global Pharma Market:**

The global Pharmaceutical market was valued at US\$773 bn during CY08 recording a y-o-y growth of 8.42%. The global pharmaceutical market is largely being driven by the N. American and the European nations which together constituted approximately 68.8% of the total global pharma sales during CY08. However, the contribution to the growth of global pharma sales by these regions has remained subdued in recent times owing to fewer new product launches, less-than-expected demand of recently-launched products and of late, with the indirect effects of economic slowdown such as reduction in the number of visits to clinics.

In contrast, the developing economies of Asia, Africa and Australia together with the Latin American nations have been the major contributors to the global pharma sales growth during the last few years. During CY08, approximately 77% of the y-o-y growth was contributed by the said regions.

**Domestic Market:** The Indian Pharmaceutical market was valued at Rs.62,500 crore during FY08. With the y-o-y growth of Indian pharma sales at 10.62% surpassing the y-o-y growth of global pharma sales at 8.42% during FY08, India represents one of the fastest growing pharma markets in the world. In value terms, formulations command nearly 78% share of the Indian pharma market. In addition to the domestic consumption, the industry's exports have grown phenomenally at a CAGR of nearly 20% during the period FY02- FY08. Significantly, during FY08, exports accounted

for 46.6% of the total pharma sales during the year of which the share of exports to U.S. stood highest at 19%. Due to huge domestic pool of prospective customers, the Indian market remains a focus area for the pharma companies. Considering that the domestic market is expected to retain its pace of growth at a CAGR of 10-12% till 2015, it offers ample opportunities for Indian companies/MNCs.

### Company Financials

|                                 | <i>(Rs. lakh)</i> |                   |                   |
|---------------------------------|-------------------|-------------------|-------------------|
| <b>For period ended/As on</b>   | <b>31/03/2007</b> | <b>31/03/2008</b> | <b>31/03/2009</b> |
| <b>Working results</b>          |                   |                   |                   |
| Net Sales                       | 3,139             | 5,517             | 8,440             |
| Total Operating Income          | 3,351             | 6,113             | 9,345             |
| PBILDT                          | 648               | 1,580             | 2,139             |
| Depreciation                    | 141               | 224               | 320               |
| Interest                        | 97                | 419               | 606               |
| PAT (After Deferred Tax)        | 370               | 807               | 1,072             |
| Gross Cash Accruals             | 531               | 1,056             | 1,409             |
| <b>Financial position</b>       |                   |                   |                   |
| Gross Fixed Assets              | 2,443             | 3,655             | 4,064             |
| Net Fixed Assets                | 2,154             | 3,143             | 3,234             |
| Net Working Capital             | 1,724             | 2,323             | 4,343             |
| Equity Share Capital            | 86                | 943               | 943               |
| Tangible Net worth              | 1,576             | 2,355             | 3,241             |
| Total Debt                      | 2,307             | 3,294             | 4,383             |
| Total Capital Employed          | 3,883             | 5,649             | 7,624             |
| <b>Ratios:</b>                  |                   |                   |                   |
| <b>Growth (%)</b>               |                   |                   |                   |
| Growth in Total Income          | 10.22             | 82.45             | 52.87             |
| Growth in PBILDT                | 26.86             | 143.70            | 35.33             |
| Growth in PAT                   | 6.39              | 118.11            | 32.87             |
| <b>Profitability (%)</b>        |                   |                   |                   |
| PBILDT / Total Operating Income | 19.35             | 25.85             | 22.89             |
| PAT / Total Income              | 11.03             | 13.19             | 11.44             |
| ROCE (Total Capital Employed)   | 15.68             | 28.58             | 27.82             |
| <b>Solvency (Times)</b>         |                   |                   |                   |
| Long Term Debt Equity ratio     | 0.68              | 0.56              | 0.36              |
| Overall Gearing ratio           | 1.46              | 1.40              | 1.35              |
| Interest Coverage               | 5.23              | 3.24              | 3.00              |
| Term Debt / Gross Cash Accruals | 2.02              | 1.25              | 0.82              |
| <b>Liquidity (times)</b>        |                   |                   |                   |
| Current Ratio                   | 1.19              | 1.09              | 1.10              |
| Quick Ratio                     | 0.71              | 0.62              | 0.59              |

| <b>Turnover(Days)</b>     |     |     |     |
|---------------------------|-----|-----|-----|
| Average Collection Period | 87  | 86  | 94  |
| Average Creditors         | 122 | 104 | 77  |
| Average Inventory         | 170 | 129 | 122 |

Total income of ALSL has grown by 82.45% Y-o-Y in FY08 and 52.87% Y-o-Y in FY09 driven by increase in sales volume of existing products, reflected in increase in capacity utilisation from 81% in FY07 to 93% in FY09. The agrochemical products have dominated the overall sales of the company with their share being 84.70% in FY09.

PBILDT margin declined in FY09 to 22.89% from 25.85% in FY08 due to increase in the prices of its key raw materials. The interest charges for the company have increased due to the increase in working capital borrowings on account of increased scale of operations over the past four years and term loan borrowings for capacity expansion. In line with decline in PBILDT margin and higher interest burden, PAT margin also declined to 11.44% in FY09 from 13.19% in FY08.

Total capital employed has increased over the last three years mainly due to capacity expansion resulting in increase in fixed assets and increase in net current assets. Although long-term debt-equity ratio was comfortable at 0.36x as on March 31, 2009, overall gearing ratio was moderate at 1.35x as on March 31, 2009 mainly due to higher working capital borrowings. Current ratio has been low in the past three years and stood at 1.10x as on March 31, 2009.

### **Prospects**

ALSL's future growth prospects depend on successful execution of expansion plans which in turn are dependent on successful completion of IPO. Further, ALSL is expected to meet the increased export demand and focus on R&D activities to develop improved process efficiencies and introduction of new products, thereby increasing their product portfolio. However, in times of downturn in demand, the company would be more adversely affected because of its relatively small size. Further, the outcome of the pending legal cases may have an impact on its future operations.