

**ALKALI METALS LIMITED**

(Our Company was incorporated on April 17, 1968 as Alkali Metals Private Limited under the provisions of the Companies Act, 1956 in Hyderabad, Andhra Pradesh with Registration No.01-001196. Our Company became a deemed public limited company on June 18, 1975 under the Companies Act, 1956 and subsequently converted into a private limited company on October 06, 1976. Our Company again became a deemed public company on July 06, 1977 and the name was changed to Alkali Metals Limited, after which it was again converted into a private limited company on November 10, 1986 and named Alkali Metals Private Limited. Our Company was converted into a public limited company vide a fresh Certificate of Incorporation dated July 29, 1992)

**Registered Office:** B-5, Block III, Industrial Development Area, Uppal, Hyderabad-500 039, Andhra Pradesh, India.

**Tel:** +91 40 2720 2298, 2720 1179; **Fax:** +91 40 2720 1454 **E-mail:** secretarial@alkalimetals.com, **Website:** www.alkalimetals.com

**Contact Person:** Mr. Vasudeva Rao Devaki, Company Secretary & Compliance Officer

**PUBLIC ISSUE OF 2,550,000 EQUITY SHARES OF FACE VALUE OF RS. 10/- EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A PREMIUM OF RS. [●] PER EQUITY SHARE) AGGREGATING RS. [●] MILLION ("THE ISSUE"). THE ISSUE SHALL CONSTITUTE 25.04% OF THE FULLY DILUTED POST ISSUE PAID UP CAPITAL OF OUR COMPANY.**

**Price Band: Rs. [●] To Rs. [●] Per Equity Share of Face Value of Rs. 10 Each**

**The Issue Price is [●] times of the Face Value at the Lower End of the Price Band and [●] times of the Face Value at the Higher End of the Price Band**

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

This Issue is being made through a 100% Book Building Process wherein upto 50% of the Issue will be allocated to Qualified Institutional Buyers (QIBs) on a proportionate basis, subject to valid bids being received at or above the Issue Price. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds only. Mutual Fund Bidders shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, atleast 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and atleast 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

**IPO GRADING**

The Issue has been graded by ICRA Ltd. and has been assigned a grade of [●]/5 indicating [●] fundamentals. The IPO Grading is assigned on a 5 point scale from 1 to 5 with an 'IPO Grade 5' indicating strong fundamentals and an 'IPO Grade 1' indicating poor fundamentals. For details please refer to page no [●] of this Draft Red Herring Prospectus under the section 'General Information'.

**RISKS IN RELATION TO THE FIRST ISSUE**

This being the first issue of the Equity Shares of our Company, there has been no formal market for the Equity Shares of our Company. **The face value of shares is Rs.10/- and the Issue Price of Rs. [●]/- per share is [●] times of the face value.** The Issue Price (as determined and justified by the BRLM and our Company on basis of assessment of market demand for the Equity Shares by way of Book Building as stated in chapter titled 'Basis for Issue Price' beginning on page [●]) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing.

**GENERAL RISK**

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 the Securities and Exchange Board of India (SEBI) nor does the SEBI guarantee the accuracy or adequacy of this document. Specific attention of the investors is invited to the statement of Risk Factors beginning on Page [●] of this Draft Red Herring Prospectus.

**ISSUER'S ABSOLUTE RESPONSIBILITY**

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

**LISTING ARRANGEMENT**

The Equity Shares issued through this Draft Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (BSE) and on the National Stock Exchange of India Limited (NSE). In-principle approvals have been received from BSE and NSE for the listing of the Equity Shares vide their letters dated [●] and [●] respectively. For the purposes of this Issue, BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
 <p><b>SAFFRON CAPITAL ADVISORS PRIVATE LIMITED</b> SEBI Registration No. : INM000011211 Ground Floor, Vilco Center, 8, Subhash Road, Vile Parle (East), Mumbai - 400 057 <b>Tel. No:</b> +91-22-4082 0906/0905; <b>Fax No:</b> +91-22-2682 0502 <b>Website:</b> www.saffronadvisor.com <b>Email:</b> alkali.ipo@saffronadvisor.com <b>Contact Person:</b> Ms. Apeksha A. Munwane</p>	 <p><b>CAMEO CORPORATE SERVICES LIMITED</b> SEBI Registration No.: INR000003753 Subramanian Building, No.1, Club House Road, Chennai - 600 002. <b>Tel. No:</b> +91 44 2846 0390 / 1948; <b>Fax No:</b> +91 44 2846 0129 <b>Website:</b> www.cameoindia.com <b>E-mail:</b> cameo@cameoindia.com <b>Contact Person:</b> Mr. R.D. Ramasamy</p>
ISSUE PROGRAMME	
BID / ISSUE OPENS ON : [●]	BID / ISSUE CLOSES ON : [●]

## TABLE OF CONTENTS

	Page No
<b>Section I – Definitions and Abbreviations</b> .....	
Company Related Terms .....	1
Issue Related Terms .....	1
Industry Related Terms .....	4
Conventional/General Terms .....	5
Abbreviations .....	6
<b>Section II – General</b> .....	
Certain Conventions; Use of Market Data .....	8
Forward Looking Statements .....	9
<b>Section III – Risk Factors</b> .....	<b>10</b>
<b>Section IV – Introduction</b> .....	
Summary .....	20
Brief details of the Issue .....	23
Summary of Financial Information .....	24
General Information .....	26
Capital Structure .....	33
<b>Section V – Objects of the Issue</b> .....	
Objects of the Issue .....	43
Basic Terms of the Issue .....	54
Basis for Issue Price .....	55
Statement of Tax Benefits .....	57
<b>Section VI – About Us</b> .....	
Industry Overview .....	65
Our Business .....	74
Key Industry Regulations and Policies .....	96
Our History and Certain Corporate Matters .....	101
Our Management .....	106
Promoters and their Background .....	119
Currency of Presentation .....	123
Dividend Policy .....	123
<b>Section VII – Financial Information</b> .....	
Financial Statements .....	124
Financial Information of Group Companies .....	143
Management’s Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements .....	152
<b>Section VIII – Legal and other Regulatory Information</b> .....	
Outstanding Litigations .....	163
Statutory Approvals and Licenses .....	171
Other Regulatory and Statutory Disclosures .....	174
<b>Section IX – Issue Related Information</b> .....	
Terms of the Issue .....	184
Issue Structure .....	187
Issue Procedure .....	189
Restrictions on Foreign Ownership of Indian Securities .....	217
<b>Section X – Description of Equity Shares and Terms of the Articles of Association</b> .....	
Main Provisions of Articles of Association .....	219
<b>Section XI – Other Information</b> .....	
Material Contracts and Documents for Inspection .....	233
<b>Section XII – Declaration</b> .....	235

## SECTION I - DEFINITIONS AND ABBREVIATIONS

### DEFINITIONS

Term	Description
“The Issuer” or “Our Company” or “Alkali Metals Limited” or “Alkali Metals” or “AML” “We” or “us” or “our”	Unless otherwise specified, these references mean Alkali Metals Limited, a public limited company incorporated under the Companies Act, 1956
Promoters	Unless the context otherwise requires, refers to Dr. Y. V. S. Murty and Mr. Y. S. R. Venkata Rao
Group Companies/Concerns	The following are the Group Companies of our Company <ul style="list-style-type: none"> <li>▪ Alkani Telefilms Private Limited</li> <li>▪ Balaji Agro Industries Limited</li> <li>▪ Asian Herbex Limited</li> <li>▪ CDC Industrial Infrass Limited</li> <li>▪ Rao-San Infotek Private Limited</li> <li>▪ YVS Power Ventures Private Limited</li> <li>▪ Yerramilli Chemicals Private Limited</li> <li>▪ Alkali Metals (USA) Inc.</li> <li>▪ M/s. Intech</li> <li>▪ Yeramilli Venkat Rao Trust</li> </ul>

### COMPANY RELATED TERMS

Term	Description
Articles/ Articles of Association	The Articles of Association of Alkali Metals Limited
Auditors	The Statutory Auditors of our Company namely, Avadhani & Co., Chartered Accountants
Board / Board of Directors	Board of Directors of Alkali Metals Limited unless otherwise specified.
Memorandum/ Memorandum of Association	The Memorandum of Association of Alkali Metals Limited
Project	The objects of the Issue are to raise capital for financing the funds required for: <ul style="list-style-type: none"> <li>▪ Setting up of an Active Pharmaceutical Ingredients (API) plant at Jawaharlal Nehru Pharma City at Visakhapatnam with an installed capacity of 672 MTPA.</li> <li>▪ Meeting the Public Issue Expenses.</li> </ul>
Registered Office of our Company	B-5, Block III, Industrial Development Area, Uppal, Hyderabad-500 039, Andhra Pradesh, India
RoC	Registrar of Companies, at Andhra Pradesh, Hyderabad

### ISSUE RELATED TERMS

Term	Description
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, Allotment of Equity Shares pursuant to this Issue
Banker(s) to the Issue	[●]
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-

<b>Term</b>	<b>Description</b>
	Application Form and payable by the Bidder on submission of the Bid for this Issue
Bid/ Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for allotment in terms of this Draft Red Herring Prospectus
Bid/ Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in widely circulated English national newspaper and Hindi national newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus
Bid/ 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 under Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is made
Brokers to this Issue	Brokers registered with any recognized Stock Exchange, appointed by the Members of the Syndicate
BRLM	Book Running Lead Manager to this Issue, in this case being Saffron Capital Advisors Private Limited
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Cut-off	The Issue Price finalized by our Company in consultation with the BRLM
Depository	A body corporate registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act, 1996
Designated Date	The date on which funds are transferred from the Escrow Account of our Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall transfer Equity Shares to successful bidders
Designated Stock Exchange	Bombay Stock Exchange Limited (BSE)
Draft Red Herring Prospectus/ DRHP	Means the Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are being issued and number of Equity shares being issued through this Issue. Upon filling with RoC at least three days before the Bid/Issue opening date it will become the Red Herring Prospectus. It will become the Prospectus after filing with the RoC after the pricing and allocation
Eligible Employees	Means permanent employees/wholetime directors of our Company who are Indian Nationals, are based in India and are physically present in India on the date of submission of the bid-cum-application form
Equity Shares	Equity shares of our Company of face value of Rs. 10/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst our Company, the Registrar to this

<b>Term</b>	<b>Description</b>
	Issue, the Escrow Collection Banks, the BRLM and the Syndicate Member(s) in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened and in this case being [●]
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue	The issue of 2,550,000 Equity Shares of Rs. 10/- each fully paid up at the Issue Price determined by our Company in consultation with the BRLM in terms of this Draft Red Herring Prospectus.
Issue Management Team	The team managing this Issue as set out in the section titled 'General Information' in this Draft Red Herring Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in term of this Draft Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date
Issue Period	The Issue period shall be [●] being the Bid/Issue Opening date, to [●], being the Bid/Issue Closing date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may be 10% to 100% of the Bid Amount.
Net Issue or Net Issue to Public	2,550,000 Equity Shares of Rs. 10/- each, aggregating Rs. [●] Lacs.
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs.1, 00,000
Non Institutional Portion	The portion of this Issue being not less than 15% of the Net Issue i.e. 382,500 Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% Margin Amount at the time of bidding, as applicable
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date
Price Band	Being the price band of a minimum price (Floor Price) of Rs. [●] and the maximum price (Cap Price) of Rs. [●] and includes revisions thereof
Pricing Date	The date on which our Company in consultation with the BRLM finalizes the Issue Price
Prospectus	The Prospectus, filed with the RoC containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the number of Equity shares being issued through this Issue and certain other information
Public Issue Account	Account opened with the Banker(s) to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institution as defined in section 4A of the Companies Act, 1956; scheduled commercial banks; mutual funds; foreign institutional investor 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

<b>Term</b>	<b>Description</b>
	registered with the Insurance Regulatory and Development Authority (IRDA); provident funds with minimum corpus of Rs. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs & National Investment Fund.
QIB Portion	The portion of this Issue being not more than 50% of the Net offer, i.e. 1,275,000 Equity Shares of Rs 10 each available for allocation on proportionate basis to QIBs of which 5% shall be proportionately allocated to Mutual Funds registered with SEBI.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than Rs. 1,00,000/- in any of the bidding options in this Issue
Retail Portion	The portion of this Issue being not less than 35% of the Net Issue i.e. 892,500 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid-cum-Application Forms or any previous Revision Form(s)
Red Herring Prospectus/ RHP	The Red Herring Prospectus to be issued in accordance with Section 60B of the Companies Act, which will not have complete particular of the price at which the equity shares are offered and the size of the Issue. The Red Herring prospectus will be files with the RoC at least three days before the bid/ Issue Opening date and will become Prospectus after filing with the RoC after determination of the issue price
Registrar to the Issue or Registrar	In this case being, Cameo Corporate Services Limited
Syndicate	The BRLM and the Syndicate Member(s)
Syndicate Agreement	The agreement to be entered into between our Company, BRLM and the Syndicate Member(s), in relation to the collection of Bids in this Issue
Syndicate Member(s)	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Member(s) are appointed by the BRLM in this case being [●]
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Member(s) to the Bidder as proof of registration of the Bid on the online system of BSE/NSE
Underwriters	The BRLM and the Syndicate Member(s)
Underwriting Agreement	The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date

#### **INDUSTRY RELATED TERMS**

<b>Term</b>	<b>Description/Full Form</b>
AIDS	Acquired Immuno Deficiency Syndrome
BDMA	Bulk Drug Manufacturer's Association
Board of Directors/Board	The Board of Directors of our Company or a Committee
API	Active Pharmaceutical Ingredients
APIIC	Andhra Pradesh Industrial Infrastructure Corporation Limited
CHEMEXCIL	Basic Chemicals, Pharmaceuticals and Cosmetics Export promotion Council
cGMP	Current Good Manufacturing Practices
CPG	Chloro Phenyl Glycine
CPHI	Chemicals & Pharmaceuticals Ingredients
DDA	Dichloro Diphenyl Amine
DIBOC	Di Tertiary Dibutyl Carbonate
CENVAT	Central Value Added Tax
CII	Confederation of Indian Industry

CSIR	Council for Scientific and Industrial Research
EMME	Ethoxy Methyl Malonic Ester
EPCES	Export Promotion Council For EOU & SEZ Units.
GATT	General Agreement on Tariffs and Trade
GC	Gas Chromatography
FAPCCI	Federation of Andhra Pradesh Chambers of Commerce & Industry
FDA	Food & Drug Administration
HIV	Human Immunodeficiency Virus
HMDS	Hexa Methyl Disilazane
HP	Horse Power
HPLC	High Performance Liquid Chromatography
IBEF	Indian Brand Equity Foundation
IR	Infra Red
IICT	Indian Institute of Chemical Technology
KVA	Kilo Volt Ampere
KW	Kilo Watt
PCB	Pollution Control Board
PCT	Patent Cooperation Treaty
PHARMEXCIL	Pharmaceutical Export Promotion Council
NCL	National Chemical Laboratory
NEITCO	North Eastern Industrial & Technical Consultancy Organization
NoC	No Objection Certificate
NPPA	National Pharmaceuticals Pricing Authority
NSAID	Non Steroidal Anti – Inflammatory
OHSMS	Occupational Health and Safety Management Systems
RRL	Regional Research Laboratories
SSI	Small Scale Industry
SFC Act	State Financial Corporation Act
TEV	Techno Economic Viability
TIFAC	Technology Information Forecasting & Assessment Council
TLC	Thin Layer Chromatography
TRIP	Trade Related Aspects Intellectual Property Rights
WHO	World Health Organisation
WIPO	World Intellectual Property Organisation

#### CONVENTIONAL / GENERAL TERMS

Term	Description
Act/ Companies Act	The Companies Act, 1956, as amended from time to time
Directors	The Directors of our Company, unless the context otherwise requires
Equity Shares	The Equity Shares of face value of Rs. 10/- each of our Company
Indian GAAP	Generally Accepted Accounting Principles in India
Non Resident	A person who is not an NRI, an FII and is not a person resident in India
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Quarter	A period of three continuous months
RBI Act	The Reserve Bank of India Act, 1934
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time.
SEBI Guidelines	Means the extant Guidelines for Disclosure and Investor Protection issued by Securities and Exchange Board of India, constituted under the Securities and Exchange Board of India Act, 1992 (as amended), called SEBI (DIP) Guidelines, 2000.
Stock Exchanges	Bombay Stock Exchange Limited (BSE) and National Stock

<b>Term</b>	<b>Description</b>
	Exchange of India Limited (NSE)

### ABBREVIATIONS

<b>Term</b>	<b>Description</b>
A.Y./ AY	Assessment Year
A/c	Account
AGM	Annual General Meeting of our Company
APPCB	Andhra Pradesh Pollution Control Board
AS	Accounting Standards
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CENVAT	Central Value Added Tax
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CLB	Company Law Board
DCA	Department of Company Affairs
CGEWHO	Central Government Employees Welfare Housing Organisation
DP	Depository Participant
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
F.Y. / FY / Fiscal / Financial Year	Period of Twelve Months ending on March 31 of the respective year, unless otherwise specified
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the rules and regulations framed there under.
FEMR	Foreign Exchange Management Regulations, 2000
FI	Financial Institution
FIIIs	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investors) Regulations, 1995 and registered with SEBI as required under FEMA (Transfer or Issue of Security by a person resident outside India) Regulations, 2000 and under other applicable laws in India.
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GAAP	Generally Accepted Accounting Principles
GIR Number	General Index Register Number
I.T. Act	The Income Tax Act, 1961
IPO	Initial Public Offer
ISO	International Standards Organization
MAT	Minimum Alternate Tax
MF	Mutual Fund
NAV	Net Asset Value
NEFT	National Electronic Fund Transfer
NRI	Non Resident Indian
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited
PAN	Permanent Account Number
PAT	Profit After Tax
PBDIT	Profit Before Depreciation, Interest and Tax
PBIT	Profit Before Interest and Tax
PBT	Profit Before Tax
QIB	Qualified Institutional Buyer
RBI	Reserve Bank of India
Rs.	Indian Rupees

RTGS	Real Time Gross Settlement
SBI	State Bank of India
SEBI	The Securities and Exchange Board of India
TAN	Tax Deduction Account Number
TNW	Total Net Worth
TRS	Transaction Receipt Slip
USD	United States Dollar
VAT	Value Added Tax
WDV	Written Down Value
w.e.f.	With effect from

## SECTION II - GENERAL

### CERTAIN CONVENTIONS; USE OF MARKET DATA

In this Draft Red Herring Prospectus, the terms 'we', 'us', 'our', the 'Company', 'our Company', 'Alkali Metals Limited', 'Alkali Metals', 'AML' unless the context otherwise indicates or implies, refers to Alkali Metals Limited. In this Draft Red Herring Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word 'Lac/Lakh' means 'one hundred thousand', the word 'million (mn)' means 'ten lac /lakh', the word 'Crore' means 'ten million' and the word 'billion (bn)' means 'one hundred crore'. In this Draft Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off. Throughout this Draft Red Herring Prospectus, all figures have been expressed in Lacs.

Unless indicated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated unconsolidated financial statements prepared in accordance with Indian GAAP and included in this Draft Red Herring Prospectus. Unless indicated otherwise, the operational data in this Draft Red Herring Prospectus is presented on an unconsolidated basis and refers to the operations of our Company. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

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

For additional definitions used in this Draft Red Herring Prospectus, see the section Definitions and Abbreviations on page [●] of this Draft Red Herring Prospectus. In the section entitled 'Main Provisions of Articles of Association', defined terms have the meaning given to such terms in the Articles of Association of our Company.

#### **Market Data**

Unless stated otherwise, market data used throughout this Draft Red Herring Prospectus was obtained from internal Company reports, data, websites and industry publications. Industry publication data and website data generally state that the information contained therein has been obtained from sources believed to be reliable, but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, we believe market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed by us to be reliable, have not been verified by any independent source.

## FORWARD LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain forward-looking statements. These forward-looking statements generally can be identified by words or phrases like '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 expressions or variations of such expressions, that are 'forward looking statements'. Similarly, the statements that describe our objectives, plans or goals are also forward-looking statements.

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

For further discussion of factors that could cause our actual results to differ, see 'Risk Factors' beginning on page [●] of this Draft 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 our Company nor the BRLM, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of trading permission by the Stock Exchanges for the Equity Shares allotted pursuant to the Issue.

## SECTION III – RISK FACTORS

*An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, profitability and financial condition could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any risks mentioned herein under.*

### **Materiality**

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

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

### **Internal Risk Factors**

#### **Risks related to the Project:**

***1. For the proposed project of setting up an API plant at Pharma City, Visakhapatnam, our Company is yet to apply for certain statutory approvals.***

Our Company proposes to set up a manufacturing facility for APIs at Jawaharlal Nehru Pharma City, Parwada, Visakhapatnam, as detailed in the section titled 'Objects of the Issue' on page no. [●] of this DRHP, for which certain statutory approvals are required. Please refer to the section titled "Statutory Approvals and Licences" appearing on page [●] wherein the list of licences and approvals for the proposed project are listed.

Our Company has already got its factory plans approved from the Director of Factories, Andhra Pradesh and also obtained Industrial Entrepreneur Memorandum for its proposed products from Ministry of Industry and Commerce.

Our Company is in the process of applying / obtaining the other approvals during the progress of the work on the project, as and when required. Any delay in obtaining these approvals may affect the schedule of implementation and hence, the profitability of operations. Non receipt or any delay in receipt of these approvals could delay the implementation of the project.

***2. Our Company is yet to get a title deed executed in its favour for the land acquired in Visakhapatnam for the proposed project.***

Our Company has entered into a sale agreement with APIIC and Ramky Pharma City (India) Limited, dated June 16, 2006 for 16.42 acres of land in Jawaharlal Nehru Pharma City, Parwada, Visakhapatnam and has taken over the possession of the land, on which it is proposed to set up a manufacturing facility for APIs. A title deed in our Company's favour will be executed by APIIC after commencement of commercial production. Our Company has also entered into a Development and Service Agreement with APIIC and Ramky Pharma City (India) Limited for the development, construction and maintenance of infrastructure facilities.

***3. Failure to comply with the conditions attached to the land acquired for the proposed project could result in revocation of the land allotted.***

APIIC has allotted the land, admeasuring 16.42 acres, to our Company subject to certain terms and conditions:

- i. Get the sale agreement for land and development cost registered with Sub Registrar of Assurances concerned.

- ii. Utilise the land for the purpose for which it is allotted before seeking Registration of the Land in Company's favour.
- iii. Registration of Sale deed will be made in our Company's favour only after implementation of the project in full in the allotted land.
- iv. Abide with the terms and conditions as stated in the Sale and the Development Agreement entered into by our Company.

Our inability to comply with the aforesaid conditions will affect the proposed project and have an adverse impact on our profitability and financial performance.

***4. The total cost of plant and machinery in the proposed project is Rs. 229.50 Mn for which the orders are yet to be placed.***

Our Company has identified the plant and machinery required for the proposed project and has also invited quotations. The purchase orders will be placed soon after negotiations are over. Delay in procurement could affect the implementation schedule of the proposed project.

***5. The proposed project has not been appraised by any bank or financial institution.***

Our Company has not got its proposed project for manufacturing of APIs, appraised by any bank or financial institution. However, our Company has got a techno economic viability (TEV) study done of the proposed project by APITCO which has concluded that the proposed project is technically feasible and economically viable. The deployment of funds is not subject to any monitoring by any independent agency. The use of the proceeds raised through the proposed IPO would be monitored by the Audit Committee of the Board.

***6. Our Company is yet to make firm arrangements to meet its working capital requirement, part of which it intends to fund from the proposed IPO proceeds.***

According to APITCO (TEV) report, it is estimated that the working capital requirement for the proposed API project would be Rs.159.87 Mn. The Margin money of Rs.39.97 Mn is intended to be funded out of the proposed IPO proceeds. Our Company intends to borrow the remaining portion from Bank, for which it is yet to make firm arrangements.

***7. Our Company is venturing into the manufacturing of APIs for the first time.***

Our Company proposes to set up a manufacturing facility for APIs at Visakhapatnam for which the funds are sought through this proposed IPO. Our Company is currently engaged in the manufacturing of chemicals that cater to the pharma sector and is venturing into the API segment for the first time. We are going to be a new entrant in the segment of API manufacturing; hence, our revenues and profitability estimates may not be indicative of our future results of operations.

**Risk related to our Company:**

***8. We depend on few suppliers for substantial portion of our raw material purchases.***

Our top five suppliers of raw materials contributed approximately 31.09% of our purchases for the FY 2008. Our top ten suppliers of raw materials contributed approximately 38.38% of our purchases for the FY 2008. Presently, we do not have any agreement with suppliers for sourcing of raw materials, which may affect our regular supplies and in turn would affect our manufacturing and processing operations. The loss of any supplier would adversely impact our ability to meet customer's requirements in time.

***9. Dependence on few customers.***

Our top three customers account for 18.16% of our turnover for the FY 2008. Further our top 10 customers constitute 42.81% of our turnover. The loss of any one or more of our customers may have a material adverse effect on our business operations and profitability.

**10. There are outstanding litigations involving our Company, our Promoter Group company, namely Balaji Agro Industries Limited, the details of which are as follows:**

**(A) Outstanding Litigations involving our Company:**

**Income Tax liabilities:**

There are no proceedings pending against our Company by the Income Tax Department and save and except as stated below, our Company is not disputing any other tax demand:

**Litigations filed by our Company:**

<b>Financial Year</b>	<b>Issue Under Dispute (brief description of the issue)</b>	<b>Present Status</b>	<b>Income Tax Involved (Rs.)</b>
1997-98	Under Section 80HHC, 43B, 32, 28 (iiic) of the Income Tax Act, 1961: Appeal by the Company against the order of the Assessing officer before the CIT (Appeals), which was partly decided in favour of the Company	Appeal by the Company before Income Tax Appellate Tribunal is pending for hearing	5,189,528
1998-99	Deduction u/s 80HHC, Penalty levied by the Assessing Officer which is disputed by the company.	Appeal for relief by the Company pending before the CIT (Appeals)	950,000
2000-01	Under Section 80HHC, 43B, 32, 28 (iiic) of the Income Tax Act, 1961: Appeal by the Company against the order of the Assessing officer before the CIT (Appeals), which was partly decided in favour of the Company.  The income Tax Department also filed an appeal before the ITAT contesting the grounds allowed by the CIT (Appeals) to the Company, which was dismissed.	Appeal by the Company before Income Tax Appellate Tribunal is pending for hearing.  The Income Tax Department has appealed against the order of the ITAT in the High Court, which is pending for hearing.	24,820,438
2001-02	Under Section 80HHC of the Income Tax Act, 1961: Appeal by the Company against the order of the Assessing officer before the CIT (Appeals), which was partly decided in favour of the Company.	Appeal by the Company before Income Tax Appellate Tribunal is pending for hearing.	7,174,417
2002-03	Under Section 80HHC, 32, 35, (2AB) of the Income Tax Act, 1961: Appeal by the Company against the order of the Assessing officer before the CIT (Appeals), which was partly decided in favour of the Company	Appeal by the Company before Income Tax Appellate Tribunal is pending for hearing.  The Income Tax Department has also appealed before ITAT against the grounds allowed by the CIT (Appeals), to the company.	11,030,021

2003-04	Under Section 80HHC, 10B, 32, 14(A) of the Income tAx Act, 1961: Appeal by the Company against the order of the Assessing officer before the CIT (Appeals).	Case is heard and the order is awaited	19,580,578
2004-05	Exemption u/s 10 B and disallowance u/s 14(A) Appeal by the Company against the order of the Assessing officer before the CIT (Appeals).	Case is heard and the order is awaited	1,58,74,280

For details please refer to page no. [●] under the section 'Outstanding litigations / Disputes / Defaults' of this DRHP.

**(B) Outstanding Litigations involving Balaji Agro Industries Limited, our Group Company**

**Balaji Agro Industries Limited** had acquired the assets of Nagarjuna Drugs Ltd on October 31, 2003 from APIDC (u/Sec 29 of the State Financial Corporation Act, 1951). As per the said Sale Deed executed by APIDC, the assets are supposed to be free from encumbrances. However, after acquisition, Balaji Agro Industries Limited had received the following notices:

- a) Order dated May 05, 2003 u/s 7A issued by Employees Provident Fund Organisation for non payment of Provident Fund dues from the period July 2000 to Dec 2002.
- b) Demand Notice dated November 23, 2002 issued by the Andhra Pradesh Central Power Distribution Company Limited demanding a sum of Rs. 180,407 towards dues of electricity charges.
- c) Order of attachment of property situated at Bonthapally Village, Medak District, Andhra Pradesh, dated September 10, 2003 pasted on the walls of unit premises by tax recover officer of the Income Tax Department, Range 2, Hyderabad, for recovery of Rs. 2,514,125 from Nagarjuna Drugs Limited towards Income Tax dues.
- d) Excise demand notice dated January 20, 2004 issued by the Superintendent of Customs and Central Excise demanding a sum of Rs. 31,096/- towards excise arrears. The department has also attached the 3 reactors of Nagarjuna Drugs vide its attachment order dated October 21, 2005. In response to this attachment order, Balaji Agro Industries Limited filed a writ petition against this order of attachment at the Andhra Pradesh High Court. The Andhra Pradesh High Court, vide its order dated November 14, 2005, granted interim stay on the matter and also directed that Balaji Agro Industries Limited shall not alienate the seized assets till further orders. As on date, the writ petition has not been disposed of.

Balaji Agro Industries Limited has issued notices to each of these departments stating that it is not liable for the liability incurred by the previous owner and the company has purchased the same in the bid from APIDC u/section 29. The company has not received any reply till date.

Balaji Agro Industries Limited has sent a notice to APIDC on 8 March, 2004 asking APIDC to settle these dues. This has been followed by reminder letters written by Balaji Agro Industries Limited to APIDC vide letters dated March 25, 2004 and May 12, 2004. No reply has been received from APIDC till date.

***11. We have certain contingent liabilities, which have not been provided for, Crystallisation of any of these contigent liability could affect our financials.***

As of March 31, 2008, we have Contingent liabilities of Rs. 28.31 Mn pertaining to incometax demands, which has not been provided for. In the event if this contingent liabilities gets

crystallized, our financial condition may be adversely affected to that extent. For further information please see section titled "Financial Statement" on page [●] of this Draft Red Herring Prospectus

**12. Short fall or non – availability of critical inputs and any escalation in their prices could have an impact on the operations and financial condition of our Company.**

The major raw materials that are used by our Company in its production processes are Sodium metal, pyridines along with gases like ammonia, nitrous oxide and solvents like methanol, paraffin oil, toluene etc., for heating purposes during the manufacturing process, our Company uses oils like Light diesel oil and Heavy Cresote Oil. While Sodium is procured from China, pyridines and some chemicals are also imported from Japan, Germany and US. These are available locally, but our Company has chosen to import them due to their availability at better prices. Others, namely gases, solvents and oils are procured locally. Any shortfall or non availability of the inputs as well as any fluctuations in prices may affect the operations and margins.

**13. Our Company is subject to extensive environmental regulations and compliances, which may expose our Company to increased costs and liabilities.**

Our Company is subject to environmental laws and regulations, which impose restrictions on the volume of effluents discharged into air, water and environment and establish standards for the treatment, storage and disposal of hazardous wastes.

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

**14. Mishaps or accidents in the manufacturing facilities could result in a loss or shutdown of operations and could also cause damage to life and property.**

Both the manufacturing facilities of our Company are subject to operating risks, including but not limited to, breakdown or accidents & mishaps. Any consequential losses arising due to such events will affect the operations and financial condition.

**15. Any adverse events in the industry to which the products of our Company cater to, especially the pharma sector, could have a material impact on the performance of our Company.**

The products manufactured by our Company find application in pharma, agro based products, pesticides, explosives, bio technology products, electroplating chemicals. Our Company mainly derives its sales revenue from companies in the pharma sector. Any change in demand, product specification or other adverse event pertaining to the industry may affect the performance of our Company.

**16. One of the units of our Company is a 100% EOU which enjoys certain tax concessions and incentives that are soon expiring.**

The export profits generated out of Unit II of our Company, a 100% EOU, are exempt from income tax under Section 10B of the I.T. Act upto March 31, 2009. The contribution of Unit II to the total revenue and profit of our Company for the last four FYs is given below:

<b>PARTICULARS</b>	<b>FY 2004 - 05</b>	<b>FY 2005 - 06</b>	<b>FY 2006 - 07</b>	<b>FY 2007 - 08</b>
Total sales (Rs.in Mn.)	381.98	656.30	600.10	617.68
Sales from Unit II (Rs.in Mn.)	202.18	345.38	293.59	234.40
% contribution to total sales from Unit II	52.93%	52.63%	48.92%	37.95%
Total Profit before tax (Rs.in Mn.)	54.66	144.28	84.55	89.82
Profit before tax of Unit II	43.26	100.80	59.64	58.90

(Rs.in Mn.)				
% contribution to Total profit before tax from Unit II	79.14%	69.86%	70.54%	65.58%

After completion of the above exemption period, our income tax liabilities will substantially increase and would result into reduction in profit margins.

**17. Our Company does not have any long term contracts with its customers.**

Our Company sells its products based on the purchase orders placed by its customers. The demand for chemical intermediates manufactured by our Company is dependant on customers' requirements, which further depends on market conditions and competition. Our Company is not having any long term arrangements with its customers. Any significant variation in the demand will affect the operations and profitability of our Company.

**18. Any defects in the products could make our Company liable for customer claims, which in turn could affect our Company's results of operations.**

Our Company is bound by the terms and conditions as stated in the purchase order placed by its customers. There are no specific regulations governing the supply of the same, other than the general law of contracts. Any claims made by these customers for defects in the products, would be subject to these terms and conditions, which are in the nature of normal contractual obligations in India. Any violation of these obligations could impact our Company's results of operations.

**19. Exchange rate fluctuations may have an impact on the financial operations of our Company.**

Imports and exports, an integral part of our Company's operations, exposing it to foreign exchange rate fluctuations and risks.

**20. Our Company's success depends upon its professionals who are its key managerial personnel and its ability to attract and retain these personnel.**

The success of the business depends on the performance of our Company's management and key personnel. Our Company has designated these professionals to take charge of its different departments. Discontinuation in service by any such professional will affect the operations of our Company.

**21. There are certain Related Party Transactions entered into with the promoters.**

**(I) Payment of benefit to Dr. Y. V. S. Murty:**

(Rs. in Mn)

Party	Transaction	Year				
		2003-04	2004-05	2005-06	2006-07	2007-08
Dr. Y.V.S. Murty	Royalty	9.64	8.52	16.68	11.57	3.06
Dr. Y.V.S.Murty	Rent	0.00	0.00	0.00	0.19	0.19

**(II) Payment of benefit to Mr. Y. S. R. Venkata Rao:**

Mr. Y. S. R. Venkata Rao has been drawing remuneration from the Company in his capacity as Managing Director. The details of the remuneration are given below:

(Rs. in Mn)

PARTY	TRANSACTION	YEAR				
		2003-04	2004-05	2005-06	2006-07	2007-08
Mr. Y.S.R. Venkata Rao	Remuneration	0.47	1.25	1.27	1.27	4.07

For further details please refer to the section titled Interest of Promoters and Related Party Transactions beginning on page [●] & [●] of this DRHP.

**22. Potential conflict of interest between promoter group entities.**

Alkali Metals Limited is engaged in the manufacture of chemicals which are supplied to pharma companies. The Memorandum of Association of Yerramilli Chemicals Private Limited (a promoter group company) authorises Yerramilli Chemicals Private Limited to do a similar business.

**23. There are some restrictive covenants in the letter issued by SBI, our Company's bankers, sanctioning working capital facility to our Company.**

There are certain restrictive covenants in the Sanction Letter given by SBI, sanctioning working capital limits to our Company. These covenants refers to prior approval of Bank to be obtained in respect of matters relating to effecting of any change in the capital structure of our Company, formulating any scheme of amalgamation or reconstruction, undertaking any new project, expansion or acquiring of fixed assets, investing by way of share capital of other corporate bodies, lending or advancing funds to or place deposits with any other concern, entering into borrowing arrangement either secured or unsecured with any other bank, financial institution, company or otherwise, undertaking any guarantee obligation on behalf of any other company, declare dividend etc., Our Company cannot undertake the aforementioned activities without the prior approval of the Bank.

**24. Some of the Group Companies/Ventures promoted by the Promoters have incurred losses in the last three years.**

The following group companies promoted by the Promoters have incurred losses in one or more of the last three years:

(Rs. in Mn.)

Name of the Company	FY 2006	FY 2007	FY 2008
Asian Herbox Limited	*	-0.05	*
CDC Industrial Infrass Limited	-0.09	--	*
Rao-San Infotek Private. Limited	-0.71	-1.43	-1.43
Yerramilli Chemicals Private Limited	*	-0.004	-0.003

Note: During the financial years marked "\*", the above mentioned companies have recorded profits, hence the same has not been indicated in the table.

**25. The techno economic viability report from Andhra Pradesh Industrial Technical Consultancy Organisation (APITCO) contains certain weakness and threats.**

APITCO has conducted a techno economic viability study of the proposed project of our Company, of setting up a manufacturing facility for APIs in Visakhapatnam, Andhra Pradesh.

Risks envisaged in the APITCO (TEV) report.

**WEAKNESS**

- Emerging marketing potential needs to be exploited further

**THREATS**

- Increasing competition from Chinese manufacturers
- Erosion of margins due to domestic competition

**External Risk Factors:**

- 1. There are a number of factors outside our Company's control that may affect our Company.**

There are several factors that may cause fluctuations to our Company's revenues and operating Results, outside its control, that may prejudicially affect its business, and results of operations, including but not limited to:

- a. The availability and duration of tax benefits and the availability of other Government incentives.
- b. Change in Government policies in the sector(s) in which our Company operates.
- c. Currency exchange rate fluctuations;
- d. The economies of India, and other principal international markets, more particularly in countries of export, as well as other general economic factors.
- e. Political instability or changes in the government could delay the liberalisation of the Indian economy and adversely affect economic conditions in India generally.

Force majeure events, could adversely affect the financial markets, result in a loss of client confidence and adversely affect our Company's business, results of operations, financial conditions and cash flows.

***2. After this Issue, the prices of the Equity Shares of our Company may be highly volatile, or an active trading market for the Equity Shares may not develop.***

The price of our Company's Equity Shares may be highly volatile as a result of several factors, including:

- Volatility in the Indian and Global Securities market;
- Our Company's results of operations and performance;
- Performance of the competitors in the industry and the perception in the market about investments in the pharma and other sectors to which the products of our Company largely cater to;
- Adverse media reports on our Company or the user industry;
- Changes in the estimates of our Company's performance or recommendations by financial analysts;
- Significant developments in India's economic liberalisation and deregulation policies;
- Changes in the applicable tax incentives;
- Significant development in India's fiscal and environmental regulations.
- The exchange rate of USD or any other relevant currency; and
- General political and security environment in the country and across the globe.

There has been no public market for our Company's Equity Shares till now and the prices of the Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this.

## Notes to Risk Factors

- Public Issue of 2,550,000 Equity Shares of Rs.10/- each at a price of Rs. [●] for cash aggregating Rs. [●] Million. The issue would constitute 25.04% of the fully diluted post issue paid-up capital of our Company.
- The Net Worth of our Company as on March 31, 2008 is Rs. 340.82 Mn.
- The Book Value per equity share of Rs. 10/- each was Rs. 49.12/- as on March 31, 2008.
- The average cost of acquisition of an equity share by the promoters for each share is given below:

Name of the promoter	Cost per share (Rs.)
Dr.Y. V. S. Murty	0.06
Mr.Y. S. R.Venkata Rao	0.10

- For details of related party transactions, please refer to the Auditors Report on page [●].
- No loans and advances have been made to any persons/companies in which the Directors of our Company are interested.
- The Issue is being made through a 100% Book Building Process wherein upto 50% of the Issue to the Public will be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs") (of which 5% will be available for allocation for Mutual Funds). Further, not less than 15% of the Issue to the Public will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue to the Public will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
- Investors may note that in case of over-subscription in the Issue, allotment to Retail Individual Investors, Non Institutional Investors and QIBs shall be on a proportionate basis. For more information, please refer to page no. [●] under the section titled 'Basis of Allotment or Allocation' of this DRHP.
- All information shall be made available by the BRLM and our Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
- Investors are advised to refer to the paragraph entitled "Basis for Issue Price" on page [●] of this DRHP.
- Investors may contact the BRLM or the Compliance officer for any compliant/clarification/information pertaining to the issue. For contact details of the BRLM please refer to the front cover page.
- There are no contingent liabilities as on March 31, 2008, except as mentioned in the Auditor's report on page [●] of this Draft Red Herring Prospectus.
- 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 and occupation. Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form and also update their demographic details with their respective depository participant.
- No part of the Issue proceeds will be paid as consideration to Promoters, Directors, Key Managerial Personnel, Associate or Group Companies.

- For details of liens and hypothecation on the properties and assets of our Company please see Section on 'Financial Statements' on page [●].
- Since inception, our Company has issued 7,464,906 Bonus shares by Capitalisation of free reserves, as under:

<b>Date of Allotment</b>	<b>No. of Shares</b>	<b>Ratio</b>
April 18, 1992	335,200	2 shares for every 1 share
March 29, 1994	2,011,200	4 shares for every 1 share
February 21, 1998	502,800	1 share for every 5 shares
July 07, 2000	3,016,800	1 share for every 1 share
July 21, 2007	905,040	15 shares for every 100 shares
May 19, 2008	693866	1 share for every 10 share

- Our Company and the BRLM will update the Offer Document in accordance with the Companies Act and the SEBI (DIP) Guidelines and our Company and the BRLM will keep the public informed of any material changes relating to our Company till the listing of the shares on the stock exchanges

## SECTION IV - INTRODUCTION

### SUMMARY

You should read the following summary together with the risk factors and the more detailed information about us and our financial data included in this Draft Red Herring Prospectus. Unless otherwise indicated, all financial and statistical data relating to the industry in the following discussion is derived from internal Company reports & data, industry publication and estimates. This data has been reclassified in certain respects for purposes of presentation. For more information, see "Forward Looking Statements and Market Data" on page no. [●] in this DRHP.

### INDUSTRY OVERVIEW

#### GLOBAL CHEMICAL INDUSTRY

The global chemical industry, estimated at US\$ 2.4 trillion, is one of the fastest growing sectors of the manufacturing industry. Despite the challenges of escalating crude oil prices and demanding international environmental protection standards now adopted globally, the chemicals industry has grown at a rate higher than the overall-manufacturing segment.

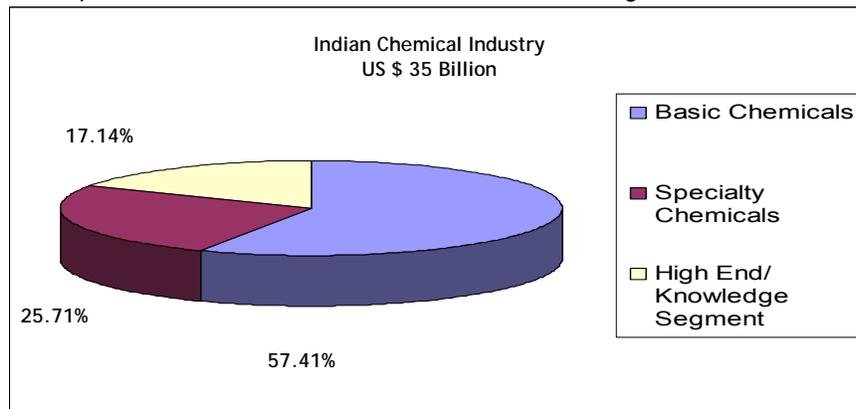
According to industry reports the pharmaceutical segment contributes approximately 26% of the total industry output and approx. 35-40% is dominated by the petrochemical segment.

The US is the largest consumer of commodity chemicals whereas Asia Pacific is the largest consumer of agrochemicals and fertilizers.

(Source: Planning Commission)

#### INDIAN CHEMICAL INDUSTRY

Chemical Industry is an important constituent of the Indian economy. Its size is estimated at around US\$ 35 billion approximately. The total investment in Indian Chemical Sector is approx. US\$ 60 billion and total employment generated is about 1 million. The Indian Chemical sector accounts for 13-14% of total exports and 8-9% of total imports of the country. In terms of volume, it is 12th largest in the world and 3rd largest in Asia. Currently, per capita consumption of products of chemical industry in India is about 1/10th of the world average. Over the last decade, the Indian Chemical industry has evolved from being a basic chemical producer to becoming an innovative industry. With investments in R&D, the industry is registering significant growth in the knowledge sector comprising of specialty chemicals, fine chemicals and pharmaceuticals. The Indian Chemical Market Segment wise is as under: -



(Source: The Planning Commission for formulation of the 11<sup>th</sup> Five Year Plan (2007-2012))

The chemicals industry is diverse and heterogeneous comprising several sectors that are largely unrelated to one another. The key sectors that make up the industry are:

- Petrochemicals
- Chlor- Alkali & Inorganic chemicals
- Organic chemicals
- Paints and dyes
- Fine and specialties
- Agrochemicals

## **INDIAN PHARMACEUTICAL INDUSTRY**

The Indian pharmaceutical industry, now a \$17 billion (over Rs 68,000 crore) Industry, has shown tremendous progress in terms of infrastructure development, technology base creation and a wide range of products. It has established its presence and determination to flourish in the changing environment. The industry now produces bulk drugs belonging to all major therapeutic groups requiring complicated manufacturing technologies. In fact, India is currently a world leader in manufacture and export of basic drugs such as ethambutol and ibuprofen. Formulations in various dosage forms are being produced in GMP compliant facilities. Strong scientific and technical manpower and pioneering work done in process development have made these possible. The country now ranks 4th worldwide accounting for 8% of world's production by volume and 1.5% by value. It ranks 17th in terms of export value of bulk actives and dosage forms. Indian pharmaceutical companies now supply almost all the country's demand for formulations and nearly 70 per cent of demand for bulk drugs. India is also one of the top five API producers (with a share of about 6.5 per cent). The Indian pharmaceutical industry has portrayed tremendous progress with reference to infrastructure development, technology base creation and a wide range of production. The industry now produces bulk drugs belonging to all major therapeutic groups requiring complicated manufacturing process and has also developed GMP facilities for the production of different dosage forms. There are 10,000 manufacturing units, of which 290 units are in the large-scale sector, 45 MNCs have manufacturing bases here. Ciba Speciality Chemicals, Schenectady Herdillia Chemicals Limited, Jubilant Organosys are some prominent players in this arena. A fresh chapter began with the signing of GATT in January 2005 with which India began recognising global patents. Soon after, the Indian pharma market became a sought after destination for foreign players. India being a signatory to the GATT accord, (and the TRIPs agreement therein) according to which patent protection will be provided under the treaty obligations. Indian exports are destined to more than 200 countries around the globe including highly regulated markets of US, Europe, Japan and Australia.

## **BUSINESS OVERVIEW:**

We are an ISO 14001:2004 and ISO 9001:2000 certified company engaged in the business of manufacturing a range of fine chemicals, based on related chemistry. Our Company was incorporated on April 17, 1968 in a joint venture with APIDC. Our product portfolio can be classified into following three categories:

1. Sodium Derivatives
2. Pyridine Derivatives
3. Fine Chemicals

Products in these categories include amides, hydrides, alkoxides, azides, tetrazoles, pyridine compounds, cyclic compounds, drug and pharma intermediates, specialty fine chemicals etc. In all these categories, our Company has developed 246 products. Our products cater to both the domestic and overseas markets. Our Company manufactures products on bulk and regular basis, campaign basis and on contract manufacturing basis for international customers. Technology for these products was developed in – house which is an achievement considering hazardous process chemistry involved in the development and manufacture of the same.

We have a dedicated R & D facility recognised by the Ministry of Science and Technology, New Delhi. Currently, our Company has two manufacturing facilities. While Unit I is engaged in the manufacture of sodium metals, organo alkali metallics, tetrazoles and amino pyridines and caters to the domestic market, Unit II, a 100% EOU is engaged in the manufacture of pyridine derivatives, cyclic compounds and fine chemicals. These products find wide application and use in various industries like the pharma, agro based products, pesticides, explosives, bio technology products and electroplating chemicals.

Our Company now proposes to set up a manufacturing facility for APIs at Jawaharlal Nehru Pharma City, Parwada, Visakhapatnam. Our Company has already completed the implementation of the expansion plan in its Unit II. This expansion has enhanced the total existing capacity of both units from the current level of 3450 MT to 4400 MT.

## BRIEF DETAILS OF THE ISSUE

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**Equity Shares offered:**

Fresh Issue by our Company 2,550,000 Equity Shares

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**Issue Price**

Rs. [●] per Equity Share

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**Net Issue to the Public**

2,550,000 Equity Shares

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**Of which:**

(A) Qualified Institutional Buyers portion (QIBs) 1,275,000 Equity Shares  
(Allocation on a proportionate basis)

Of the above 5%, i.e. 63,750 Equity Shares shall be available for allocation to Mutual Funds

The balance 1,211,250 Equity Shares shall be available to all QIBs, including Mutual Funds

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(B) Non-Institutional Portion 382,500 Equity Shares  
(Allocation on a proportionate basis)

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(C) Retail Portion 892,500 Equity Shares  
(Allocation on a proportionate basis)

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**Note:** Under-subscription, if any, in any of the categories would be allowed to be met with spillover from the other categories, at the sole discretion of our Company and the BRLM.

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**Equity Shares outstanding prior to the Issue** 7,632,506 Equity Shares of face value of Rs.10/- each

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**Equity Shares outstanding after the Issue** 10,182,506 Equity Shares of face value of Rs.10/- each

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**Use of Issue proceeds**

Please see section titled "Objects of the Issue" on page no. [●] of this Draft Red Herring Prospectus for additional information.

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## SUMMARY OF FINANCIAL INFORMATION

The following summary financial data has been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of our statutory auditor's, Avadhani & Co., Chartered Accountants. You should read this financial data in conjunction with our financial statements for each of Fiscal 2004, 2005, 2006, 2007 and 2008 including the Notes thereto and the Reports thereon, which appears under the paragraph on 'Financial Information' in this Draft Red Herring Prospectus, and 'Management's Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements' on page [●] of this Draft Red Herring Prospectus.

### SUMMARY OF ASSETS AND LIABILITIES - RESTATED

(Rs. Mn)

Particulars	Mar-04	Mar-05	Mar-06	Mar-07	Mar-08
<b>Fixed Assets</b>					
Gross Block (Including Capital WIP)	215.57	261.52	326.76	383.01	418.46
LESS: Depreciation	43.08	54.35	66.54	83.42	101.49
<b>Net Block(A)</b>	<b>172.50</b>	<b>207.17</b>	<b>260.22</b>	<b>299.59</b>	<b>316.97</b>
<b>Investments (B)</b>	<b>36.20</b>	<b>15.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Current Assets, Loans &amp; Advances</b>					
Inventories	46.21	77.87	80.24	124.01	130.93
Sundry Debtors	103.43	86.02	128.21	82.10	121.00
Cash and Bank Balances	20.52	11.51	1.36	1.30	0.41
Loans and Advances	43.26	34.10	43.13	54.33	95.56
<b>Sub Total (C)</b>	<b>213.43</b>	<b>209.50</b>	<b>252.93</b>	<b>261.74</b>	<b>347.95</b>
<b>Preliminary &amp; Pre-operative Expenditure (D)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>9.01</b>
<b>Loans and Liabilities</b>					
Secured Loans	98.12	133.14	185.76	203.16	237.37
Deferred Sales Tax Liability	10.00	11.04	12.64	14.63	18.10
Current Liabilities and Provisions	75.55	44.71	57.87	39.07	67.14
<b>Sub Total (E)</b>	<b>183.68</b>	<b>188.89</b>	<b>256.27</b>	<b>256.87</b>	<b>322.61</b>
<b>Deferred Tax (F)</b>	5.50	6.50	8.00	10.50	10.50
<b>Net Worth (A+B+C+D-E-F)</b>	<b>232.95</b>	<b>236.28</b>	<b>248.88</b>	<b>293.96</b>	<b>340.82</b>
<b>Represented by</b>					
Share Capital	60.34	60.34	60.34	60.34	69.39
Reserves & Surplus	172.61	175.95	188.55	233.62	271.43
Less: Miscellaneous Expenditure					
<b>Net Worth</b>	<b>232.95</b>	<b>236.28</b>	<b>248.88</b>	<b>293.96</b>	<b>340.82</b>

**STATEMENT OF PROFIT AND LOSS (RESTATED)**

(Rs. Mn)

<b>Particulars</b>	<b>Mar-04</b>	<b>Mar-05</b>	<b>Mar-06</b>	<b>Mar-07</b>	<b>Mar-08</b>
<b>Income</b>					
Gross Sales of products manufactured by our company	459.59	415.87	733.66	649.35	687.04
Less: Excise Duty & Sales Tax	36.02	33.89	77.36	49.25	69.36
Net Sales of products manufacturing by our company	423.57	381.98	656.30	600.10	617.68
Other Income	2.80	2.42	2.31	1.21	0.42
Increase / (Decrease) in Stock	0.08	22.48	(9.24)	38.69	35.25
<b>Total</b>	<b>426.45</b>	<b>406.89</b>	<b>649.36</b>	<b>640.00</b>	<b>653.35</b>
<b>Expenditure</b>					
Raw materials Consumed	200.77	180.87	300.63	353.26	361.66
Employees cost	24.22	31.92	37.76	42.55	50.51
Power & Fuel	31.01	32.63	45.80	59.25	62.06
Other Manufacturing Cost	31.81	38.10	29.44	15.47	16.93
Research & Development Expenses	19.86	19.43	27.71	19.28	10.77
Marketing Expenses	29.43	26.73	33.12	28.49	25.71
Interest ( Financial Expenses)	8.38	11.28	17.80	20.29	17.72
Depreciation	9.64	11.28	12.81	16.87	18.17
<b>Total</b>	<b>355.11</b>	<b>352.23</b>	<b>505.08</b>	<b>555.46</b>	<b>563.53</b>
<b>Net profit before extra ordinary Items &amp; Tax</b>	<b>71.34</b>	<b>54.66</b>	<b>144.28</b>	<b>84.55</b>	<b>89.82</b>
<b>Extra Ordinary Item:</b>					
Loss on Sale of Investment	0.00	4.11	0.29	0.00	0.00
Current tax(Provision and payment)	6.00	2.50	9.50	6.00	10.50
Deferred Tax	2.00	1.00	1.50	2.50	0.00
<b>Net Profit after Tax</b>	<b>63.34</b>	<b>47.05</b>	<b>132.99</b>	<b>76.05</b>	<b>79.32</b>
Amount available for appropriation	63.34	47.05	132.99	76.05	79.32
<b>APPROPRIATION</b>					
Provision for Dividend	30.17	18.10	105.59	27.15	27.75
Provision For tax on Dividend	3.87	2.37	14.81	3.81	4.72
Transfer to General Reserve	6.33	5.00	14.00	8.00	8.00
Balance Carried over to Balance Sheet	22.97	21.58	(1.40)	37.09	38.85

## GENERAL INFORMATION



### ALKALI METALS LIMITED

Our Company was incorporated on April 17, 1968 as Alkali Metals Private Limited under the provisions of the Companies Act, 1956 in Hyderabad, Andhra Pradesh with Registration No.01 – 001196. Our Company became a deemed public limited company on June 18, 1975 under the Companies Act, 1956 and subsequently converted into a private limited company on October 6, 1976. Our Company again became a deemed public company on July 6, 1977 and the name was changed to Alkali Metals Limited, after which it was again converted into a private limited company on November 10, 1986 and named Alkali Metals Private Limited. Our Company was converted into a public limited company and called Alkali Metals Limited vide a fresh Certificate of Incorporation dated July 29, 1992

**Registered Office:** B-5, Block III, Industrial Development Area, Uppal, Hyderabad-500 039, Andhra Pradesh, India.

**Tel No:** +91-40-2720 2298, 2720 1179; **Fax No:** +91-40-2720 1454;

**E-mail:** [secretarial@alkalimetals.com](mailto:secretarial@alkalimetals.com); **Website:** [www.alkalimetals.com](http://www.alkalimetals.com)

**Contact Person:** Mr. Vasudeva Rao Devaki, Company Secretary & Compliance Officer

**Company registration No:** 01 – 001196;

**Corporate Identification No:** U27109AP1968PLC001196

**Registrar of Companies:** Our Company is registered with the Registrar of Companies, Andhra Pradesh, Hyderabad, situated at: 2<sup>nd</sup> Floor, CPWD Building, Kendriya Sadan, Sultan Bazar, Koti, Hyderabad – 500 195.

#### Our Board of Directors:

The Board of Directors consists of the following:

Sr. No	Name of Director	Designation	Status
1.	Mrs. Y. V. Lalitha Devi	Chairperson	Non-Executive & Non-Independent Director
2	Mr. Y. S. R. Venkata Rao	Managing Director	Executive & Non-Independent Director
3	Dr. Y. V. S. Murty	Director	Non-Executive & Non-Independent Director
4.	Mr. Ch. S. Prasad	Director	Non-Executive & Independent Director
5.	Mr. P. C. Patnaik	Director	Non-Executive & Independent Director
6.	Mr. G. Jayaraman	Director	Non-Executive & Independent Director
7.	Dr. J.S. Yadav	Director	Non-Executive & Independent Director

For detailed profile of our Directors, please refer to the section titled 'Our Management' on page [●] of this Draft Red Herring Prospectus.

#### COMPLIANCE OFFICER

##### Mr. Vasudeva Rao Devaki

Company Secretary & Compliance Officer  
B-5, Block III, Industrial Development Area,  
Uppal, Hyderabad-500 039,  
Andhra Pradesh, India.

**Tel No:** +91 40 2720 2298, 2720 1179

**Fax No:** +91 40 2720 1454  
**E-Mail:** secretarial@alkalimetals.com

#### **BANKERS TO OUR COMPANY**

**State Bank of India**  
Commercial Branch,  
Bank Street, Kothi  
Hyderabad- 500 095  
**Tel No:** +91 40 2476 1192  
**Fax No:** +91 40 2475 6698  
**E-Mail:** vs.rao555@sbi.co.in  
**Contact Person:** Mr. V.Sambasiva Rao

#### **STATUTORY AUDITORS TO OUR COMPANY**

**M/s Avadhani & Co.**  
501, Lingapur House,  
Amrutha Estates,  
Hyderabad-500 029  
**Tel No:** +91 40 23223367  
**E-Mail:** [avadhani@rediffmail.com](mailto:avadhani@rediffmail.com)  
**Contact Person:** Mr. K.R.K Avadhani

#### **ISSUE MANAGEMENT TEAM**

#### **BOOK RUNNING LEAD MANAGER**

**Saffron Capital Advisors Private Limited**  
SEBI Registration No: INM000011211  
Ground Floor, Vilco Center,  
8, Subhash Road, Vile Parle (East)  
Mumbai - 400 057  
**Tel No:** +91-22-40820906/905  
**Fax No:** +91-22-2682 0502  
**Website:** [www.saffronadvisor.com](http://www.saffronadvisor.com)  
**Email:** [alkali.ipo@saffronadvisor.com](mailto:alkali.ipo@saffronadvisor.com)  
**Contact Person:** Ms. Apeksha A. Munwane

#### **REGISTRARS TO THE ISSUE**

**Cameo Corporate Services Limited**  
Subramanian Building,  
No.1, Club House Road,  
Chennai – 600 002.  
Tel: +91 44 2846 0390 Fax: +91 44 2846 0129  
**E-mail:** [cameo@cameoindia.com](mailto:cameo@cameoindia.com)  
**Website:** [www.cameoindia.com](http://www.cameoindia.com)  
**SEBI Registration No:** INR000003753  
**Contact Person:** Mr. R. D. Ramasamy

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

## Legal Advisors to the Issue

### VNS Legal, Advocates

5<sup>th</sup> Floor, Mookambika Complex,  
4, Lady Desika Road, Mylapore,  
Chennai-600 004

**Tel No:** +91 44 2499 7133

**Fax No:** +91 44 2499 0549

**E-Mail:** [shiv.vn@gmail.com](mailto:shiv.vn@gmail.com)

**Contact Person:** Mr. V.N. Shiva Shankar

### Syndicate Members

[•]

### Bankers to the Issue & Escrow Collection Bank

[•]

### Refund Banker

[•]

### Statement of Responsibility

Saffron Capital Advisors Private Limited is the sole BRLM to the Issue and shall be responsible for the following activities:

No.	Activity
1.	Capital Structuring with the relative components and formalities such as type of instruments, etc.
2.	Conducting a due diligence of the Company's operations/management/business plans/legal, etc. Drafting and designing the Draft Red Herring Prospectus / Red Herring Prospectus / Prospectus. Ensuring compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI
3.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements
4.	Primary co-ordination of drafting/proofing of the design of the Red Herring Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement.
5.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.
6.	Appointing the Registrars, Appointing Bankers to the Issue, Appointing other intermediaries viz., printers and advertising agency
7.	Marketing of the Issue, which will cover inter alia: <ul style="list-style-type: none"><li>▪ Formulating marketing strategies, preparation of publicity budget,</li><li>▪ Finalising media &amp; public relations strategy,</li><li>▪ Finalising centers for holding conferences for press and brokers etc,</li><li>▪ Finalising collection centers,</li><li>▪ Following-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material,</li><li>▪ Preparing all road show presentations,</li><li>▪ Appointment of brokers to the issue, and</li><li>▪ Appointment of underwriters and entering into underwriting agreement.</li></ul>
8.	Coordinating institutional investor meetings, coordinating pricing decisions and institutional allocation in consultation with the Company
9.	Finalising the Prospectus and RoC filing
10.	Co-ordinating post bidding activities including management of Escrow accounts, coordinating with registrar and dispatch of refunds to Bidders, etc.
11.	Follow-up with the bankers to the issue to get quick estimates of collection and

	advising the issuer about closure of the issue, based on the correct figures.
12.	The Post-Issue activities for the Issue will involve essential follow up steps, which include finalizing basis of allotment / weeding out of multiple applications, the listing of instruments and dispatch of certificates and dematerialized delivery of shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue and the bank handling refund business.  The BRLM shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company.

The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Syndicate Members, Brokers, Advertising agencies etc. will be finalised by our Company in consultation with the BRLM.

Even if many of these activities will be handled by other intermediaries, the BRLM shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with our Company.

### **Credit Rating**

This being an issue of Equity Shares, there is no requirement of credit rating for the Issue.

### **IPO Grading**

[•]

Details of IPO Grading will be incorporated before the filing of RHP with RoC.

### **Trustees**

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

### **Project Appraisal and Monitoring Agency**

The project is not appraised by any Bank/Financial Institution/Merchant Banker. As per clause 8.17.1 of the SEBI DIP Guidelines, monitoring agency is required to be appointed in case the public issue size exceeds Rs. 500 crores. Since our proposed IPO size shall not exceed Rs. 500 crore, we do not propose to appoint a Monitoring Agency.

However, APITCO has done a Techno Economic Viability (TEV) study of our Company's proposed project, as envisaged in the 'Objects of the Issue' and has concluded that the proposed project is technically feasible and economically viable.

APITCO (Andhra Pradesh Industrial Technical Consultancy Organisation), is a joint venture promoted by Industrial Development Bank of India (IDBI), ICICI, Bank Limited, IFCI Limited, Andhra Pradesh Industrial Development, Corporation Limited (APIDC), Andhra Pradesh State Finance Corporation, (APSFC), State Bank of India (SBI), Andhra Bank, Syndicate Bank and Indian Bank.

APITCO's consulting portfolio consists of rendering consultancy services relating to basic economic development, business development, efficiency management. They offer a wide range of consulting services, especially to SMEs in project identification, project counseling, pre-feasibility reports, detailed project feasibility studies, infrastructure planning, market assessment, expansion, diversification and turnaround strategies, energy audits, waste minimisation, environment impact assessment, valuation of fixed assets, skill development etc., Their clientele ranges from Government of India, Government of Andhra Pradesh, Public Sector Undertakings, Financial Institutions and Banks to private entrepreneurs. APITCO is the Recipient of Consultancy Development Centre (Government of India's) "Certificate of Merit" for extending meritorious consultancy services for development of micro enterprises in rural

areas. It was also recognised as a nodal agency by Energy Management Centre, Government of India for undertaking energy audits and energy conservation programmes in South India and also as a facilitator by National Productivity Council for promotion of waste minimisation in industry sector.

### **Withdrawal of the Issue**

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date without assigning any reason therefor.

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

### **Book Building Process**

Book building refers to the collection of Bids from investors, which is based on the Price Band, with the Issue Price being finalized after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

1. Our Company
2. The Book Running Lead Manager
3. The Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters. The BRLM appoints the Syndicate Members; and
4. The Registrar to the Issue

The SEBI DIP Guidelines has permitted an issue of securities to the public through the 100% Book Building Process, wherein up to 50% of the Net Issue shall be available for allocation to QIBs on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the Qualified Institutional Buyers Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue price. Further, not less than 15% of the Net Issue shall be available for allotment to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allotment to Retail Individual Bidders on a proportionate basis, subject to valid Bids being received at or above the Issue Price.

We will comply with the SEBI DIP Guidelines for this Issue. In this regard, we have appointed Saffron Capital Advisors Private Limited as the BRLM to manage the Issue and procure subscriptions to the Issue.

The process of Book Building under the SEBI Guidelines is subject to change from time to time and Investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue

QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. In addition, QIBs are required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs shall be on a proportionate basis. Please refer to the section entitled 'Terms of the Issue' on page [●] of this Draft Red Herring Prospectus for more details.

Steps to be taken by the Bidders for bidding:

- 1) Check eligibility for making a Bid (see chapter titled "Issue Procedure" beginning on page [●] of the Draft Red Herring Prospectus);

- 2) Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- 3) Ensure that the Bid-cum-Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid-cum-Application Form; and
- 4) Ensure that the Bid-cum-Application Form is accompanied by the Permanent Account Number. For details please refer to the chapter titled 'Issue Procedure' beginning on page [●] of this Draft Red Herring Prospectus. Bidders are specifically requested not to submit their General Index Register number instead of the Permanent Account Number as the Bid is liable to be rejected.

### **Bid/Issue Program**

**Bid/Issue opens on:** \_\_\_\_\_ **Bid/Issue closes on:** \_\_\_\_\_

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded till (i) 5.00 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders where the bid amount is in excess of Rs. 1,00,000 and (ii) till such time as permitted by the BSE and NSE, in case of Bids by Retail Individual Bidders where the Bid amount is upto Rs. 100,000. On the day of closing, extension of time will be granted by Stock Exchanges only for uploading the bids received from Retail Investors after taking into account the total number of applications received upto the closure of timings for acceptance of application forms as stated in prospectus and reported by BRLM(s) to the Exchange within half an hour of such closure. Bids will only be accepted on working days.

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

The Price Band will be decided by us in consultation with the BRLM. The announcement on the Price Band shall also be made available on the websites of the BRLM and at the terminals of the Syndicate.

We reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price and can move up or down to the extent of 20%.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of 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, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM and at the terminals of the Syndicate.

### **Underwriting Agreement**

After the determination of the Issue Price and prior to filing of the Prospectus with RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

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

*(This portion has been intentionally left blank and will be completed prior to filing of the Prospectus with RoC)*

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

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

In the opinion of our Board of Directors and the BRLM (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act 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 BRLM and the Syndicate Member(s) shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount as specified in the Underwriting Agreement.

## CAPITAL STRUCTURE

The Share Capital of our Company as on the date of filing of the DRHP with SEBI is set forth below:

Particulars	Nominal Value (Rs.)	Aggregate Value (Rs.)
<b>A. AUTHORISED CAPITAL</b>		
15,000,000 Equity Shares of Rs. 10/- each	150000000	
<b>B. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
7,632,506 Equity Shares of Rs. 10/- each	76325060	
<b>C. ISSUE IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS*</b>		
2,550,000 Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share	25500000	[●]
<b>E. NET ISSUE TO THE PUBLIC</b>		
2,550,000 Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share	25500000	[●]
<b>F. PAID UP CAPITAL AFTER THE PRESENT ISSUE</b>		
10182506 Equity Shares of Rs. 10/- each	101825060	[●]
<b>G SHARE PREMIUM ACCOUNT</b>		
Before the issue		Nil
After the issue		[●]

### Notes to Capital Structure:

#### 1. Details of Increase in Authorized Share Capital

Nature of increase/ change	Number of Equity Shares	Face Value (Rs.)	Number of Preference Shares	Face Value (Rs.)	Total Authorized Share Capital (Rs.)	Date of change	Type of Meeting
Stock split from Rs. 100/- to Rs. 10/- each	400,000	10	10,000	100	5,000,000	November 5, 1977	EGM
Increase in authorised capital and conversion of preference to equity`	1,500,000	10	Nil	Nil	20,000,000	September 28, 1991	AGM

Increase in authorised capital	1,000,000	10	Nil	Nil	30,000,000	February 26, 1994	EGM
Increase in authorised capital	2,000,000	10	Nil	Nil	50,000,000	February 21, 1998	EGM
Increase in authorised capital	5,000,000	10	Nil	Nil	100,000,000	July 7, 2000	AGM
Increase in authorised capital	5,000,000	10	Nil	Nil	150,000,000	July 21, 2007	AGM

**2. Equity Share Capital Build-up: Our existing Equity Share Capital has been subscribed and allotted as under:**

Date of Allotment/ Fully Paid up	Number of Equity Shares allotted	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Remarks	Cumulative No. of Equity Shares	Cumulative Paid up Share Capital (Rs.)	Cumulative Share Premium (Rs.)
April 17, 1968	40	100	100	Cash	Subscribers to memorandum	40	4,000	Nil
July 19, 1968	4930	100	100	Cash	Further Allotment	4,970	497,000	Nil
September 16, 1968	30	100	100	Cash	Further Allotment	5,000	500,000	Nil
September 23, 1969	600	100	100	Cash	Further Allotment	5,600	560,000	Nil
April 21, 1970	2200	100	100	Cash	Further Allotment	7,800	780,000	Nil
August 29, 1970	800	100	100	Cash	Further Allotment	8,600	860,000	Nil
March 9, 1971	400	100	100	Cash	Further Allotment	9,000	900,000	Nil
November 5, 1977	90000	10			Subdivision*	90,000	900,000	
December 15, 1977	40000	10	10	Cash	Further Allotment	130,000	1,300,000	Nil
April 7, 1979	5000	10	10	Cash	Further Allotment	135,000	1,350,000	Nil
November 27, 1979	13800	10	10	Cash	Further Allotment	148,800	1,488,000	Nil
March 5, 1980	18800	10	10	Cash	Further Allotment	167,600	1,676,000	Nil
April 18, 1992	335200	10	-	-	Bonus issue (2:1)	502,800	5,028,000	nil
March 29, 1994	201120 0	10	-	-	Bonus issue (4:1)	2,514,000	25,140,000	Nil
February 21, 1998	502800	10	-	-	Bonus issue (1:5)	3,016,800	30,168,000	Nil

Date of Allotment/ Fully Paid up	Number of Equity Shares allotted	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Remarks	Cumulative No. of Equity Shares	Cumulative Paid up Share Capital (Rs.)	Cumulative Share Premium (Rs.)
July 7, 2000	3016800	10	-	-	Bonus issue (1:1)	6,033,600	60,336,000	Nil
July 21, 2007	905040	10	-	-	Bonus issue (15:100)	6,938,640	69,386,400	Nil
May 19, 2008 <sup>^</sup>	693866	10	-	-	Bonus issue (1:10)	7,632,506	76,325,060	Nil

\*Note: The stock split from face value of Rs.100/- per equity share to Rs.10/- per equity share was approved by the shareholders at the EGM on 5 November, 1977.

<sup>^</sup> We have issued 6,93,866 shares as bonus in the ratio of 1:10. Two (2) extra shares have been allotted in this particular instance, due to rounding off. The same has been appropriately mentioned in the allotment resolution passed by the Board of Directors dated May 19, 2008, which is also filed in the prescribed Form No. 2 with the ROC, Andhra Pradesh, Hyderabad on May 26, 2008.

### 3. Shares issued for consideration other than cash

Except as mentioned in the table above, our Company has not issued any shares for consideration, other than cash.

### 4. Promoters' Contribution and Lock-in details in respect of Promoters, whose names figure in the Draft Red Herring Prospectus as Promoters in the paragraph on 'Promoters and their Background' are as under:

Capital built up of the promoters is detailed below:

Name of promoter	Date of Allotment / Transfer and made fully paid	Nature of Allotment (Bonus, Rights etc.)	No. of shares	Face value	Issue / Transfer price	Consideration	% of post issue capital
<b>Dr. Y.V.S. Murty</b>	April 17, 1968	Subscription to Memorandum	10	100	100	Cash	
	July 19, 1968	Further Allotment	490	100	100	Cash	
	April 21, 1970	Further Allotment	550	100	100	Cash	
	August 29, 1970	Further Allotment	170	100	100	Cash	
	<b>Sub Total</b>		<b>1,220</b>				
	November 5, 1977	Sub-division of Equity Shares	12,200				0.12%
	April 7, 1979	Further Allotment	900	10	10	Cash	0.01%
	November 27, 1979	Further Allotment	2,180	10	10	Cash	0.02%

	March 25, 1981	Transmission	2,280	10	-	-	0.02%
	September 22, 1983	Transfer	5,810	10		Cash	0.06%
	March 30, 1986	Transfer	43,800	10	5	Cash	0.43%
	June 28, 1986	Transfer	-10	10	10		0.00%
	April 18, 1992	Bonus (2:1)	134,320	10	-	-	1.32%
	March 29, 1994	Bonus (4:1)	805,920	10	-	-	7.91%
	February 21, 1998	Bonus (1:5)	201,480	10	-	-	1.98%
	December 31, 1999	Gift	-2,200	10	-	-	-0.02%
	July 7, 2000	Bonus (1:1)	1,206,680	10	-	-	11.85%
	March 1, 2006	Transfer	150	10	10	Cash	0.00%
	June 23, 2007	Gift	2,320,850	10	-	-	22.79%
	July 21, 2007	Bonus (15:100)	710,154	10	-	-	6.97%
	March 31, 2008	Gift	-200,000				-1.96%
	May 19, 2008	Bonus (1:10)	524,452				5.15%
	<b>Total</b>		<b>5,768,966</b>				<b>56.66%</b>
<b>Mr. Y. S. R. Venkata Rao</b>	March 31, 1975	Gift	50	100	-	-	
	<b>Sub Total</b>		<b>50</b>				
	November 5, 1977	Sub-division of Equity Shares	500				0.00%
	December 15, 1977	Preferential allotment	5,000	10	10	Cash	0.05%
	April 7, 1979	Preferential allotment	500	10	10	Cash	0.00%
	November 27, 1979	Preferential allotment	2,160	10	10	Cash	0.02%
	September 22, 1983	Transfer	2,000	10	10	Cash	0.02%
	March 30, 1986	Transfer	10,160	10	5	Cash	0.10%
	April 18, 1992	Bonus (2:1)	40,640	10	-	-	0.40%
	March 29, 1994	Bonus (4:1)	243,840	10	-	-	2.39%
	February 21, 1998	Bonus (1:5)	60,960	10	-	-	0.60%
	July 7, 2000	Bonus (1:1)	365,760	10	-	-	3.59%

	2000							
	May 23, 2005	Gift	483,900	10	-	-		4.75%
	July 21, 2007	Bonus (15:100)	182,313	10	-	-		1.79%
	May 19, 2008	Bonus (1:10)	139,774					1.37%
	<b>Total</b>		<b>1,537,507</b>					<b>15.10%</b>
	<b>Grand Total</b>		<b>7,306,473</b>					<b>71.76%</b>

5. The details of the shares locked in for three years are given below:

Name of promoter	Date of Allotment / Transfer and made fully paid	Nature of Allotment (Bonus, Rights etc.)	No. of shares	Face value	Issue / Transfer price	Consideration	% of post issue capital	Lock in Period
Dr. Y. V. S. Murty	May 19, 2008	Bonus (1:10)	498,995				4.90%	3 Years
	<b>Total</b>		<b>498,995</b>				<b>4.90%</b>	<b>3 Years</b>
Mr. Y. S. R. Venkata Rao	November 5, 1977	Sub-division of Equity Shares	500				0.00%	3 Years
	December 15, 1977	Preferential allotment	5,000	10	10	Cash	0.05%	3 Years
	April 7, 1979	Preferential allotment	500	10	10	Cash	0.00%	3 Years
	November 27, 1979	Preferential allotment	2,160	10	10	Cash	0.02%	3 Years
	September 22, 1983	Transfer	2,000	10	10	Cash	0.02%	3 Years
	March 30, 1986	Transfer	10,160	10	5	Cash	0.10%	3 Years
	April 18, 1992	Bonus (2:1)	40,640	10	-	-	0.40%	3 Years
	March 29, 1994	Bonus (4:1)	243,840	10	-	-	2.39%	3 Years
	February 21, 1998	Bonus (1:5)	60,960	10	-	-	0.60%	3 Years
	July 7, 2000	Bonus (1:1)	365,760	10	-	-	3.59%	3 Years
	May 23, 2005	Gift	483,900	10	-	-	4.75%	3 Years
	July 21, 2007	Bonus (15:100)	182,313	10	-	-	1.79%	3 Years
	May 19, 2008	Bonus (1:10)	139,774				1.37%	3 Years
	<b>Total</b>		<b>1,537,507</b>				<b>15.10%</b>	<b>3 Years</b>
	<b>Grand Total</b>		<b>2,036,502</b>				<b>20.00%</b>	<b>3 Years</b>

\* 20% of the Post-Issue Paid-up Equity Share Capital, as determined after the book-building process, would be locked-in for a period of three years from the date of allotment and the

balance Pre-Issue Paid-up Equity Share Capital would be locked-in for a period of one year from the date of allotment. The lock-in period shall be reckoned from the date of allotment of Equity Shares in the present Issue. These securities will not be disposed / sold / transferred by the promoters during the period starting from the date of filing the DRHP with SEBI till the date of commencement of lock in period as stated in the DRHP.

Note: All the equity shares which are being locked in for three years are not ineligible for computation of promoters' contribution and lock in as per SEBI (DIP) Guidelines.

6. The specific written consent has been obtained from the Promoters for inclusion of such number of their existing shares and further subscription in the Issue, if any, to ensure minimum Promoter's contribution subject to lock-in to the extent of 20% of Post-Issue Paid-up Equity Share Capital.
7. 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.
8. For the purpose of calculating Promoters' contribution, the same has been bought in the specified minimum lot of Rs. 25,000/- per application from each individual and Rs. 1,00,000/- from companies.
9. The entire pre-issue Equity Share Capital of our Company, other than the minimum promoter's contribution, which is locked-in for a period of three years, shall be locked-in for a period of one year from the date of allotment in the present Public Issue. Hence 5,596,004 Equity Shares aggregating 55.96% of the post issue paid up capital shall be locked in for a period of one year.
10. The securities which are subject to lock-in shall carry the inscription 'non-transferable' and the non-transferability details shall be informed to the depositories. The details of lock-in shall also be provided to the stock exchanges, where the shares are to be listed, before the listing of the securities.
11. The Equity Shares held by persons other than Promoter may be transferred to any other person holding shares prior to the Issue, subject to continuation of lock-in with transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

The Equity Shares to be held by the Promoter under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares held by Promoter, which are locked in, may be transferred to and among Promoter Group or to a new promoter(s) or persons in control of our Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

12. The Pre-Issue & Post-Issue shareholding pattern of our Promoter Group is as under:

Sr. No.	Particulars	Pre-Issue		Post-Issue*	
		No. of Shares	% Holding	No. of Shares	% Holding
<b>a.</b>	<b>Promoter</b>	<b>7,306,473</b>	<b>95.73%</b>	<b>7,306,473</b>	<b>71.76%</b>
	Dr. Y. V. S. Murty	5,768,966	75.58%	5,768,966	56.66%
	Mr. Y. S. R. Venkata Rao	1,537,507	20.14%	1,537,507	15.10%
<b>b.</b>	<b>Immediate Relatives of the Promoter</b>	<b>324,894</b>	<b>4.26%</b>	<b>324,894</b>	<b>3.19%</b>
	Mrs. Y. V. Lalitha Devi	75,900	0.99%	75,900	0.75%
	Mrs. Y. Krishna veni	28,994	0.38%	28,994	0.28%
	Mr. Y. S. R Krishna Rao	110,000	1.44%	110,000	1.08%

Mrs. Y. Lalithya Poorna	110,000	1.44%	110,000	1.08%
<b>c. Companies in which 10% or more of the share capital is held by the Promoter / an immediate relative of the Promoter / a firm or HUF in which the Promoter or any one or more of their immediate relatives is a member</b>	<b>633</b>	<b>0.01%</b>	<b>633</b>	<b>0.01%</b>
CDC Industrial Infrass Limited	633	0.01%	633	0.01%
<b>d. Companies in which Company mentioned in c. above holds 10% or more of the share capital</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>e. HUF or firm in which the aggregate share of the Promoter and his immediate relatives is equal to or more than 10% of the total</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>f. All persons whose shareholding is aggregated for the purpose of disclosing in the prospectus as "Shareholding of the Promoter Group".</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total</b>	<b>7,632,000</b>	<b>99.99%</b>	<b>7,632,000</b>	<b>74.95%</b>

13. Shareholding Pattern of our Company before and after the Issue is as under:

Particulars	Pre-Issue		Post-Issue*	
	No. of Shares	% Holding	No. of Shares	% Holding
<b>Promoters</b>				
Dr. Y. V. S. Murty	5,768,966	75.58%	5,768,966	56.66%
Mr. Y. S. R. Venkata Rao	1,537,507	20.14%	1,537,507	15.10%
<b>Sub Total (A)</b>	<b>7,306,473</b>	<b>95.73%</b>	<b>7,306,473</b>	<b>71.76%</b>
<b>Promoter Group</b>				
Mrs. Y. V. Lalitha Devi	75,900	0.99%	75,900	0.75%
Mrs. Y. Krishna veni	28,994	0.38%	28,994	0.28%
Mr. Y. S. R. Krishna Rao	110,000	1.44%	110,000	1.08%
Mrs. Y. Lalithya Poorna	110,000	1.44%	110,000	1.08%
CDC Industrial Infrass Ltd	633	0.01%	633	0.01%
<b>Sub Total (B)</b>	<b>325,527</b>	<b>4.27%</b>	<b>325,527</b>	<b>3.20%</b>
<b>Total of Promoter and promoter group holding [C=A+B]</b>	<b>7,632,000</b>	<b>99.99%</b>	<b>7,632,000</b>	<b>74.95%</b>
<b>Others (D)</b>				
Mr. Ch. S. Prasad	253	Negligible	253	Negligible
Mr. G. Harishchandra Reddy	253	Negligible	253	Negligible
<b>Sub Total (D)</b>	<b>506</b>	<b>0.01%</b>	<b>506</b>	<b>Negligible</b>
<b>Total (E=C+D)</b>	<b>7,632,506</b>	<b>100.00%</b>	<b>7,632,506</b>	<b>74.96%</b>
<b>Public issue (F)</b>			<b>2550000</b>	<b>25.04%</b>
<b>Total post issue share capital (G=E+F)</b>			<b>10,182,506</b>	<b>100.00%</b>

\*The above shareholding pattern is indicative, and is based on the fact that all shareholders in their respective categories will subscribe to 100% of the shares offered in their respective categories. The final Post Issue Shareholding pattern will be determined after the Book-Building Process.

14. Particulars of top ten shareholding is as follows:

a. As on the date of filing this Draft Red Herring Prospectus

Sr.	Name of the Shareholder	No. of Shares	% of holding
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No			
1.	Dr. Y. V. S. Murty	5,768,966	75.58%
2.	Mr. Y. S. R. Venkata Rao	1,537,507	20.14%
3.	Mr. Y. S. R. Krishna Rao	110,000	1.44%
4.	Mrs. Y. Lalithya Poorna	110,000	1.44%
5.	Mrs. Y. V. Lalitha Devi	75,900	0.99%
6.	Mrs. Y. Krishna veni	28,994	0.38%
7.	CDC Industrial Infrass Ltd	633	0.01%
8.	Mr. Ch. S. Prasad	253	0.00%
9.	Mr. G. Harishchandra Reddy	253	0.00%
	<b>TOTAL</b>	<b>7,632,506</b>	<b>100.00%</b>

b. Particulars of top ten shareholders as on 10 days prior to the date of filing of the DRHP with SEBI

Sr. No.	Name of the Shareholder	No. of Shares	% of holding
1.	Dr. Y. V. S. Murty	5,244,514	75.58%
2.	Mr. Y. S. R. Venkata Rao	1,397,733	20.14%
3.	Mr. Y. S. R. Krishna Rao	100,000	1.44%
4.	Mrs. Y. Lalithya Poorna	100,000	1.44%
5.	Mrs. Y. V. Lalitha Devi	69,000	0.99%
6.	Mrs. Y. Krishna veni	26,358	0.38%
7.	CDC Industrial Infrass Limited	575	0.01%
8.	Mr. Ch. S. Prasad	230	0.00%
9.	Mr. G. Harishchandra Reddy	230	0.00%
	<b>TOTAL</b>	<b>6,938,640</b>	<b>100.00%</b>

c. Particulars of top ten shareholders as on two years prior to the date of filing of the DRHP with SEBI

Sr. No.	Name of the Shareholder	No. of Shares	% of holding
1.	Dr. Y. V. S. Murty	2,413,360	39.990
2.	Mrs. Y. V. Lalitha Devi	2,380,850	39.460
3.	Mr. Y. S. R. Venkata Rao	1,215,420	20.140
4.	Mrs. Y. Krishna Veni	18,360	0.304
5.	Mr. Y. V. Prashanth	2,000	0.033
6.	Ms. Y. Lalithya Poorna	2,000	0.033
7.	Mr. G. Harishchandra Reddy	200	0.003
8.	Mr. Ch. S. Prasad	200	0.003
9.	M/s. Asian Herbex Limited	400	0.006
10.	M/s. CDC Industrial Infrass Limited	500	0.008
	<b>TOTAL</b>	<b>6,033,290</b>	<b>99.98</b>

15. Except as mentioned below, during the past six months, there are no transactions in our Equity Shares, which have been undertaken / financed directly or indirectly by our promoter, his relatives and associates, persons in promoter group and our directors.

Sr. No.	Name	No. of shares	Date of Transaction	Price Per Share (Rs.)	Transferor/ Tranferee
1.	Dr. Y. V. S. Murty	-100,000	March 31, 2008	Given as Gift	Mr. Y. S. R. Krishna Rao
2.	Dr. Y. V. S. Murty	-100,000	March 31, 2008	Given as Gift	Mrs. Y. Lalithya Poorna

16. As on the date of filing of this Draft Red Herring Prospectus with SEBI, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares. The shares locked for 3 years by the Promoters are not pledged to any party/Bank/FI.
17. The Promoters may pledge the Equity Shares with banks or Financial Institutions as additional security for loan whenever availed by them from banks/Financial Institutions, provided that pledge of shares is one of the terms of sanction of loan. However, securities which are locked in for 3 years as minimum promoters' contribution under clause 4.11.1, the same may be pledged, only if, in addition to fulfilling the requirements of clause 4.15.1 of the SEBI (DIP) Guidelines, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the issue.
18. Our Company, our Promoter, our Directors and the BRLM to this Issue have not entered into any buy-back, standby or similar arrangements with any person for purchase of our Equity Shares issued by our Company through this Draft Red Herring Prospectus.
19. Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any shares to our employees under ESOS/ESPS scheme from the proposed issue. As and when, options are granted to our employees under the ESOP scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.
20. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest integer during finalizing the allotment, subject to minimum allotment being equal to [●] Equity Shares, which is the minimum application size in this issue.

Consequently, the actual allotment may go up by a maximum of 10% of the Net Issue 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 the Promoter 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.

21. In case of over-subscription in all categories, not more than 50% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (including specific allocation of 5% within the category of QIBs for Indian Mutual Funds). Further a not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
22. Under subscription, if any, in the Qualified Institutional Buyers Portion, Non-institutional Portion and Retail Portion shall be allowed to be met with spill over from the other categories, at the sole discretion of our Company and BRLM. However, if the aggregate demand by Mutual Funds is less than 5% of QIB Portion, the balance share available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to QIB Bidders.
23. As on date of filing of this Draft Red Herring Prospectus with SEBI, the entire Issued Share Capital of our Company is fully paid-up, and there are no partly paid-up shares.
24. Our Company has not raised any bridge loan against the proceeds of this Issue.
25. Our Company has not revalued its assets during last five years.

26. Except for the issue of bonus shares as detailed in note 2 above, our Company has not issued any Equity Shares during the preceding 12 months, before the date of the DRHP at a price lower than the issue price.
27. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares issued through the Prospectus are listed or application moneys refunded on account of failure of Issue.
28. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise. However, if we go in for acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
29. Currently the denomination of our equity shares is Rs. 10 per share. Our Company undertakes that at any given time, there shall be only one denomination for the Equity shares of our Company and our Company shall comply with such disclosure norms as specified by SEBI from time to time.
30. Since the entire money of Rs. [●]/- per share (Rs. 10/- face value + Rs. [●]/- premium) is being called on application, all the successful applicants will be issued fully paid-up shares only. The securities offered through this public issue shall be made fully paid-up or may be forfeited within 12 months from the date of allotment of securities, if not made fully paid-up, in the manner specified in clause 8.6.2 of the SEBI DIP guidelines.
31. A Bidder cannot make a Bid for more than the number of Equity Shares being issued through this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
32. Our Company has not revalued assets since inception and has not issued any shares out of the revaluation reserves.
33. No payment, direct or indirect in the nature of discount, commission, allowance or otherwise shall be made either by us or our promoters to the persons who receive allotments, if any, in this issue.
34. We have 9 members as on the date of filing of this Draft Red Herring Prospectus.

## SECTION V - OBJECTS OF THE ISSUE

The objects of the Issue are to raise capital for financing the funds required for:

- (A) Setting up of an Active Pharmaceutical Ingredients (API) plant at Jawaharlal Nehru Pharma City at Visakhapatnam with an installed capacity of 672 MTPA.
- (B) Meeting the Public Issue Expenses.

The other objects of the Issue also include creating a public trading market for the Equity Shares of our Company by listing them on BSE and NSE. We believe that the listing of our Equity Shares will enhance our visibility and brand name and enable us to avail of future growth opportunities.

The object clause of Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through the present Issue. Further, we confirm that the activities which we have been carrying out till date are in accordance with the object clause of our Memorandum of Association.

### Requirement of Funds

The total fund requirement is as follows:

(Rs. in Mn)		
Sr. No.	Particulars	Amount
1	Setting up of an API plant at Visakhapatnam	427.34
2	Public Issue Expenses	[•]
<b>Total</b>		<b>[•]</b>

### Means of Finance

(Rs. in Mn)		
Sr. No.	Particulars	Amount
1	Proceeds from Initial Public Offer	[•]
2	Internal Accruals	[•]
<b>Total</b>		<b>[•]</b>

Proceeds from the Initial Public Offer would be crystallized on finalization of the Issue Price on conclusion of the book building process. Any shortfall in the cost of the project would be met out of internal accruals.

We confirm that firm arrangements of finance through verifiable means towards atleast 75% of the stated means of finance, excluding the amount to be raised through proposed Public Issue, has been ensured.

As per the means of financing, the entire cost of Setting up of an API plant at Visakhapatnam aggregating to Rs. 427.34 Mn, General Corporate Purposes and Public Issue Expenses are proposed to be funded through the proposed IPO and Funds Available with our Company including Internal Accruals. Our Company has Rs. 97.50 Mn as internal accruals as on March 31, 2008 which has been certified by the auditors vide their certificate dated May 21, 2008.

### Appraisal

Our Company has not got its proposed project appraised by any bank or financial institution.

However, the techno economic commercial aspects of the proposal have been evaluated by Andhra Pradesh Industrial Technical Consultancy Organisation (APITCO) and concluded that the proposed project is technically feasible and economically viable. APITCO vide their letter

dated May 26, 2008, have given their consent to include their Techno-Economic Viability report of May 2008 to be included in this Offer Document.

Andhra Pradesh Industrial Technical Consultancy Organisation (APITCO), is a joint venture promoted by Industrial Development Bank of India (IDBI), ICICI, Bank Limited, IFCI Limited, Andhra Pradesh Industrial Development, Corporation Limited (APIDC), Andhra Pradesh State Finance Corporation, (APSFC), State Bank of India (SBI), Andhra Bank, Syndicate Bank and Indian Bank. The office of APITCO is situated at 8<sup>th</sup> Floor, Parisrama Bhavan, Basheerbagh, Hyderabad, Andhra Pradesh.

APITCO's consulting portfolio consists of rendering consultancy services relating to basic economic development, business development, efficiency management. They offer a wide range of consulting services, especially to SMEs in project identification, project counseling, pre-feasibility reports, detailed project feasibility studies, infrastructure planning, market assessment, expansion, diversification and turnaround strategies, energy audits, waste minimisation, environment impact assessment, valuation of fixed assets, skill development etc.

### **1. API (Active Pharmaceutical Ingredients) Plant in Pharma City, Visakhapatnam**

Our Company proposes to set up a API Plant in Pharma City, Parawada, Vishakhapatnam, Andhra Pradesh. The location is 25 kms from Vishakhapatnam city.

#### **Details of the major heads of expenditure:**

The detailed break up of the estimated total cost of Rs. 427.34 Mn for setting up an API Plant, for which funds are being proposed to be raised through the IPO, is given:

(Rs. in Mn)	
<b>Particulars</b>	<b>Amount</b>
Land and Site Development	28.50
Building and civil works	81.0
Plant and machinery	229.50
Miscellaneous fixed assets	5.00
Contingencies	32.37
Electricity deposits	2.50
Pre –operative expenses	8.50
Margin money for working capital	39.97
<b>Total</b>	<b>427.34</b>

#### **Land and Site development:**

The API plant is proposed to be set up in Jawaharlal Nehru Pharma City at Parawada, located 25 kms from Visakhapatnam. The Pharma City is being developed by Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC) in joint venture with M/s.Ramky Group (the developer) through a SPV called Ramky Pharma City (India) Limited, from whom our Company has acquired 16.42 acres vide sale agreement dated June 16, 2006 for a consideration of Rs.6.57 Mn. The land and site development and creation of common infrastructures like effluent treatment plant, approach roads etc. is estimated to cost Rs. 21.93 Mn. Our Company has taken possession of the land and APIIC will execute a title deed in our Company's favour after commencement of commercial production. The land is free from all encumbrances and has a clear title and no further approvals are required. None of the Promoters and Directors of our Company is directly or indirectly interested in the above acquisition.

#### **Building:**

The estimated built up area of the proposed buildings to be erected for housing the API facility is estimated to be 10,000 square metres, containing three main process buildings (production blocks) to support the manufacture of at least four APIs at any time in totally mutually exclusive manufacturing lines.

As per the estimate given by APITCO, the cost of civil works is estimated to be Rs.81 Mn, the break up of which is given below:

Sr. No.	Description	Area / Volume	Rate Rs./Sq.M	Cost (Rs. in Mn)
1.	Production Block 1			
	Ground Floor	720 sq. m	6000	8.64
	First Floor	720 sq. m		
2.	Production Block 2			
	Ground Floor	720 sq. m	6000	8.64
	First Floor	720 sq. m		
3.	Production Block 3			
	Ground Floor	720 sq. m	6000	8.64
	First Floor	720 sq. m		
5	Intermediates Block			
	Ground Floor	360 sq. m	4500	3.24
	First Floor	360 sq. m		
6	Raw material Stores Block			
	Ground Floor	720 sq. m	5000	7.20
	First Floor	720 sq. m		
7	Finished goods stores Block	720 sq. m	5000	3.60
8	R & D, Quality control Block	720 sq. m	6000	4.32
9	Utilities Block	720 sq. m	5000	3.60
10	Solvent recovery Block			
	Ground Floor	360 sq. m	4500	6.48
	First Floor	360 sq. m		
	Second Floor	360 sq. m		
	Third Floor	360 sq. m		
12	Boiler house	96 sq. m	6000	0.58
13	Administrative building	360 sq. m	6000	2.16
14	Electrical control room	160 sq. m	6000	0.96
15	Effluent equalization tanks	144 CU.M	Rs. 5 per litre	0.72
16	Worker amenities/ Change room	160 sq. m	6000	0.96
17	Under ground water tank	720 CU.M	Rs. 5 per litre	3.60
18	Under ground Solvent Storage	360 CU.M	Rs. 3000 Per CU.M	1.08
19	Coal yard / ash yard		Lumpsum	0.30
20	Electrical transformer yard		Lumpsum	0.30
21	Foundations		Lumpsum	2.00
22	Roads and drains	1200 M x 6M	1345/ sq.m	9.68
23	Land development and greenery		20 % of roads cost	1.94
24	Compound wall	720 M		1.60
25	Miscellaneous works		Lumpsum	0.76
	<b>Total</b>			<b>81.00</b>

**Plant and Machinery:**

It is estimated that Rs. 229.50 Mn would be required for the plant and machinery proposed to be installed in the proposed API facility, the break up of which is as follows:

Particulars	Approx. Cost (Rs. in Mn.)
Process Plant	121.63
Support Systems	72.35
Utilities	19.52
Quality and control equipment	11.5
Design and Engineering cost	4.5
<b>Total</b>	<b>229.50</b>

A detailed break up of the equipment required under each aforementioned head, along with the details of the quotation invited for the same are given.

**PROCESS PLANT:**

(Rs. in Mn.)

Sr. No.	Description	Capacity	Qty	Rate	Total Cost	Details of quotation (Name, reference and date)
1	Glasslined reactor	1000 L	3	0.60	1.80	Nile Limited, Ref :Nile/Mktg/AP-0107/3687, Dt. 25-06-2007
2	Glasslined reactor	2000 L	7	0.75	5.25	Nile Limited, Ref :Nile/Mktg/AP-0107/3687, Dt. 25-06-2007
3	Glasslined reactor	3000 L	8	0.95	7.60	Nile Limited, Ref :Nile/Mktg/AP-0107/3687, Dt. 25-06-2007
4	Glasslined reactor	5000 L	6	1.05	6.30	Nile Limited, Ref :Nile/Mktg/AP-0107/3687, Dt. 25-06-2007
5	SS Reactor	1000 L	4	0.35	1.40	SS Fab Tek, Ref : Dt. 02-07-2007
6	SS Reactor	2000 L	4	0.50	2.00	SS Fab Tek, Ref : Dt. 02-07-2007
7	SS Reactor	3000 L	14	0.65	9.10	SS Fab Tek, Ref : Dt. 02-07-2007
8	SS Reactor	4000 L	10	0.80	8.00	SS Fab Tek, Ref : Dt. 02-07-2007
9	SS Reactor	5000 L	8	1.00	8.00	SS Fab Tek, Ref : Dt. 02-07-2007
10	SS Reactor	6000 L	2	1.10	2.20	SS Fab Tek, Ref : Dt. 02-07-2007
11	SS High Pressure Reactor	2000 L	1	1.50	1.50	SS Fab Tek, Ref : Dt. 02-07-2007
12	SS High Pressure Reactor	3000 L	1	2.00	2.00	SS Fab Tek, Ref : Dt. 02-07-2007
13	SS Heat exchanger	Aht- 6 sq.m	4	0.10	0.40	SS Fab Tek, Ref : Dt. 02-07-2007
14	SS Heat exchanger	Aht 12 Sq.m.	18	0.15	2.70	SS Fab Tek, Ref : Dt. 02-07-2007
15	SS Heat Exchanger	A ht 16 Sq.m	12	0.20	2.40	SS Fab Tek, Ref : Dt. 02-07-2007

16	All glass condenser	9 inch dia	30	0.075	2.25	Shiva Scientific Glass Pvt. Ltd., Ref : SCGL/AML/202, Dt. 02-07-2007
17	SS Basket centrifuge	48 inch	24	1.00	24.00	Oriental Manufacturers (P) Ltd., Ref : OMPL/AML/VBD15/QT N-05019/2007-06-18, Dt. 26-06-2007
18	SS Leaf filter,	100L	10	0.075	0.75	SS Fab Tek, Ref : Dt. 02-07-2007
19	SS Nutsch Filter	2 Sq.m.	2	0.15	0.30	SS Fab Tek, Ref : Dt. 02-07-2007
20	Tray dryer	48 trays	4	0.30	1.20	Oriental Manufacturers (P) Ltd., Ref : OMPL/AML/VBD15/QT N-05019/2007-06-18, Dt. 26-06-2007
21	Tray dryer	96 trays	2	0.50	1.00	Oriental Manufacturers (P) Ltd., Ref : OMPL/AML/VBD15/QT N-05019/2007-06-18, Dt. 26-06-2007
22	Fluid Bed Dryer	200 Kg	2	1.50	3.00	Oriental Manufacturers (P) Ltd., Ref : OMPL/AML/VBD15/QT N-05019/2007-06-18, Dt. 26-06-2007
23	Roto cone Vacuum dryer	500 L	4	1.50	6.00	Oriental Manufacturers (P) Ltd., Ref : OMPL/AML/VBD15/QT N-05019/2007-06-18, Dt. 26-06-2007
24	Multi mill	100 Kg per hour	4	0.20	0.80	SS Fab Tek, Ref : Dt. 02-07-2007
25	Sifter	100 Kg per hour	4	0.10	0.40	SS Fab Tek, Ref : Dt. 02-07-2007
26	SS Blender	2000 L	4	0.50	2.00	SS Fab Tek, Ref : Dt. 02-07-2007
27	SS Measuring tank	500 L	6	0.08	0.48	SS Fab Tek, Ref : Dt. 02-07-2007
28	SS Measuring tank	1000 L	18	0.12	2.16	SS Fab Tek, Ref : Dt. 02-07-2007
29	SS Measuring tank	2000 L	16	0.20	3.20	SS Fab Tek, Ref : Dt. 02-07-2007
30	SS Measuring tank	3000 L	6	0.30	1.80	SS Fab Tek, Ref : Dt. 02-07-2007
31	FRP Measuring tank	250 L	2	0.05	0.10	Fibrecon Engineering Co. Ref : FEC/45/06/2006-2007, Dt. 04-07-2007
32	FRP Measuring tank	1000 L	6	0.10	0.60	Fibrecon Engineering Co. Ref : FEC/45/06/2006-2007, Dt. 04-07-2007
33	MS Measuring tank	1000 L	10	0.05	0.50	SS Fab Tek, Ref : Dt. 02-07-2007
34	SS Storage tank.	16000L	2	0.75	1.50	SS Fab Tek, Ref : Dt.

						02-07-2007
35	MS Storage tank	10000 L	6	0.25	1.50	SS Fab Tek, Ref : Dt. 02-07-2007
36	MS Storage tank	16000 L	6	0.30	1.80	SS Fab Tek, Ref : Dt. 02-07-2007
37	FRP Storage tank	16000 L	2	0.45	0.90	Fibrecon Engineering Co. Ref : FEC/45/06/2006-2007, Dt. 04-07-2007
38	HDPE Storage tank	10000L	2	0.08	0.16	Fibrecon Engineering Co. Ref : FEC/45/06/2006-2007, Dt. 04-07-2007
39	SS Centrifugal pump.	3 Cu. M H= 20M	16	0.04	0.64	Process Pumps (I) Pvt. Ltd., Ref : PHYD/CQ/AP/050/07, Dt. 21-06-2007
40	Centrifugal pump	6 Cu. M H= 20M	8	0.045	0.36	Process Pumps (I) Pvt. Ltd., Ref : PHYD/CQ/AP/050/07, Dt. 21-06-2007
41	Centrifugal pump	6 Cu. M H= 20M	20	0.035	0.70	Process Pumps (I) Pvt. Ltd., Ref : PHYD/CQ/AP/050/07, Dt. 21-06-2007
42	Centrifugal pump	6 Cu. M H= 20M	4	0.045	0.18	Process Pumps (I) Pvt. Ltd., Ref : PHYD/CQ/AP/050/07, Dt. 21-06-2007
43	Water ring vacuum pump	300 Nm3 /hr at 70% vac.	4	0.10	0.40	Hydrovac Systems , Ref : HS/001/167/2007-08, Dt. 03-07-2007
44	Deep vacuum pump	220 Nm3 /hr at 10 torr vac.	2	0.15	0.30	Hydrovac Systems , Ref : HS/001/167/2007-08, Dt. 03-07-2007
40	Four stage steam jet ejectors	10 kg.	2	0.10	0.20	Hydrovac Systems , Ref : HS/001/167/2007-08, Dt. 03-07-2007
44	Continuous Distillation unit		set	0.60	0.60	SS Fab Tek, Ref : Dt. 02-07-2007
45	MS Batch distillation unit	5000 L	set	0.40	0.40	SS Fab Tek, Ref : Dt. 02-07-2007
46	SS Batch Vacuum distillation unit	5000 L	set	0.80	0.80	SS Fab Tek, Ref : Dt. 02-07-2007
	<b>TOTAL</b>				<b>121.63</b>	

**SUPPORT SYSTEMS:**

(Rs. in Mn.)

S.No	Description	Total Cost	Details of quotation (Name, reference and date)
47	Pipes and fittings	40.50	G.P.Traders, Ref : 2007062201/GP, Dt. 26-06-2007 KRK Industrial Associates Ref : KRK/51/2007-08, Dt. 29-06-2007 Sri Satya Venkata Engineering & Fabrications Ref : Dt. 04-07-2007
48	Electrical system	16.00	Vinod Vikram Electronics, Ref : Dt. 05-07-2007, Progressive Electric controllers Ref : Dt. 27-06-2007 Kamadhenu Power Systems Ref : KPS/AML/070607, Dt. 27-06-2007
49	Fire fighting and safety systems	1.00	Star Fire Safety Engineers, Ref: SFSE/GAY/2K7/1265/2007-08, Dt. 05-07-2007
50	Instruments and controls	1.00	Transcon Impex Pvt. Ltd., Ref : TC/ROTEX/GC/55, Dt. 03-07-2007
51	Material handling equipment / lift	1.00	Hi-tech Engineering Equipments, Ref : HTEE/QTN/021/07-08, Dt. 25-06-2007
52	Effluent treatment Equipment	3.00	Techno Aqua Tech Ref : TAT/CDCPL/154, Dt. 02-07-2007
53	Maintenance and workshop equipment.	0.85	Quotation yet to be invited
54	Air handling units.	9.00	Quotation yet to be invited
	<b>TOTAL</b>	<b>72.35</b>	

**UTILITIES:**

(Rs. in Mn.)

S. No	Description	Capacity	Qty	Rate	Total Cost	Details of quotation (Name, reference and date)
55	Boiler, coal fired	3 tons / hour	2	2.00	4.00	Aero Therm Systems Pvt. Ltd., Ref : Dt. 29th June 2007
56	Chilling plant	50 TR	5	1.50	7.50	Sai Industrial Techno Services, Ref : SITS/AML/2007, Dt. 04-07-2007
57	Cooling tower	400 TR	3	0.35	1.05	Sai Industrial Techno Services, Ref : SITS/AML/2007, Dt. 04-07-2007
58	Thermic fluid heating system	2 lac k.cal / hour	1	0.40	0.40	Transparent Energy Systems Pvt. Ltd., Ref : TESPL/QTN/2007, Dt. 28-06-2007
59	Air compressor	50 N Cu.M	1	0.07	0.07	Equipment & Spares , Ref : SE/40076/WN, Dt. 28-06-2007
60	Water treatment unit	5000 lits / hour	set	3.00	3.00	Indwa Technologies Ref : WTU/105-25/07-PRO, Dt. 02-07-2007
61	Diesel generating set	500 KVA	1	2.50	2.50	Power Track , Ref : PT/Q/176/07-08, Dt. 29-06-2007

62	Nitrogen plant	20 nm3 / hour	1	1.00	1.00	MVS Engineering Limited Ref : MVS/15267, Dt. 15-05-2007
	<b>TOTAL</b>				<b>19.52</b>	

**QUALITY CONTROL EQUIPMENT:**

(Rs. in Mn.)

Sr. No	Description	Total cost	Details of quotation (Name, reference and date)
63	HPLC System and gas chromatography	5.00	Agilent Technologies India Pvt. Ltd., Ref : July 04, 2007
64	Polarimeter	5.50	Hychem Laboratories Ref : HCL/Q/2007, Dt.04-07-2007-07-24
65	UV Spectrophotometer	1.00	Indosystems International, Ref : ISI/Alkali/Techcomp/Qtn/2007/7, Dt. 03-07-2007
	<b>TOTAL</b>	<b>11.50</b>	

*Our Company does not propose to purchase any second hand machinery for the purpose of the proposed project.*

**Note: We have received extension letters for all the quotations from all the suppliers vide their respective extension letters.**

**Miscellaneous Assets:**

The TEV report estimates that an amount of Rs.5 Mn would be required for other miscellaneous assets comprising furniture, computers, vehicles, telephones etc. Our Company has not yet invited any quotations for the supply of any of these assets.

**Electricity deposits:**

A Consumption deposit of estimated electricity bill for three months is to be deposited with APTRANSCO, the power distribution company. The TEV report estimates the power bill to be around Rs. 10 Mn during the second year of operations. Based on this a deposit amount of Rs.2.5 Mn has been calculated and included in the project cost.

**Working capital margin:**

The commercial production of the proposed project is scheduled to commence in January, 2009. It is estimated that at the end of the FY 2009 – 2010, being one complete year of operations at the proposed manufacturing facility, Rs. 159.45 Mn would be the working capital requirement for the proposed project. While the margin money is included in the total project cost, the arrangement for the remaining amount would be made from Banks during the progress of the project. The workings are given below:

(Rs. in Mn)

Particulars	Holding Period (in months)	Amount
Current Assets		
Raw material	2	35.30
Packing material	1	0.18
Work in process	1	21.49
Finished goods	1.5	43.13
Bills receivable	3	86.25
Total current assets (A)		186.35
Less: Current liabilities		
Sundry creditors (B)	1.50	26.48
Working capital (A) – (B)		159.87

Margin@ 25% - proposed to be funded out of the issue proceeds		39.97
Bank finance @ 75%		119.90

**Provision for contingencies:**

The total estimated project cost is based on estimates and quotation received for capital equipment. Considering that some pricing assumptions may change, the provision for contingency has been estimated at Rs.32.37 Mn, which is 10% of the total value of fixed assets.

**Pre – operative expenses:**

The pre – operative expenses are estimated at Rs.8.50 Mn, an estimated break up of which is given below:

<b>Pre – operative expenses</b>	<b>Amount (Rs. in Mn.)</b>
Travelling expenses	1.50
Salaries during construction	3.00
Trial production costs	2.50
Miscellaneous expenses	1.50
<b>TOTAL</b>	<b>8.50</b>

**2. Public Issue Expenses**

The expenses for this Issue include management fees, IPO Grading Expenses, selling commissions, underwriting commission, printing and distribution expenses, fee payable to other intermediaries, statutory advertisement expenses and listing fees payable to the Stock Exchanges, amongst others. The estimated Issue expenses are as under:

(Rs. in Mn)			
<b>Activity</b>	<b>Estimated Amount</b>	<b>% of Total Expenses</b>	<b>% of Total Issue Size</b>
Lead Management Fees	[•]	[•]	[•]
Registrar's Fees	[•]	[•]	[•]
IPO Grading Expenses	[•]	[•]	[•]
Printing and Stationery	[•]	[•]	[•]
Advertising and marketing expenses	[•]	[•]	[•]
Underwriting, brokerage and selling commission	[•]	[•]	[•]
Other expenses	[•]	[•]	[•]
<b>Total Estimated Issue expenses</b>	<b>[•]</b>	<b>[•]</b>	<b>[•]</b>

**Schedule of Implementation:**

<b>Activity</b>	<b>Commencement Date</b>	<b>Completion Date</b>
Land acquisition	Already acquired	
Design and Engineering	Completed	
Land development	Completed	
Building construction	Already Commenced	September 2008
Orders for plant and machinery	July 2008	October 2008
Receipt of plant and machinery	September 2008	November 2008
Installation of plant and machinery	November 2008	February 2009
Water, power and fuel supply	September 2008	February 2009
Recruitment of manpower	October 2008	February 2009
Commissioning of plant	February 2009	March 2009
Trial production	March 2009	
Commencement of commercial production	April 2009	

## Deployment of Funds in the Project

We have incurred the following expenditure on the project till May 15, 2008. The same has been certified by M/s.Avadhani & Co, Chartered Accountants vide their certificate dated May 21, 2008.

(Rs. in Mn.)

Particulars	Spent Upto May 15, 2008
Land and Site Development	27.57
Building and civil works	3.10
Plant and machinery	--
Miscellaneous fixed assets	--
Contingencies	--
Electricity deposits	--
Pre –operative expenses	--
Margin money for working capital	--
<b>Sub Total</b>	<b>30.67</b>
Issue expenses	9.53
<b>Total</b>	<b>40.20</b>
<b>Means of Finance</b>	
Internal Cash Accruals	<b>40.20</b>

The overall cost of the proposed Project and the proposed year wise break up of deployment of funds are as under:

(Rs. in Mn.)

Particulars	TOTAL	Already Incurred till May 15, 2008	Yearly Deployment of Funds 2008-09
Land and Site Development	28.5	27.57	0.93
Building and civil works	81	3.1	77.9
Plant and machinery	229.5		229.5
Miscellaneous fixed assets	5		5
Contingencies	32.37		32.37
Electricity deposits	2.5		2.5
Pre –operative expenses	8.5		8.5
Margin money for working capital	39.97		39.97
Sub Total	427.34	30.67	396.67
Issue expenses	[•]	9.53	[•]
<b>Total</b>	<b>[•]</b>	<b>40.20</b>	<b>[•]</b>

### Interim Use of Funds:

Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposit with banks for necessary duration. GILT edged securities and other AAA rated interest bearing securities as may be approved by the Board of Directors or a Committee thereof. We also intend to apply part of the proceeds of the issue, pending utilization for the purposes described above, to temporarily reduce our working capital borrowings from banks and financial institutions. Should we utilize the funds towards temporary reduction in utilization of short-term working capital facilities, we undertake that we

would ensure consistent and timely availability of the issue proceeds so temporarily deposited in the working capital facilities to timely meet the fund requirement of the project.

**Monitoring of Utilisation of Funds:**

No monitoring agency has been appointed to monitor the utilization of the issue proceeds as the same is not required in terms of clause 8.17 of SEBI (DIP) Guidelines, 2002. Our Company undertakes to disclose the utilisation of proceeds in its financial statements. Our Company will disclose the utilization of proceeds under a separate head in its balance sheet for fiscal 2008 and 2009 clearly specifying the purpose for which such proceeds have been utilized. Our Company shall, in its balance sheet for fiscal 2008 and 2009, provide details, if any, in relation to all such proceeds of the issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the issue.

## BASIC TERMS OF THE ISSUE

### Terms of the Issue

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, the 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 of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### Terms of Payment:

Applications should be for a minimum of [●] equity shares and in multiples of [●] equity shares thereafter. The entire price of the equity shares of Rs. [●]/- per share (Rs. 10/- face value + Rs. [●]/- premium) is payable on application. In case of allotment of lesser number of equity shares than the number applied, the excess amount paid on application shall be refunded by us to the applicants.

### Authority for the Issue

Pursuant to Section 81 (1A) of the Companies Act, 1956, the present issue of equity shares has been authorized vide a Special Resolution passed at the Annual General Meeting of our Company held on May 07, 2008.

### Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including in respect of the rights to receive dividend. The allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by us after the date of Allotment.

### Face Value and Issue Price per Share

The Equity Shares having a face value of Rs. 10/- each are being offered in terms of this Draft Red Herring Prospectus at a price of Rs. [●]/- per Equity Share. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

### Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of the Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Offer will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of [●] Equity Shares to the successful bidders.

### Minimum Subscription

If we do not receive the minimum subscription of 90% of the Net Issue to the Public including devolvement of the members of the Syndicate within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest prescribed under Section 73 of the Companies Act 1956.

## BASIS FOR ISSUE PRICE

The issue price will be determined by our Company in consultation with the Book Running Lead Manager.

*Investors should read the following summary with the Risk Factors included starting from page number [●] and the details about our Company and its financial statements included in the Draft Prospectus on page [●]. The trading price of the equity shares of our Company could decline due to these risks and you may lose all or part of your investments.*

### Qualitative Factors:

- **Profit making company since incorporation**

We are an existing profit making Company in operations since inception. Our restated Profit after Tax for last 3 years is given below

	(Rs. in Mn)		
Particulars	March 31, 2006	March 31, 2007	March 31, 2008
Net Profit after tax as restated	132.99	76.05	79.32

- **In house Research & Development recognized by GOI**

Our Company has an in house Research and Development facility recognised by the Ministry of Science and Technology, New Delhi. This facility operates through three modules, being, a laboratory for gram level operation and research, a pilot plant and a proving facility to upscale the production process from pilot plant to a commercial scale and full fledged production.

- **Focus on development of new products and improving the current processes**

Our in House R & D is constantly developing new products and improvising the processes of the current products. The new products developed find application in the bulk drug and pharma industry. All the products are developed with in-house technology and engineering and scaled up to commercial production as and when required.

- **Diversified Products with wide application**

Our Company has manufactures over 246 products. Many of the products manufactured by our Company have multiple applications and can be used in the Bulk drug, Pharma industry, agro based products etc.

- **Quality Standards**

Our products are used as intermediaries by our customers for manufacturing their products and hence quality is of vital importance. Our existing manufacturing unit at Uppal in Hyderabad and Dommarapochampally in Hyderabad is ISO 9001:2000 & ISO 14001:2004 certified from BVQI. We focus on Quality right from raw material procurement to processing and packaging.

### Quantitative Factors

#### 1. Adjusted Earnings Per Share

Particulars	EPS (Rs)	Weights
2005-2006	22.04	1
2006-2007	12.60	2
2007-2008	11.43	3
<b>Weighted Average EPS</b>	<b>13.59</b>	

2. **Price/Earning Ratio (P/E) in relation to Issue Price of Rs. [●]/- per share**

▪ Based on 2007-08 EPS of Rs.11.43	[●]
▪ Based on weighted average EPS of Rs. 13.59	[●]

<b>Industry P/E: Chemicals</b>		
i. Highest – Godrej Industries Limited		290.0
ii. Lowest – Panama Petrochem Limited		4.1
iii. Average (industry composite)		17.8

Source: Capital Market, VolumeXXIII/06, May 19, 2008 – June 01, 2008

3. **Return on Net Worth**

<b>Particulars</b>	<b>RONW (%)</b>	<b>Weights</b>
2005 – 2006	53.44	1
2006 – 2007	25.87	2
2007 – 2008	23.27	3
<b>Weighted Average RONW</b>	<b>29.17</b>	

4. Minimum Return on Net Worth needed after the Issue to maintain pre-Issue EPS of Rs. 11.43 is [●]%

5. Net Asset Value (Rs.)

a) As on March 31, 2008	49.12
b) After Issue	[●]
c) Issue Price	[●]

6. **Comparison of Accounting Ratios with Peer Group Companies**

<b>Particulars</b>	<b>EPS (Rs.)</b>	<b>P/E Ratio</b>	<b>RONW (%)</b>	<b>NAV (Rs.)</b>
Jubilant Organosys Limited	27.60	13.40	25.90	94.50
Alkali Metals Limited 2007-2008	11.43	-	23.27	49.12

Source: Capital Market, VolumeXXIII/06, May 19, 2008 – June 01, 2008

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

The BRLM believes that the Issue Price of Rs. [●]/- per share is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors and our financials as set out in the Auditors Report in the Draft Red Herring Prospectus to have a more informed view about the investment proposition.

## STATEMENT OF TAX BENEFITS

To,  
The Board of Directors  
Alkali Metals Ltd.,  
B-5, Block-III, Industrial Development Area,  
Uppal, Hyderabad – 500 039.

We hereby report that the enclosed annexure states the possible tax benefits available to Alkali Metals Ltd. (the “company”) and its shareholders under the current tax laws presently in force in India as amended by the Finance Act, 2008 after the Bill is enacted in Parliament. These Tax benefits have been clarified as special tax benefits and general tax benefits, available to the company and its shareholders subject to 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 and representations obtained from the Company and on the basis of the understanding of the business activities and operations of the Company.

**FOR AVADHANI & CO.  
CHARTERED ACCOUNTANTS**

**K.R.K. AVADHANI  
PARTNER  
MEMBERSHIP NO. 2946**

HYDERABAD  
DATED: 21.05.2008

**STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO ALKALI METALS LTD**

**(THE "COMPANY") AND ITS SHAREHOLDERS**

**(A) BENEFITS AVAILABLE UNDER THE INCOME – TAX ACT, 1961 (THE 'ACT')**

**I. TO THE COMPANY**

**(A) SPECIAL TAX BENEFITS:**

1) Deduction u/s 35 (2AB)

In accordance with the provisions of sec 35(2AB) of the I.T. Act, the company will be allowed to claim deduction at the rate one & half times of the amounts spent on in house research & development facility as approved by the prescribed authority.

2) Exemption u/s 10 B

One of the units of the Company being a 100% export oriented undertaking, under the provisions of sec 10B of the I.T. Act, the Company is entitled to claim its Income pertaining to Exports exempt from Tax.

**(B) GENERAL TAX BENEFITS:**

1) Depreciation u/s 32

In accordance with and subject to the provisions of section 32 of the I.T. 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 additional depreciation @ 20% of actual cost on new plant and machinery acquired after 31 March, 2005

2) Preliminary Expenses u/s 35D

In accordance with and subject to the provisions of section 35D of the I.T. Act, the company will be entitled to amortisation, 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.

3) Dividends Exempt u/s 10(34)

Dividends (whether interim or final) declared, distributed or paid by any Indian Company are exempt in the hands of Company as per the provisions of Section 10(34) of the Act.

4) Lower Tax Rate u/s 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 20percent (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) Lower Tax Rate U/S 111A on Short Term Capital Gains

As per the provisions of section 111A of the Act, short – term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction tax ("STT") shall be subject to tax at a rate of 15 percent (plus applicable surcharge and education cess).

6) Exemption of Long Term Capital Gain u/s 10(38)

According to section 10(38) of the Act, long-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from Tax.

7) Exemption of Long Term Capital Gain u/s 54EC

According to the provisions of section 54EC of the Act and subject to the conditions specified therein. Capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

## **II. TO RESIDENT SHAREHOLDERS**

### GENERAL TAX BENEFITS:

#### 1) Dividends Exempt u/s 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

#### 2) Exemption of Long Term Capital Gain u/s 10(38)

According to section 10(38) of the Act, long term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.

#### 3) Lower Tax Rate U/S112 on Long Term Capital Gains

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge 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).

#### 4) Lower Tax Rate u/s 111A on Short Term Capital Gains

As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus applicable surcharge and education cess).

#### 5) Exemption of Long Term Capital Gain u/s 54EC

According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

#### 7) Exemption of Long Term Capital Gain u/s 54F

According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If a part of such net consideration is invested within the prescribed period in a residential house, 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.

#### 8) Deduction u/s 36(1)(xv)

Section 36(1)(xv) provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognized stock exchange, i.e., from taxable securities transactions, he shall get deduction equal to the securities transaction tax paid by him in the course of his business.

### **III TO NON- RESIDENT INDIAN SHAREHOLDERS**

#### GENERAL TAX BENEFITS:

##### 1) Dividends Exempt u/s 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

##### 2) Lower Tax Rate U/S 112 on Long Term Capital Gains

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge 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 u/s 111A on Short Term Capital Gains

As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus applicable surcharge and education cess).

##### 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 share 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 XII-A 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 115 I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his Total Income for that assessment year will be computed in accordance with the other provisions of the Act.

#### 5) Exemption of Long Term Capital Gain u/s 10(38)

According to section 10(38) of the Act, long term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.

#### 6) Exemption Of Long Term Capital Gain u/s 54EC

According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

#### 8) Exemption of Long Term Capital Gain u/s 54F

According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset ( not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If a part of such net consideration is invested within the prescribed period in a residential house, 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.

#### 8) Deduction u/s 36(1)(xv)

Section 36(1)(xv) provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognized stock exchange, i.e., from taxable securities transactions, he shall get deduction equal to the securities transaction tax paid by him in the course of his business.

#### 10) Tax Treaty Benefits

A non resident investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

#### **IV TO OTHER NON - RESIDENTS**

##### GENERAL TAX BENEFITS:

###### 1) Dividends Exempt u/s 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

###### 2) Lower Tax Rate u/s 112 on Long Term Capital Gains

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge 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 u/s 111A on Short Term Capital Gains

As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus applicable surcharge and education cess).

###### 4) Exemption of Long Term Capital Gain u/s 10(38)

According to section 10(38) of the Act, long term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.

###### 5) Exemption of Long Term Capital Gain u/s 54EC

According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

###### 6) Exemption of Long Term Capital Gain u/s 54F

According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If a part of such net consideration is invested within the prescribed period in a residential house, 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.

###### 7) Deduction u/s 36(1)(xv)

Section 36(1)(xv) provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognized stock

exchange, i.e., from taxable securities transactions, he shall get deduction equal to the securities transaction tax paid by him in the course of his business.

#### 8) Tax Treaty Benefits

A non resident investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

### **V TO FOREIGN INSTITUTIONAL INVESTORS ('FIIs')**

#### GENERAL TAX BENEFITS:

##### 1) Dividends Exempt u/s 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

##### 2) Benefits on Taxability of Capital Gains

As per the provisions of section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under section 10(38) of the Act at the following rates:

<b>Name of income</b>	<b>Rate of tax (%)</b>
Long term capital gains	20
Short term capital gains	15

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not available to FIIs. According to section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus applicable surcharge and education cess).

##### 3) Exemption of Long Term Capital Gain u/s 10(38)

According to section 10(38) of the Act, long term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.

##### 4) Exemption of Long Term Capital Gain u/s 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 " with in 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 share 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.
- iii. 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 share are sold or otherwise transferred.

##### 5) Deduction u/s 36(1)(xv)

Section 36(1)(xv) provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognized stock exchange, i.e., from taxable securities transactions, he shall get deduction equal to the securities transaction tax paid by him in the course of his business.

#### 6) Tax Treaty Benefits

A non resident investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

### **VI. TO APPROVED INFRASTRUCTURE CAPITAL FUNDS / COMPANIES / CO-OPERATIVE BANKS**

GENERAL TAX BENEFITS:

#### 1) Dividends Exempt u/s 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

#### 2) Exemption of Long Term Capital Gain u/s 10(38)

According to section 10(38) of the Act, long term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.

### **VII. TO MUTUAL FUNDS**

#### **(A) GENERAL TAX BENEFITS:**

##### Exemption of Income u/s 10(23D)

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.

#### **(B) BENEFITS AVAILABLE UNDER THE WEALTH – TAX ACT, 1957**

GENERAL TAX BENEFITS:

##### Exemption from Wealth Tax

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.

#### **(C) BENEFITS AVAILABLE UNDER THE GIFT – TAX ACT, 1958**

GENERAL TAX BENEFITS:

##### Exemption from Gift Tax

Gift tax is not leviable in respect of any gifts made on or after 1 October, 1998. Therefore, any gift of shares will not attract gift tax, when the shares are gifted as per the provisions of Section 56 of the I.T. Act.

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.

## SECTION VI - ABOUT US

### INDUSTRY OVERVIEW

*The information presented in this section has been obtained from publicly available documents from various industry sources, government publications and the APITCO (TEV) Report. Industry websites/publications generally state that the information contained therein has been obtained from sources generally believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based solely on such information.*

### **GLOBAL CHEMICAL INDUSTRY**

The global chemical industry, estimated at US\$ 2.4 trillion, is one of the fastest growing sectors of the manufacturing industry. Despite the challenges of escalating crude oil prices and demanding international environmental protection standards now adopted globally, the chemicals industry has grown at a rate higher than the overall-manufacturing segment.

According to industry reports the pharmaceutical segment contributes approximately 26% of the total industry output and approx. 35-40% is dominated by the petrochemical segment.

Commodity chemicals is the largest segment in the chemicals market with an approximate size of \$ 750 billion while the specialty and fine chemicals segment accounts for \$ 500 billion.

Some of the major markets for chemicals are North America, Western Europe, Japan and emerging economies in Asia and Latin America. The US consumes approximately one-fifth of the global chemical consumption whereas Europe is the largest consumer with approx. half the consumption. The US is the largest consumer of commodity chemicals whereas Asia Pacific is the largest consumer of agrochemicals and fertilizers.

*(Source: Planning Commission)*

### **Market Trends**

- The global chemicals industry is estimated to have grown by about 5% from 2005.
- USA continues to be largest consumer of chemicals globally.
- Increasing demand from emerging economies in Asia and Brazil
- Commodity chemicals continues to be the largest segment followed by specialty and fine chemicals and agrochemicals.
- Major trends observed in the industry are consolidation and outsourcing.

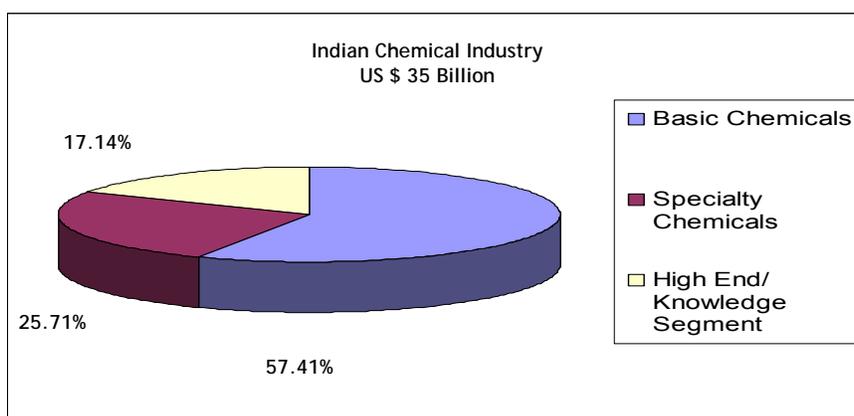
<b>SECTORS</b>	<b>Production in the Year 1995</b>	<b>Production in the Year 2020</b>	<b>Growth</b>
Petroleum Products	70	240-250	3.5 times
Fertilisers	9	>20	2.2 times
Polymers	1.7	<15	8.5 times
Fibres	0.8	<5	6.2 times
Organic Chemicals	3	20	6.6 times
Dyestuffs & Pigments	0.1	0.21	2.0 times
Leather Chemicals	0.1	0.5-1.0	5.0 times
Surface active agents	0.3	0.7	2.5 times
Surfacing Coatings	0.5	1.5	3.0 times
Speciality Chemicals	70	2.0	20.0 times

*(Source: TIFAC, an autonomous organisation under Ministry of Science and Technology)*

## INDIAN CHEMICAL INDUSTRY

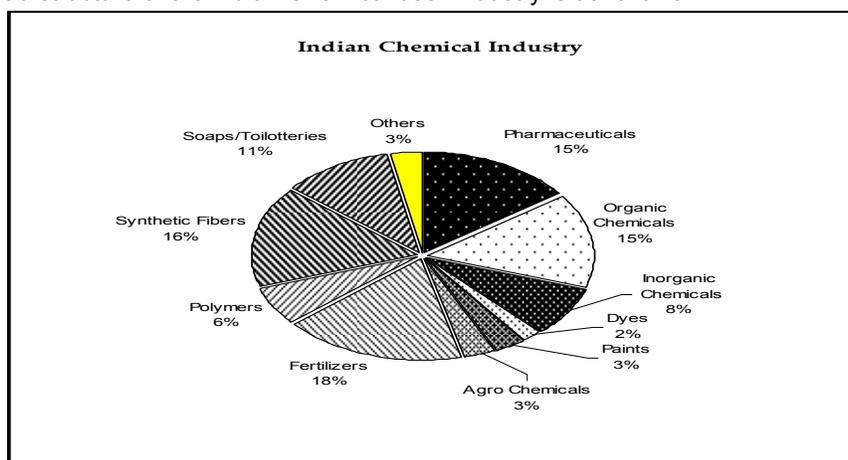
Chemical Industry is one of the oldest industries in India, which contributes significantly towards industrial and economic growth of the nation. It is highly science based and provides valuable chemicals for various end products such as textiles, paper, paints and varnishes, leather etc., which are required in almost all walks of life. The Indian Chemical Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for downstream industries.

Chemical Industry is an important constituent of the Indian economy. Its size is estimated at around US\$ 35 billion approximately. The total investment in Indian Chemical Sector is approx. US\$ 60 billion and total employment generated is about 1 million. The Indian Chemical sector accounts for 13-14% of total exports and 8-9% of total imports of the country. In terms of volume, it is 12th largest in the world and 3rd largest in Asia. Currently, per capita consumption of products of chemical industry in India is about 1/10th of the world average. Over the last decade, the Indian Chemical industry has evolved from being a basic chemical producer to becoming an innovative industry. With investments in R&D, the industry is registering significant growth in the knowledge sector comprising of specialty chemicals, fine chemicals and pharmaceuticals. The Indian Chemical Market Segment wise is as under:



(Source: The Planning Commission for formulation of the 11<sup>th</sup> Five Year Plan (2007-2012))

The broad structure of the Indian Chemical user Industry is as follows:



(Source: Press Information Bureau, GoI)

The Indian chemical industry comprises both small and large-scale units. While the fiscal concessions granted to the small sector in mid-eighties led to the establishment of a large number of units in the SSI sector, the industry is currently in the midst of major restructuring and consolidation. With the shift in emphasis on product innovation, branch building and

environmental friendliness, this industry is increasingly moving towards greater customer orientation.

In terms of consumption, the chemical industry is its own largest customer and accounts for approximately 33 per cent of the consumption. In most cases, basic chemicals undergo several processing stages to be converted into downstream chemicals. These in turn are used for industrial applications, agriculture, or directly for consumer markets. Industrial and agricultural uses of chemicals include auxiliary materials such as adhesives, unprocessed plastics, dyes and fertilizers, while uses within the consumer sector include pharmaceuticals, cosmetics, household products, paints, etc.

*(Source: Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilizers, GoI)*

The chemicals industry is diverse and heterogeneous comprising several sectors that are largely unrelated to one another. The key sectors that make up the industry are:

- Petrochemicals
- Chlor- Alkali & Inorganic chemicals
- Organic chemicals
- Paints and dyes
- Fine and specialties
- Agrochemicals

## **SECTORAL HIGHLIGHTS**

### **Petrochemicals**

The petrochemical industry of India is less than 40 years old. The sector has a significant growth potential. Although the current per capita consumption of petrochemicals products is low, the demand for the same is growing 10% during the Sixth Plan, 13.2% during the Seventh Plan, 25% expected during the Eight Plan.

### **Chlor-Alkali & Inorganic chemicals**

Chlor - alkali industry consists of caustic soda, chlorine and soda ash. These products are mainly used in paper, soap, detergents, Poly Vinyl Chloride, medical, chlorinated paraffin wax etc., The demand of Caustic Soda is driven by Aluminium industry. Chlorine is mainly consumed by Poly Vinyl Chloride, medical, paper, chlorinated paraffin wax industries. The contribution of Chlor-Alkali & Inorganic Chemicals industry is to the extent of 8% of the total chemical industry accounting to US\$ 2500 million.

### **Organic Chemicals**

The basic Organic chemicals and Intermediates Industry is one of the important sectors of the Chemical Industry and has made phenomenal progress since independence. This sector has provided vital chemicals and intermediates to other sectors of the Chemical Industry. The annual world production of organic chemicals has increased from 15 to 400 million tonnes in the last 50 years.

### **Paints & Dyes**

The Indian Dyestuff industry, meets more than 95% requirement of the domestic market. Today, India exports dyes and dye intermediate to the very same countries, on which it was dependant for imports till a decade ago. All ranges of dyes such as disperse, reactive, vats, pigments and leather dyes are now being manufactured in India. The textile industry is the major consumer of dyestuffs and about 70% of the total production is consumed by this sector.

### **Fine and Specialties Chemicals**

Fine Chemicals or Specialty chemicals are chemicals that have low volume and high margins. 70% of the Fine Chemicals produced in India find their way into the Pharmaceutical and Agrochemical sectors. Manufacturers of Fine Chemicals and Specialties have major strengths in basic research facilities available with CSIR laboratories such as NCL, IICT & RRLs as also corporate R & D centres. This ensures that development of process know-how; plant process design, detailed engineering design, commissioning assistance and even consultancy for re-engineering are available at low cost.

Speciality Chemicals are of very high value, low to moderate volume chemicals sold on basis of performance rather than simple specifications. These are less capital intensive and more knowledge-based products. Their applications vary enormously and can include use as cosmetic additives, water treatment products, dyes, sanitation agents, plasticizers, ion-exchange resins and agrochemicals. There is also a large range of uses as intermediate materials in which the fine chemical forms a starting block for another substance with a recognisable end use.

The speciality chemicals can be divided into two groups – performance chemicals and fine chemicals. The latter is largely used by pharmaceutical, pesticide and herbicide industries. The performance chemicals, on the other hand perform a specific function such as facilitate adhesion, improve flow of gas or oil through a pipeline, inhibit corrosion, etc. It is through performance chemicals that the chemical industry interfaces with almost every other manufacturing industry e.g. textile, petrochemical, polymers process industry, rubber industry etc.

Globally the contribution of specialty chemicals is upto 25% of the chemical sector i.e. it is approximately worth US\$ 453 billion. The average annual growth is expected to be 7.5%. In India, the capacity of speciality chemical is 5272 thousand MTs and production is approx. 3690 thousand MTs.

### **Agrochemicals**

India is currently the largest manufacturer of Pesticides in Asia second only to Japan. The total food grain production has risen from 50.82 million MT in 1950-51 to an estimated quantity of 209.32 million MT in 2005-2006. India exports pesticides for approx. Rs. 2800 crores. The Total Agrochemical market in India is approx. Rs. 4500 crores. The Indian Pesticides Industry can be broadly divided into three categories, Multi-National Companies, Indian companies including the Public Sector companies and Small Scale Sector Units. Besides about 60 Indian companies in the organized sector manufacturing pesticides, there are around 10 multi-national companies operating in the country. Most Indian technical manufacturers are focused on off-patent pesticides, which comprise over 70% of the Indian market.

*(Source: Planning Commission for formulation of the 11<sup>th</sup> Five Year Plan (2007-2012),)*

## **PHARMACEUTICAL INDUSTRY**

### **GLOBAL SCENARIO**

As per IMS Health Global Pharma Forecast, in 2006 global pharmaceutical market grew 7.0 percent, at constant exchange rates, to \$643 billion. A rebound in growth to 8.3 percent in the U.S. — fueled by an increase in prescribing volume due to Medicare Part D — and innovations in oncologics that drove strong 20.5 percent global growth in that therapeutic class, were key contributors to the market's expansion.

In 2006, North America, which accounts for 45 percent of global pharmaceutical sales, grew 8.3 percent to \$290.1 billion, up from 5.4 percent the previous year. This strong growth was due to the impact in the U.S. of the first year of the Medicare Part D benefit and the resulting increase in prescribing volume, as well as solid 7.6 percent growth in Canada. The five major European markets (France, Germany, Italy, Spain and the U.K.) experienced 4.4 percent growth to \$123.2 billion, down from 4.8 percent growth in 2005, the third year of slowing performance. Sales in Latin America grew 12.7 percent to \$33.6 billion, while Asia Pacific (outside of Japan) and Africa grew 10.5 percent to \$66 billion.

Japan experienced a 0.4 percent decline from a year earlier, to \$64.0 billion, the result of the government's biennial price cuts. Pharmaceutical sales in China grew 12.3 percent to \$13.4 billion in 2006, compared with a 20.5 percent pace the prior year. This slowdown in growth was due to the government's introduction of a campaign to limit physician promotion of pharmaceuticals. India was one of the fastest growing markets in 2006, with pharmaceutical sales increasing 17.5 percent to \$7.3 billion.

*(Source: [www.imshealth.com](http://www.imshealth.com))*

### **DOMESTIC SCENARIO**

The Indian pharmaceutical industry, now a \$17 billion (over Rs 68,000 crore) industry, has shown tremendous progress in terms of infrastructure development, technology base creation and a wide range of products. It has established its presence and determination to flourish in the changing environment. The industry now produces bulk drugs belonging to all major therapeutic groups requiring complicated manufacturing technologies. In fact, India is currently a world leader in manufacture and export of basic drugs such as ethambutol and ibuprofen. Formulations in various dosage forms are being produced in GMP compliant facilities. Strong scientific and technical manpower and pioneering work done in process development have made these possible. The country now ranks 4th worldwide accounting for 8% of world's production by volume and 1.5% by value. It ranks 17th in terms of export value of bulk actives and dosage forms. Indian pharmaceutical companies now supply almost all the country's demand for formulations and nearly 70 per cent of demand for bulk drugs. India is also one of the top five API producers (with a share of about 6.5 %). The Indian pharmaceutical industry has portrayed tremendous progress with reference to infrastructure development, technology base creation and a wide range of production. The industry now produces bulk drugs belonging to all major therapeutic groups requiring complicated manufacturing process and has also developed GMP facilities for the production of different dosage forms. There are 10,000 manufacturing units, of which 290 units are in the large-scale sector, 45 MNCs have manufacturing bases here. Ciba Speciality Chemicals, Schenectady Herdillia Chemicals Limited, Jubilant Organosys are some prominent players in this arena. A fresh chapter began with the signing of GATT in January 2005 with which India began recognising global patents. Soon after, the Indian pharma market became a sought after destination for foreign players. India being a signatory to the GATT accord, (and the TRIPs agreement therein) according to which patent protection will be provided under the treaty obligations.

Indian exports are destined to more than 200 countries around the globe including highly regulated markets of US, Europe, Japan and Australia.

*(Source: [www.ibef.org](http://www.ibef.org), [www.chemical.nic.in](http://www.chemical.nic.in), The Indian Chemical Council)*

A break up of Major (Indian) Therapeutic Segments is given below:

Therapeutic Area	Market Share (%) in the Indian Industry	Value Growth (%) In the Indian Industry
<b>Grand Total</b>	100%	8.3%
<b>Fast growing</b>		
Anti-diabetic	4.06%	23.4%
Neuro / CNS	5.00%	15.0%
Cardiac	9.52%	9.9%
Respiratory	10.18%	9.9%
Pain / Analgesic	9.66%	8.9%
Vitamins / Minerals / Nutrients	9.98%	8.5%
<b>Steady</b>		
Gastro Intestinal	6.04%	8.3%
<b>Slow Growing</b>		
Gynecological	6.04%	7.5%
Dermatological	5.35%	6.05%
Anti-infective	17.46%	3.5%

(Note: The above figures are for the year 2006. Source: APITCO (TEV) Report)

India ranks 4th worldwide accounting for 8 per cent of the world's production (in terms of volume) and 13th in terms of value. Currently, Indian pharmaceutical companies produce about 20 per cent to 24 per cent of the world's generic drugs (in terms of value). Today, the sector is in the front rank of India's science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology. A highly organised sector, the Indian pharmaceutical industry is estimated to be worth US\$ 6 billion, growing at over 13 per cent annually.

Overall, the industry is expected to grow at an average annual rate of about 15 to 20 per cent between 2005 and 2010. It is estimated that by the year 2010, the Indian pharmaceutical industry has the potential to achieve over Rs. 1,000,000 Mn. in formulations and bulk drug production. India is emerging as one of the largest and cheapest producers of pharmaceuticals in the world and ranks amongst the top 15 drug manufacturing countries in the world.

(Source: [www.ibef.org](http://www.ibef.org))

### Industry Strengths

- Knowledge based Industry
- Large manufacturing base for high quality drugs and formulations
- Developing cost effective technologies for drug intermediaries and bulk actives without a compromise on quality
- Cost advantage in terms of drug production, maintenance of high standards in terms of purity, stability and international safety, health and environment protection
- Tremendous export potential
- Major driver of growth in the future
- Strong scientific and technical manpower
- World class national laboratories in process development
- Increasing balance of trade in the sector
- An excellent centre for clinical trials
- Competencies in chemistry and process development

### Exports

The pharma industry exports drugs and pharmaceuticals worth over \$ 4.5 billion. It ranks 17th in terms of export value of bulk actives and dosage. Indian exports cover more than 200 countries including the highly regulated markets of USA, Europe, Japan and Australia.

Exports constitute nearly 40 per cent of the production with formulations contributing 55 per cent and bulk drugs 45 per cent. The industry ranks 17th in terms of export value of bulk actives and dosage. It comprises large, medium and small-scale operators out of which some 300 companies together account for nearly 90 per cent of the domestic market, while the rest is accounted for by a large number of small companies which total about 9000 units.

According to the Ministry of External Affairs, GoI the following are the Export figures for Drugs, Pharmaceuticals and Fine Chemicals. **(Rs in Crores)**

2002-03	2003-04	2004-05	2005-06
12837.89	15213.24	17857.80	21578.96

(Source: www.ibef.org - IBEF – Indian Brand Equity Fund, an initiative of the Ministry of Commerce and Industry and c/o CII, Indian Chemical Council, Ministry of External Affairs, GoI)

Driven by the knowledge skills, growing enterprises, low costs, improved quality and buoyant demand (both domestic and international), the pharmaceutical sector's value of output grew more than tenfold from US\$ 1.1 billion in 1990 to over US\$ 12.4 billion during 2005-06. With value of exports at over US\$ 4.7 billion in 2005-06, India is today recognised as one of the leading global players in pharmaceuticals.

The Indian pharmaceutical industry looks ahead at a colourful horizon, what with contract research and clinical trials businesses taking wing, and the new patent regime opening new avenues for players in the country. Growing at over 9% annually, it is likely for the Indian pharmaceutical industry to grow more than triple to US\$ 20 billion by 2015 from the current level of US\$ 6 billion to become one of the top ten pharmaceutical markets in the next decade. Patented drugs are likely to see increased sales in the domestic pharmaceutical market, growing from virtually nothing at present to about US\$ 2 billion in seven years. Important factors that are expected to make this reality are:

- The doubling of disposable incomes,
- Increase in numbers of middle-class households,
- Expansion of medical infrastructure,
- Greater penetration of health insurance.
- Gradual shift in disease profile and adoption of patented products.

Indian drug companies account for over 25 per cent of the total generic drug applications made to the FDA of US, which accounts for over half of the US\$ 60 billion market

#### **Investment Opportunities**

- Scope for generic drug production market.
- Contract research.
- Loan manufacturing.
- Clinical research and trials.
- Significant export potential.
- Supply of generic drugs to developed markets.

#### **Research and Development**

Indian Pharmaceutical companies are in a favourable position to develop drugs at a fraction of the international costs due to the low manpower cost, infrastructure, quality scientists and the capability to conduct path-breaking research.

- The Government has taken various policy initiatives in order to strengthen Research and Development in the pharma sector.
- Fiscal incentives are awarded to Research and Development units in the pharma sectors towards the development of new drug molecules, clinical research, new drug delivery systems, new Research and Development set ups and infrastructure provision.

- Certain leading Research and Development companies have increased their Research and Development spending to over 5 percent of their turnover in comparison to an average spending of 2 per cent.
- Pharma units interested in obtaining Income Tax Exemption under Section 35(2AB) need to get their Research and Development unit recognized by CSIR.
- A Pharmaceutical Research and Development Promotion Fund to the tune of Rs 1500 Mn. has been established for promoting Research and Development in the pharma sector.

### **Contract Manufacturing**

Contract manufacturing is another new opportunity for the Indian pharmaceutical industry. Many global pharmaceutical majors are looking to outsource manufacturing from Indian companies, which enjoy much lower costs (both capital and recurring) than their western counterparts. Many Indian companies have made their plants cGMP compliant and India is also having the largest number of USFDA-approved plants outside USA with over 100 facilities. And now even small and medium scale pharmaceutical companies are setting up new and upgraded high-quality manufacturing plants to take part in this growing segment. About 40-50 new plants (which are in addition to the plants being set up by major Indian pharmaceutical companies) are likely to be commissioned by these companies in the next two years conforming to the quality standards suggested by the US FDA and the UK Medicines and Healthcare Regulatory Agency (MHRA), making India one of the largest drug manufacturers in the world.

Indian companies are proving to be better at developing Active Pharmaceutical Ingredients (APIs) than their competitors from target markets and that too with non-infringing processes. Indian drugs are either entering in to strategic alliances with large generic companies in the world of off-patent molecules or entering in to contract manufacturing agreements with innovator companies for supplying complex under-patent molecules.

### **Initiatives in Pharmaceutical Sector**

**Export Promotion Cell:** An Export Promotion cell in this sector has been incorporated with the objective of

- Boosting Pharmaceutical exports
- Function as a nodal centre
- Promotional Activities aiming at accelerating pharma exports.
- Suggestions for modifications in the EXIM Policy.
- Seminars / Workshops on standards, quality control requirements etc

**Pharma Export Promotion Council (Pharmexcil):** The Pharma Export Promotion Council has been constituted with the objective of

- Facilitation of exports of Drugs, Pharmaceuticals, Biotechnology products, Herbal Medicines, Diagnostics.
- Export thrust to various products through workshops, conferences and seminars and delegate visits.

### **Foreign Direct Investment (FDI) in Drugs and Pharmaceuticals:**

- FDI upto 74% in the case of bulk drugs, their intermediate Pharmaceuticals and formulations (except those produced by the use of recombinant DNA technology) would be covered under automatic route.
- FDI above 74% for manufacture of bulk drugs will be considered by the Government on case to case basis for manufacture of bulk drugs from basic stages and their intermediates and bulk drugs produced by the use of recombinant DNA technology as well as the specific cell/tissue targeted formulations provided it involves manufacturing from basic stage.

### **Provisions of Union Budget 2008-09 for the Pharma Sector**

- Reduction in excise duty on pharmaceutical products, from 16 per cent to 8 per cent and nil Excise Duty on certain life saving drugs in segments like cancer, diabetes asthma, hepatitis B.
- Reduction in Custom Duty on few bulk drugs and life saving drugs from 10% to 5%.
- Weighted deduction of 125% on R&D for outsourcing research activities.
- Five years tax holiday for setting up Hospitals
- However, as most large and mid-sized players have set up manufacturing facilities in excise-free zones, the overall impact will be marginal.
- Increase in outlay for HIV treatment.
- Proposed an outlay of Rs.

*(Source: Economic Times)*

At a growth rate of 9 per cent per year, the pharmaceutical industry in India is well set for rapid expansion. As a result of the expansion, the Indian pharmaceutical and healthcare market is undergoing a spurt of growth in its coverage, services, and spending in the public and private sectors. The healthcare market has opened a window of opportunities in the medical device field and has boosted clinical trials in India. India's impact on the global biotechnology and pharmaceutical industry is accelerating. From quality supply of APIs to discovery of NCEs, this sector is finally coming of age.

## OUR BUSINESS

We are an ISO 14001:2004 and ISO 9001:2000 certified company engaged in the business of manufacturing a range of fine chemicals, based on related chemistry. Our Company was incorporated on April 17, 1968 in a joint venture with APIDC. Our Company commenced the production of sodium metal, with an installed capacity of 125 MT. There were only a few manufacturers of sodium metal at that time and the technology was not available easily. Our Company developed the technology for sodium metal based on in-house R & D capabilities and this was an achievement, considering various hazards in the development and manufacture of the same. Our Company has a distinction of developing technology for the manufacture of sodium metal for usage in fast breeder nuclear reactors for power generation. We developed technologies for several derivatives based on sodium metal, picoline and various other cyclic compounds. In the year 1986, APIDC exited from the joint venture.

Manufacture of sodium metal is power intensive and with increasing power tariffs, imported sodium metal became more attractive compared to the cost of indigenous production. Hence our Company diversified and built its product portfolio which can be classified into the following three categories:

1. Sodium derivatives
2. Pyridine derivatives
3. Fine chemicals

Products in these categories include amides, hydrides, alkoxides, azides, tetrazoles, pyridine compounds, cyclic compounds, drug and pharma intermediates, specialty fine chemicals etc. Technology for these products was developed in-house which is an achievement, considering hazardous process chemistry involved in the development and manufacture of the same. We developed suitable systems to ensure safe and smooth functioning of the plants and has got the necessary accreditations. Our Company manufactures the above products on bulk and regular basis, on campaign basis and also on contract manufacturing basis.

The main products that are material to the operations, in the above mentioned product categories are:

PRODUCT CATEGORY	SODIUM DERIVATIVES	PYRIDINE DERIVATIVES	FINE CHEMICALS
<b>NAMES OF THE PRODUCTS</b>	Sodium Amide	2 – Aminopyridine	Phenyl - $\alpha$ - (2-Pyridyle) Acetonitrile
	Sodium Azide	2 Amino – 4 – Methylpyridine	
	Sodium Hydride	2 – Amino 6 – Methylpyridine	
	Sodium Methoxide	2,6 Diaminopyridine	
	Sodium tertiary butoxide	2,3,5 Trichloropyridine	

Apart from the above, our Company has further developed 246 products in the aforesaid categories.

Possessing a distinct technology, developed in house, for manufacturing sodium derivatives, our Company is a major player in the sodium derivatives market. The products cater to both the domestic and overseas markets. Our Company's offshoring capabilities in select chemistries is showcased by the presence of some of the global pharma majors in its customer kitty, Dr. Reddys Laboratories, Aurobindo Pharma, Ranbaxy, Clariant, Novasep, Siber Hegner etc.

Our Company also has a dedicated R & D facility recognised by the Ministry of Science and Technology, New Delhi. This facility operates through three modules, being, a laboratory for gram level operation and research, a pilot plant and a proving facility to upscale the production process from pilot plant to a commercial scale and full fledged production.

Currently, our Company has two manufacturing facilities, Unit I and II. Both our units are ISO 9001: 2000 and ISO 14001:2004 certified and both are having the installed capacity of 2,200 MTPA each. While Unit I is engaged in the manufacture of sodium metals, organo alkali metallics, tetrazoles, amino pyridines and caters to the domestic market, Unit II, a 100% EOU is engaged in the manufacture of pyridine derivatives, cyclic compounds and fine chemicals. These products find wide application and use in various industries like the pharma, agro based products, pesticides, explosives, bio technology products and electroplating chemicals.

Our top ten customers based on the gross sales made to each of them include the following:

Sr. No.	Customer Name	2007-08	
		Amount	% of Gross Sales
1	Archimica S.R.L.	43.69	6.36%
2	Nihon Siberhegner K.K.	42.39	6.17%
3	Dr Reddy's Laboratories	38.71	5.63%
4	Novasep Synthesis	37.95	5.52%
5	Allwin Aisa Ltd	31.09	4.53%
6	Rallis India Ltd	25.26	3.68%
7	Polydene Ltd	23.85	3.47%
8	Vivimed Labs Ltd	19.47	2.83%
9	Astrix Laboratories Ltd	16.05	2.34%
10	Aarti Drugs Ltd	15.65	2.28%
	<b>Total</b>	<b>294.12</b>	<b>42.81%</b>

#### Location of manufacturing facilities

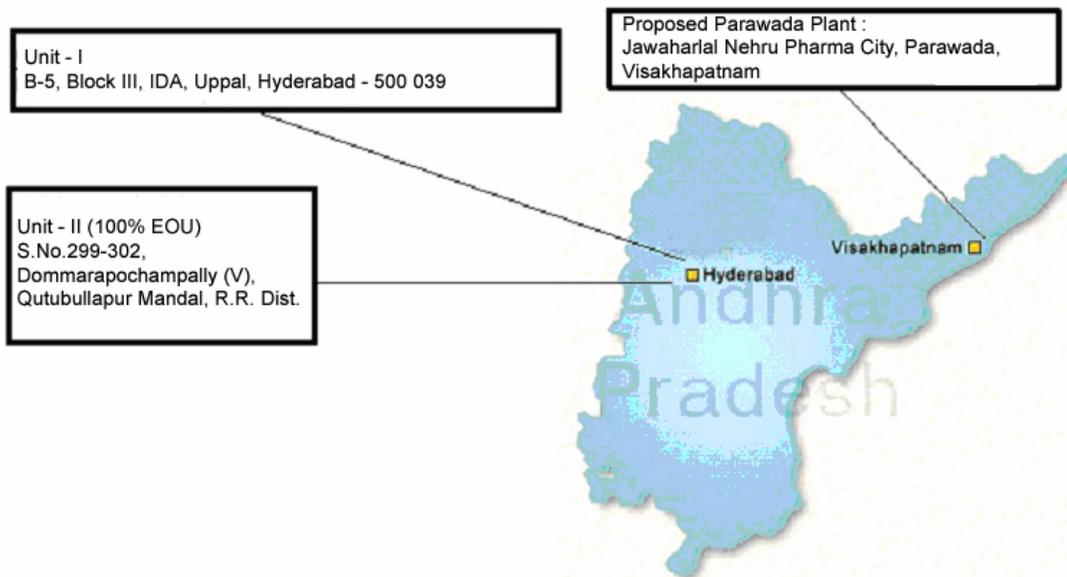
##### Existing

Our Company has two manufacturing facilities, all situated in and around Hyderabad, Andhra Pradesh. The details of manufacturing facilities are provided below:

Type of Facility	Location	Total Area
Unit I	Plot B5, Block III, Industrial Development Area, Uppal, Hyderabad- 500 039	Total Built up Area 7,000 sq. mtrs. Total plant Area 20,000 sq.mtrs
Unit II (100% of EOU)	Sy.No. 299 to 302, Dommara Pochampally Village, Qutubullapur Mandal, R.R. District.	Total Built up Area 4,000 sq. mtrs. Total plant Area 20,000 sq.mtrs

Our Company is setting up a manufacturing facility for APIs at Jawaharlal Nehru Pharma City, Vishakhapatnam with an installed capacity of 672 MTPA. Our Company has entered into a sale agreement dated June 16, 2006 for the allotment of 16.42 acres with Ramky Pharma City (India) Limited and APIIC and also a development agreement with them, dated June 16, 2006 for development of land and infrastructure. Our Company has taken possession of the land.

Type of Facility	Location	Total Area
API Plant	Plot Nos. 36, 37 & 38, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam	Total Land Area 16.42 acres



Our Company has already completed the implementation of the expansion plan in its Unit II. This expansion has enhanced the existing capacity of Unit II from the current level of 1250 MTPA to 2200 MTPA.

#### **Plant, Machinery, Technology, Process etc.**

The production equipment employed at production facilities allow our Company to produce a variety of intermediates by changing the process parameters, input mix and following cleaning validation procedures. The production facilities are cost competitive because of process efficiency, optimized manpower deployment and ability to recover reaction inputs and reuse it. Our Company is capable of meeting the requirements of their customers from laboratory scale research to commercial production, on the strength of their existing infrastructure consisting of R&D laboratories, pilot facilities and production units.

For details about the Plant & Machinery, please refer section titled “Object of the Issue” on page [●] of this DRHP.

#### **Technology & Manufacturing Process:**

The products manufactured by our Company can be classified into:

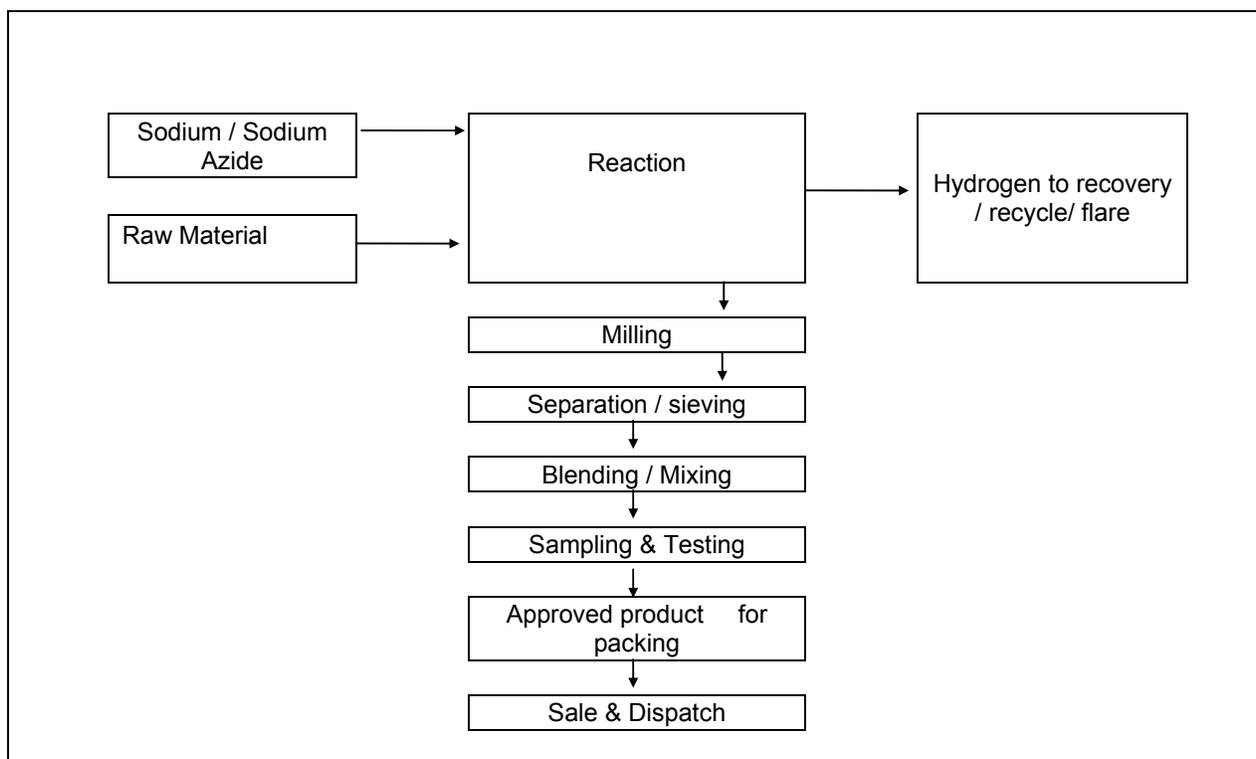
- a. Sodium derivatives.
- b. Pyridine derivatives.
- c. Fine Chemicals.

Our Company has further developed 246 products in the aforesaid categories.

The manufacturing process for the above classes of products can be summed up as follows:

The raw material, generally a sodium derivative or a pyridine, after being reacted with chemicals at a specific temperature and pressure is passed through millers where the product is crushed into different sizes ranging from particulate to crystals, depending on customer’s

requirements. The product is then sieved using different meshes and sieves, to separate the products of different sizes. Different batches of production, thus obtained, are then blended to obtain a homogenous mixture. The product is then sent for quality control and analysis, approved and sent for packing for further sale and despatch.



A brief about the major products manufactured by our Company are given below:

## **A. SODIUM DERIVATIVES**

### **1) Sodium Amide**

Sodium Amide is prepared by reacting Metallic Sodium with Ammonia at desired pressure and high temperatures. From the process Hydrogen is formed which is recovered and used as raw material or as fuel. The resultant Sodium Amide is in molten condition formed at high temperature. The molten Sodium Amide is transferred to millers for cooling and milling. The milled product is sieved and segregated as per required particle size. The product is offered in powder form, granular form or as flakes as per customer's specific requirement.

### **2) Sodium Azide**

Sodium Azide is prepared from Sodium Amide at desired pressure and high temperatures in reaction with Nitrous Oxide. In the process Sodium Amide is converted to Sodium Azide and Sodium Hydroxide. The hot reaction mixture is cooled and transferred from the reactor for isolation and purification of Sodium Azide. The purification process involves leaching and washing of Sodium Azide and Sodium Hydroxide mixture to separate Sodium hydroxide from Sodium Azide. Wet Sodium Azide is obtained from the purification stage and is dried to get crystalline powder. Sodium hydroxide separated from Sodium Azide is disposed off as a caustic lye.

### **3) Sodium Hydride**

Sodium Hydride is prepared by reacting Metallic Sodium with Hydrogen in Paraffin oil media at stipulated pressure and high temperatures. In the process Sodium is converted

into Sodium Hydride. The hot reaction mixture is transferred to coolers. The cooled product is sent to filters to separate excess paraffin oil from Sodium Hydride. The separated paraffin oil is recycled. Paraffin oil separation is under nitrogen pressure and this Nitrogen is recovered and recycled. Sodium Hydride of required consistency is transferred to the mixture from the filters where it is mixed thoroughly to get Sodium Hydride of required percentage. In the regular product, Sodium Hydride content is 60 to 65 % and the balance is paraffin oil. This is safe to handle and is like wet powder.

#### **4) Sodium Methoxide**

Sodium Methoxide is prepared by reacting Metallic Sodium with Methanol. Sodium Methoxide is manufactured in both powder form as well as solution in methanol depending on the requirement. Sodium Methoxide powder is prepared by direct addition of Methanol to sodium metal at specific temperature on weight basis. Powder Sodium Methoxide obtained from the reactor is cooled sieved and packed.

#### **5) Sodium Tertiary Butoxide**

Sodium Tertiary Butoxide is manufactured like other alkoxides by reacting Sodium metal with tertiary Butanol at specified pressure and temperature. In the process Hydrogen is liberated and is used as fuel. The reaction between Sodium metal and tertiary Butanol is on weight to weight basis. The processes ensure the absence of unreacted Sodium and excess tertiary Butanol. The hot powder Sodium tertiary Butoxide is cooled and sieved.

The process of manufacture of sodium derivatives takes place at atmospheric pressure with temperatures ranging from normal to a maximum of 500°C. Reactors, Millers, Separators, Vibrators, Hot Oil Systems, Hot Air Generators, Cooling Towers are some of the major equipment required and installed by our Company for the manufacture process.

### **B. PYRIDINE COMPOUNDS**

#### **1) 2-Aminopyridine**

2-Aminopyridine is prepared by reacting pyridine with Sodium Amide in liquid form. The liquid reaction media is recovered, purified and recycled. The reaction is carried out at specified temperature and pressure. Hydrogen comes out of the process and is used as fuel. In the process due to reaction between Sodium Amide and Pyridine, the main product is formed along with caustic lye which is disposed off. 2-Aminopyridine is isolated, crude product is purified to get pure product of required quality.

#### **2) 2-Amino-4- Methylpyridine**

2-Amino-4-methylpyridine is an off-white powder. The process is similar to other pyridine compounds reacting Sodium Amide with relative picolines (Methyl pyridines). 2-Amino-4-methylpyridine is manufactured by reacting Gamapicoline with Sodium Amide in liquid media. The reaction is carried out at specified temperature and pressure. Hydrogen is formed out of the process and is used as fuel. The liquid reaction media is recovered, purified and recycled. After the reaction the main product is formed along with caustic, which is separated and disposed off as lye. 2-Amino-4-methylpyridine is isolated and purified to get pure product. The wet product after purification is dried and sieved before packing.

#### **3) 2- Amino-6- Methylpyridine**

2-Amino-6-methylpyridine is manufactured by reacting alpha-picoline with Sodium Amide powder in liquid media. The liquid reaction media is recovered, purified and recycled. The reaction is carried out at specified temperature and pressure. Hydrogen formed out of the process and is used as fuel. In the process between Sodium Amide

and alpha- picoline, caustic lye is formed as a by-product. The crude product separated from caustic lye is purified to get pure product while caustic lye is disposed off.

#### **4) 2, 6 Diaminopyridine**

2,6-Diaminopyridine is brown coloured powder. 2,6-Diaminopyridine is manufactured by reacting pyridine with Sodium Amide in liquid media. The reaction is similar to that of 2-Aminopyridine except for the quantity of sodium amide used, which is double in this case. The reaction is carried out at specified temperature and pressure. Hydrogen comes out of the process and is used as fuel. The liquid reaction media is recovered, purified and recycled. After the reaction the main product is formed along with caustic. Caustic is separated and disposed off as lye. 2, 6-Diaminopyridine is isolated and purified to get pure product. The wet product after purification is dried and sieved before packing. While the reaction is a single step process the purification process is multi step.

#### **5) 2,3,5 Trichloropyridine**

2,3,5-Trichloropyridine is manufactured starting from 2-Aminopyridine. The reaction is a multi step process at specific parameters. In the reaction in addition to the product other salts formation takes place. These sodium salts are separated and disposed off. Crude product is isolated and purified to get pure product. The purification process is a multi step process. The wet product from the purification stage is dried, sieved and packed.

The process of manufacture of pyridine compounds takes place at atmospheric pressure with temperatures ranging from normal to a maximum of 300°C. Reactors, Separators, Distillation Units, Driers, Blenders and Mixers, Vibrators, Hot Oil Systems, Cooling Towers, Chilling Plants, Nitrogen Generators are some of the major equipment required and installed by our Company for the manufacture of pyridine compounds.

### **C. FINE CHEMICALS AND CYCLIC COMPOUNDS**

#### **Phenyl-- $\alpha$ -(2-Pyridyle) Acetonitrile**

Phenylpyridyl acetonitrile is beige to light brown colour powder. Sodium Amide powder is taken in liquid reaction media and reacted with Benzyl cyanide and 2-chloropyridine to get crude product together with other Sodium salts. Undesirable sodium salts are separated and disposed off. Crude product is isolating and purified to get pure product. The reaction is a single step process involving specified temperatures and pressure whereas the purification is a multi step process. The wet product from the purification stage is dried, sieved and packed.

The process of manufacture of pyridine compounds takes place at a pressure with a vacuum of 25 kg/sq.cm with temperature ranging from normal to a maximum of 300°C. The major equipment required for the manufacture of fine chemicals and cyclical compounds are the same as pyridine compounds, being Reactors, Separators, Distillation Units, Driers, Blenders and Mixers, Vibrators, Hot Oil Systems, Cooling Towers, Chilling Plants, Nitrogen Generators, which have been installed by our Company.

Our Company has installed a Hydrogen recovery plant in its Unit II to collect, recover, compress and utilise the hydrogen from Amide, Methoxide, Amino pyridines and Picoline plants. The received hydrogen is used for manufacture of sodium hydride and the excess is used in the furnaces.

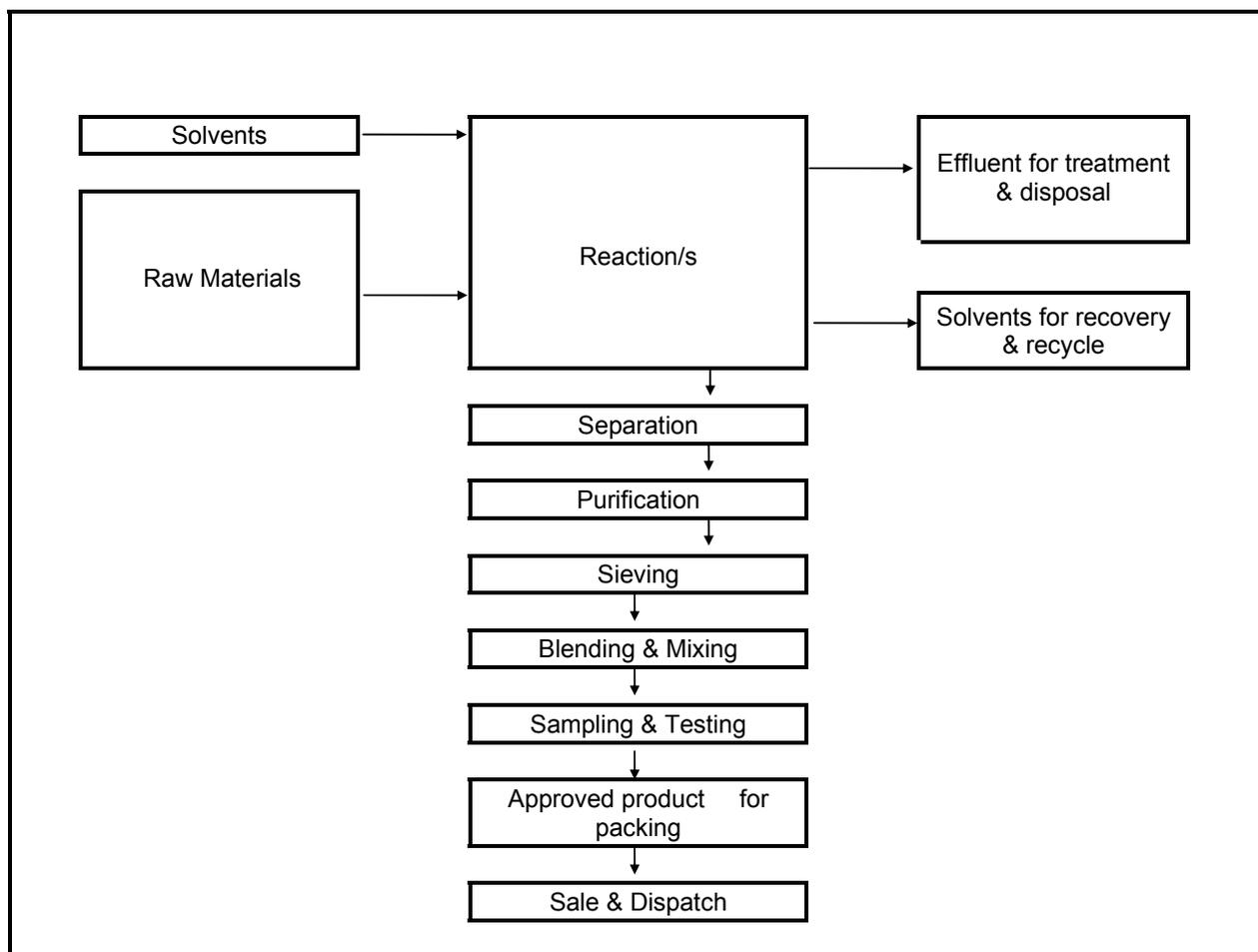
Apart from the above, our Company has further developed 246 products in its three product categories.

Our Company has a practice of supplying to its customers, based on the purchase orders placed by the latter. The purchase order normally contains the terms and conditions of supply. Hence, any liability for customer claims would be subject to the terms and conditions, as stated in the purchase order, which are in the nature of normal contractual obligations in India.

### **Manufacturing Process of the proposed products**

The raw material, generally chemicals, is reacted with the necessary solvents at a specific temperature and pressure. The by product is then separated from the crude main product by centrifugation, filtration etc., The product is then subject to purification to remove the fine impurities and sieved using different meshes and sieves, to separate the products of different sizes. Different batches of production, thus obtained, are then blended to obtain a homogenous mixture. The product is then sent for quality control and analysis, approved and sent for packing for further sale and despatch.

### **General Manufacturing Flow Chart for proposed products:**



Some of the products that our Company proposes to manufacture are briefly explained below:

#### **1) Norfloxacine**

Chloro fluoro Aniline is condensed with EMME and cyclised at high temperature to get corresponding cyclic ester compound. The ester is ethylated with Diethyl sulfate to get Ethyl Cyclic Ester. The Ethyl Ester is Hydrolysed with alkali to the corresponding Quinolinic Acid (Q Acid). The Quinolinic Acid is condensed with Anhydrous Piperazine to get Norfloxacine. The product Norfloxacine is purified by re crystallization to get Pharma grade Norfloxacine.

## 2) Lamivudine

L (-) Menthol is reacted with glyoxalic acid in presence of catalytic amount of sulphuric acid in cyclohexane media and further processed using sodium bisulphite and formaldehyde to give Menthyl Glyoxalate. Menthyl glyoxalate (Lamivudine stage-I) reacts with 2,5 dihydroxy 1,4 dithiane in presence of acetic acid and toluene as media to give Menthyl-5-hydroxy-1,3-oxathiolane-2-carboxylate. Menthyl-5-hydroxy-1,3-oxathiolane-2-carboxylate

(Lamivudine stage-II) reacts with thionyl chloride in presence of Dimethyl formamide and M.S Acid in Methylene chloride media to give chloro compound. This compound is reacted with cytosine complex of HMDS to get crude ester. This compound on purification with Ethyl acetate will give pure Cyclohexyl Ester. Cyclohexyl ester (Lamivudine stage-III) reacts with sodium borohydride and Dipotassium hydrogen phosphate in presence of catalytic amount of sodium hydroxide and rectified spirit as media and reacted with salicylic acid to get lamivudine salicylate. Lamivudine salicylate is treated with triethylamine in presence of absolute alcohol. This compound treated with carbon and crystallized with ethyl acetate to obtain Lamivudine pharma.

## 3) Diclofenac

2, 6 Dichloro Phenol and Aniline are reacted with Mono Methyl Chloro Acetate in basic medium (Sodium Methoxide) to get the Acetate intermediate. The acetate is hydrolysed to obtain Dichloro Diphenyl Amine (DDA). DDA is reacted with Chloro Acetyl Chloride to get N Chloro Acetate of DDA. The ester of DDA is cyclised in presence of Aluminium Chloride to prepare the Indolinone compound. The Indolinone compound is hydrolysed with Caustic Soda and Diclofenac formed is separated as Diclofenac Sodium. The product is purified by recrystallisation to obtain Pharma grade Diclofenac Sodium.

## 4) Aceclofenac

Tertiary Butanol is Esterified with Chloro Acetyl Chloride in presence of Dimethyl Aniline to get Tertiary Butyl Chloro Acetate. Tertiary Butyl Chloro Acetate reacts with Diclofenac sodium to give Tertiary Butyl Ester of Diclofenac. The Ester is hydrolysed in presence of Formic acid to get Aceclofenac. The product is further purified.

## 5) Clopidogrel bisulfate

2 – Chloro Phenyl Glycine (CPG) is methylated with Methanol to obtain Methyl Ester of CPG. The Methyl Ester is treated with Tartaric acid to precipitate the racemic salt. Thiophene 2- Ethanol is reacted with Para Toluene Sulfonyl Chloride (PTS Chloride) to get the corresponding Sulfonate. Intermediates, i.e racemic salt and sulfonate are condensed to give the Ester compound. Then Ester compound is reacted with formaldehyde and cyclised in presence of Sulfuric Acid to get Clopidogrel base. The product is purified and separated as Clopidogrel Hydrogen Sulfate.

## 6) Sertraline Hydrochloride

Alpha Naphthol and 1,2 Dichloro Benzene are condensed in presence of Aluminium Chloride to get corresponding Naphthaleneone intermediate. The Naphthaleneone intermediate is reacted with Mono Methyl Amine to get the N-Methyl compound. The N-Methyl compound is reduced using Sodium Boro Hydride to get DL sertraline. L-Sertraline is separated from the racemic mixture using L-Mandelic Acid and recovered as the hydrochloride.

## 7) Hydrochlorothiazide

Meta Chloro Aniline is acylated with Chloro Sulphonic Acid and the resulting sulfonyl Chloride is treated with aqueous Ammonia to obtain 5 chloro 2,4 Disulfamyl Aniline. The disulfamyl aniline compound is reacted with Paraformaldehyde and cyclised in presence of

anhydrous Hydrogen chloride to obtain Hydrochlorothiazide. The product from Hydrochlorothiazide is purified by recrystallisation to get Pharma grade Hydrochlorothiazide.

### **Raw Materials**

#### **Existing Products**

The major raw materials used for manufacturing the products by our Company are Sodium and pyridine. Apart from these, various gases such as ammonia, nitrous oxide and solvents like methanol, tertiary butanol are used in the manufacture of the ingredients. These raw materials are procured from both domestic as well as international markets in China, Japan, US at competitive prices. A substantial portion of total import value of raw materials used by our Company is procured from China. Table given below gives the % of import value attributable to China and countries from where the raw materials are imported, during the last three FYs.

<b>COUNTRY</b>	<b>FY 2004 - 05</b>	<b>FY 2005 - 06</b>	<b>FY 2006 – 07</b>
China	60.02%	75.29%	79.82%
Others	39.98%	24.71%	20.18%

Our Company maintains an adequate stock of raw materials to cover the existing order book position.

E.I. Dupont De Nemours and Company, China, Nithya Sai Chemicals, India, Inox Air Products Ltd, India, have been the top three suppliers of our Company for the last two years.

#### **Material handling and Storage**

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

Storage is an important element of operations involving the use of reactive materials and chemicals. Sodium metal and its derivatives are extremely reactive with both air and water, Hence, they are stored in containers, with adequate amounts of dry sand stored aside in drums for fire fighting, if need be, along with fire extinguishers. Liquids like toluene, diesel oil, LDO, pyridine, picolines etc., are stored in ground tankages. Gases like ammonia, nitrous oxide etc., are pressured in cylinders, which are further stored in separate sheds. These cylinder stations are equipped with water spraying arrangements for fighting fire and gas leakages. All storages carry labels describing the name of material and date of storage. The receipt, issue and recycle of all raw materials are controlled.

#### **Proposed Products**

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

## **Other Infrastructure Facilities**

### **A. Utilities**

#### **• Power**

##### **Existing**

The manufacturing facilities have adequate power supply from the public supply utilities. The connected load at Unit I is 1770 HP and Unit II is 817 HP. Power supply at all the above locations is more than sufficient to carry out the manufacturing activities without any problems. In case of power failure or Company has good back up facilities in the form of DG sets.

##### **Proposed**

Our Company has estimated total connection load of the proposed plant will be 1159 KW. Power connection of 1500 KVA is required. Power supply will be from state utility provider. Provision is made in the proposal for installation of DG set of 500 KVA for emergency power.

To take care of the future requirements for proposed project at Visakhapatnam, application will be made to the concerned authorities at appropriate time based on the load requirements and future expansion proposals. Appropriate backup power facilities will also be proposed to deal with any power failures.

#### **• Water Supply**

Water is not an essential ingredient for the manufacturing processes. Our Company meets its requirements of water at both the units through Government water supply for general purposes only. For proposed facility, water requirements of the unit is estimated at 3, 50,000 litres per day. Water is to be procured from local water suppliers and partly from bore wells to meet the requirements.

### **B. MANPOWER**

##### **Existing**

The manufacturing process requires an appropriate mix of skilled, semi-skilled and Un-skilled labour, which is readily available. Our Company has 175 employees on its rolls and workers are taken on contract basis, depending on the requirement.

Few of the workmen at Unit I are represented by a registered union called Alkali Metal Limited, Unit – I Employees Union (Registration Number B-24426). Till date our Company has not experienced any strike, lockout or go-slow at any of its premises.

##### **Proposed**

Our Company has estimated the additional manpower requirement for the new project which is as under:

<b>S.No</b>	<b>Particulars</b>	<b>No. of Persons</b>
1	Skilled	115
2	Semi skilled	60
3	Unskilled	40
	<b>Total</b>	<b>215</b>

Our Company will be recruiting the additional manpower as listed above in due course for which our Company does not envisage any difficulty as the same is easily available in and around the plant locations.

### **Health and Safety of Workmen**

#### **Health**

Welfare and medical facilities are also being provided to the workers. Our Company is having an occupational health centre with a qualified doctor visiting twice a week. A first aid box is also kept in both the units. Our Company has also got a tie up with Navodaya Nursing Home, Amberpet, Hyderabad for any medical assistance, that may be required.

#### **Safety**

Our Company has adopted the following safety policy:

- To comply with the relevant Safety and Statutory Regulations and Rules and take any additional measures that are considered necessary
- To maintain safe, healthy and congenial working atmosphere by monitoring work environment with good housekeeping.
- To provide with appropriate tools, as Work procedures / instructions, Safety precautions and gadgets and to ensure supervision and guidance.
- To ensure that the jobs are carried out by following safety precautions.
- To conduct Safety classes, First aid training, Fire fighting, Mock drills, Safety Audit, Risk Analysis studies, etc. to assess the status of Safety, Health and Environment and take appropriate measures improve the same.
- It is the obligation and responsibility of every employee to perform the tasks to ensure complete safety.
- It has the responsibility to conduct its activities in a manner to ensure and maintain a safe and healthy work environment.

Our Company has a safety committee comprising members from the employees, who meet regularly to discuss and implement plant safety improvements, house keeping, suggestions for accident prevention etc., Safety work permits are issued for hot works, excavation works, work at heights and electrical works. Personal protective equipment for each operation / area is made available to the employees. This is procured in consultation with Safety Committee. A safety budget is also prepared to make sufficient funds available for the purchase of safety items and equipment.

Each operation is subject to a Hazop study before commissioning and also after commissioning and modification or alteration. This study lays down the specific parameters regarding the maximum pressure, temperature and the maintenance of the equipment used during the manufacturing processes, which are strictly adhered to. All the personnel are provided with safety equipment like, uniforms, gloves, shoes, face shields, aprons, goggles, nose guards etc., Air line hose masks are provided in vulnerable areas. Portable blowers, emergency water showers, eye wash fountains and water dip pond are also installed in the premises.

Periodical safety programmes are conducted in house. Induction training is given for a period of 1 month for all the workmen to familiarise them with process materials and machines with specific reference to safety, quality and waste minimisation. Supervisors and Managers also undergo induction training before they are positioned on the job. The senior management personnel are given training in safety and health by deputing them to training programmes and seminars organised by external agencies. Since highly reactive water chemicals are used, usage of water for fire fighting is restricted. Dry sand or fire extinguishers are used instead and the employees are also trained to use these extinguishers. Water sprinklers are provided over solvent storages and at Ammonia and Hydrogen handling stations.

Apart from installing DG sets for back up measures, emergency battery operated lights are also provided in critical places. Emergency switches are provided in appropriate places to cut off power to section or sections, where it is required to do so.

Audits on Safety measures are also undertaken frequently. In addition to these, our Company also maintains a record of number of man hours worked without accident on a daily basis. When an accident happens, irrespective of its severity, this number is brought down to zero and again the cumulating process starts.

### **Quality Assurance and Quality Control**

Several products are manufactured by our Company, the process for which has been developed, in house. Process conditions are studied, Hazop are conducted before the process and equipment for commercial scale operation. Material safety data are generated and used. Packing requirements are generated and complied with strictly. In process materials are identified and segregated, rejected or re-processed materials are also segregated. Control procedures are developed initially and reviewed periodically for safety, reliability and reproducibility.

Analytical and test procedures are developed and used in process. Complete in-house analytical testing laboratory with sophisticated instruments for precision analysis and study of impurity profiles, stability studies, etc. The facilities comprise instrumentation room, wet chemistry laboratory. The instruments available include HPLCs, GCs, IR, UV Spectro Photometers, Auto Titrators, Flash Chromatograms, etc., In addition to the conventional testing equipment, Alkali Metals also has gravimetric and titre metric chemical analysis also.

### **R & D:**

Our Company has a dedicated R&D technology centre for product and process development supported by competent and committed, qualified personnel. This facility has been recognised and approved as "IN-HOUSE R & D CENTRE" by the Ministry of Science & Technology, GoI. All products are based on complete in-house technology and engineering.

The R&D facility includes:

- Laboratory for research and gram level product development.
- Pilot plant for Kg level scale up operations.
- Proving facility for scaling of to commercial scale and to establish engineering data.
- Sophisticated, modern instruments like GCs, HPLCs, UV Spectrophotometers, Auto titrators, Flash Chromotograms, TLCs etc.,
- The R&D facilities include autoclaves for high pressure reactions in addition to conventional all glass apparatus and stainless steel equipment.

The R&D centre is capable of developing new products within a short lead time. It gained reputation for the organisation as a strategic, reliable, dependable product development centre from its customers all over the globe.

Within a short period of about a decade, the R&D centre has developed 298 new products that widely find application in the bulk drug and pharma industry. All the products are developed with in-house technology and engineering and scaled up to commercial production as and when required.

### **Environmental Aspects**

Alkali Metals Limited is economizing the use of resources and minimizing wastage in order that the environment is protected and pollution is limited. Flameless Induction furnaces and

dust collectors inside the factory are used to control particulate air pollution. Adequate green belts covering have been provided around the factory. Solid waste is mostly inert and is not of significant quantity. Water is required only for limited purpose of the workers consumption and sanitary needs.

While flue gases are let out in stacks, hydrogen gas is recovered and reused in the processes. Caustic lye, a liquid waste, generated as a bye product, is collected, stored and sold, in a reduced form. Lab wastes are collected, neutralised and used as make up water for caustic lye preparation. Solid wastes are treated with water and the liquid is used for caustic lye preparation. After recovery of active ingredients by solvent treatment, they are burnt in an incinerator.

Our Company has entered into an agreement with M/s. Pattancheru Enviro - Tech Limited dated January 28, 2005 to use the Common Effluent Treatment Plant for the treatment, storage and disposal of industrial liquid wastes. Our Company has also entered into an agreement, dated November 6, 2001 with M/s. Hyderabad Waste Management Project, a unit of M/s. Ramky Enviro Engineers Limited for the treatment, storage and disposal of hazardous wastes in solid state.

Our Company has been complying with the salient terms regarding discharge of effluents, emission from chimneys and handling of hazardous wastes, as stated in the consent orders granted under the Air (Prevention & Control of Pollution) Act, 1981, Water (Prevention & Control of Pollution) Act, 1974, and the Hazardous Wastes (Management and Handling) Rules, 1989, for both the units. Our Company has also been maintaining appropriate records, as required under the afore-mentioned environmental regulations.

#### **PRODUCTS – END USE /APPLICATION**

Our Company's existing product portfolio can be broadly categorised into:-s

- Sodium Derivatives
- Pyridine Compounds
- Fine Chemicals

Most of the ingredients manufactured by our Company are supplied to other chemical and pharma companies for further processing and conversion into bulk drugs. Our Company manufactures products on bulk and regular basis, campaign basis and also on contract manufacturing basis for international customers.

Under the above product categories, the end use / application of some of the major products manufactured by our Company are given below:-

<b>Sodium Derivatives</b>	<b>Application</b>
Sodium Amide	<ul style="list-style-type: none"> <li>• Used in chemical reactions as a strong reducing agent.</li> <li>• Used as a building block in the manufacture of indigo and several bulk drugs like anti-histamine drugs.</li> </ul>
Sodium Azide	<ul style="list-style-type: none"> <li>• Used in bulk drug and pharma industry in the manufacture of Losartan potassium, other Sartans, Zudovidine etc.,</li> <li>• Used in the automobile industry in the air bags for the protection of driver and passengers.</li> <li>• Used in explosives manufacture.</li> <li>• Used in chemical industry for the manufacture of other azides like lithium azide etc.,</li> <li>• Used in agro industry for pest control.</li> <li>• Used in hospitals and health care industry as chemical preservative.</li> </ul>
Sodium Hydride (60% oil suspension)	<ul style="list-style-type: none"> <li>• Used in chemical reactions in bulk drugs and pharma industry as a superior reducing agent. It is more effective compared to other reducing agents like Sodium Amide.</li> <li>• Used in the bulk drug and pharma industry in the manufacture of</li> </ul>

	<ul style="list-style-type: none"> <li>Ciproflaxacin, Amilodopine etc.,</li> <li>Used in agro industry in the manufacture of pesticides.</li> </ul>
Sodium Methoxide	<ul style="list-style-type: none"> <li>Is an important catalyst in production of bio diesel.</li> <li>Used in edible oil industry.</li> <li>Used in the manufacture of pesticides.</li> <li>Used in chemical reactions in bulk drug and pharma industry since ages.</li> </ul>
Sodium tertiary butoxide	<ul style="list-style-type: none"> <li>Used in chemical industry.</li> <li>Used in bulk drug and pharma industry in the manufacture of drugs like Denazole, DIBOC, Citrazene etc.,</li> <li>Used in agro industry for pest control.</li> </ul>
<b>Pyridine Compounds</b>	
2-Aminopyridine	<ul style="list-style-type: none"> <li>Used in the bulk drug and pharma industry in the manufacture of Pyroxichem, Tynoxichem, Sulphaselazene, Sulfa pyridine, Meperamine and Phinaramine maleates etc.,</li> <li>Used in agro industry in the manufacture of pesticides.</li> </ul>
2-Amino-4-Methylpyridine	<ul style="list-style-type: none"> <li>Used in bulk drug and pharma industry in the manufacture of anti AIDS / HIV drug.</li> </ul>
2-Amino-6-Methylpyridine	<ul style="list-style-type: none"> <li>Used in bulk drug and pharma industry for the manufacture of Nalidixic Acid, an anti biotic etc.,</li> </ul>
2,6 Diaminopyridine	<ul style="list-style-type: none"> <li>Used in bulk drug and pharma industry in the manufacture of Phenazo pyridine.</li> </ul>
2,3,5 Trichloropyridine	<ul style="list-style-type: none"> <li>Used in agro industry in the manufacture of pesticides.</li> </ul>
<b>Fine Chemicals</b>	
Pheryl-- $\alpha$ -(2-Pyridyle) Acentonitrile	<ul style="list-style-type: none"> <li>Used in bulk drug and pharma industry for the manufacture of bulk drug, Disopyramide, methyl phenedate, etc.,</li> </ul>

#### **PROPOSED PRODUCTS – END USE / APPLICATION:**

The end use /application of the products proposed to be manufactured by our Company are briefly given below:

<b>Therapeutic Segment</b>	<b>Active Pharmaceutical Ingredients (API)</b>	<b>Applications</b>
Anti Infective	Norfloxacin	Urinary tract infections
Anti retroviral	Lamivudine	Treatment of infection by retroviruses, primarily HIV
Nonsteroidal Anti-inflammatory (NSAIDs), (pain killers)	<ul style="list-style-type: none"> <li>Diclofenac sodium</li> <li>Aceclofenac</li> </ul>	Arthritis
Anti Thrombotics	Clopidogrel bisulfate	Preventing blood clots
Anti Depressant	Sertraline hydrochloride	Anti Depressant
Diuretics	Hydrochlorothiazide	Anti Hypertension

#### **CUSTOMERS**

Possessing a distinct technology, developed in house, for manufacturing sodium derivatives, our Company is a major player in the sodium derivatives market. The products cater to both the domestic and overseas markets. Its share of revenue from the industry segments to which the products of our Company are supplied is given below:

INDUSTRY SEGMENT	2004 - 05	2005 - 06	2006 - 07	2007 - 08
Pharma	94.49%	95.12%	87.86%	95.45%
Agro products	5.01%	4.03%	11.93%	4.20%
Others	0.50%	0.85%	0.21%	0.35%

Our Company's off shoring capabilities in select chemistries is showcased by the presence of some of the global pharma majors in its customer kitty.

#### **Exports**

- Allwin Asia Limited
- Nihon Siberhegner K.K
- Novasep Syntheasis
- Euticals S.P.A
- Teva Pantex Chemicals Limited

#### **Domestic**

- Dr. Reddy's Laboratories Limited
- Rallis India Limited
- Granules India Limited
- Porus Drugs & Intermediates (P) Limited
- Azide and Allied Chemicals

#### **Geographical Distribution of Gross Sales for FY 2007-08, FY 2006-07, FY 2005-06**

PARTICULARS	FY 2007 - 08		FY 2006 - 07		FY 2005 - 06	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of total sales
EXPORT	(Rs. in Mn)		(Rs. in Mn)		(Rs. in Mn)	
Italy	72.10	10.49	24.25	3.73	80.35	10.95
Japan	52.27	7.61	67.16	10.34	77.13	10.51
Belgium	31.70	4.62	77.2	11.89	72.03	9.82
Germany	36.08	5.26	47.8	7.36	60.12	8.19
USA	20.76	3.02	15.35	2.36	13.61	1.86
UK	6.50	0.95	15.5	2.39	12.26	1.67
Israel	9.54	1.38	11.41	1.76	6.31	0.86
Others	5.45	0.79	37.38	5.76	39.76	5.42
<b>DOMESTIC</b>						
India	452.65	65.88	353.27	54.41	372.10	50.72
<b>TOTAL</b>	<b>687.04</b>	<b>100.00</b>	<b>649.34</b>	<b>100</b>	<b>733.66</b>	<b>100</b>

#### **EXPORT OBLIGATIONS, IF ANY**

As on date our Company does not have any export obligations, pending fulfillment.

#### **PAST PRODUCTION FIGURES FOR THE INDUSTRY**

The chemical industry is highly fragmented and is dominated by large number of unorganised players. There is no published data available of the industry in regard to past production figures, existing installed capacities, past trends and future prospects regarding exports etc.

## **APPROACH TO MARKETING AND PROPOSED MARKETING SET-UP**

Marketing and distribution are the major activities for the overall success of a company. The marketing operations of our Company have grown both quantitatively and qualitatively over the last few years.

Our Company approaches directly to the customers as well as through network of agents in the local and global markets.

Our Company is also registered with the following trade bodies, which gives them access to information about potential customers and the current market scenario and demand.

- All India Manufacturers Organization.
- BDMA (India)
- CHEMEXCIL
- India China Chamber of Commerce & Industry
- National Safety Council
- Uppal Industries Association
- Export Promotion Council for EOUs and SEZ Units
- Indian Institute of Packaging
- PHARMEXCIL
- Indo American Chamber of commerce
- Indo German Chamber of Commerce
- FAPCCI

Our Company also participates in various exhibitions / seminars /conferences and pharma-related events. Contacts made during the sales conferences and trade fairs are closely followed up by organizing detailed product offers samples and specifications.

Our Company also looks for opportunities for supplying their advanced intermediates to large companies which would be a beneficial proposition for both. Exhibitions / seminars /conferences and pharma - related events also helps our Company in getting information on various potential products which are doing well in regulatory markets like US, Canada, Europe and Japan. Our Company has been a regular participant in various international chemical exhibitions and pharma related events held in Japan, China, Singapore, US, UK, Germany, especially in Chemical and Pharmaceutical Ingredients Exhibitions (CPHI) conducted worldwide.

Our Company will continue to focus on existing markets for their new products. Continuous efforts would be made to make use of their contacts with the above major customers for promoting the new proposed product lines.

Our Company will continue making efforts to increase the sales of the products through the trading channels in addition to the regular customers. Our Company believes that such regular contacts would help them to identify new products and work on the process viability and feasibility of supplying them.

## **BUSINESS STRATEGY**

Our Company intends to improve its market position in the industries /sectors in which it operates by pursuing the following business strategies:

- **Establishing new facility, compliant with international regulatory authorities like US FDA, WHO & EU.**
- **Capitalise on manufacturing of products, which are patent free in US and other regulatory market**
- **Developing new Products.**

- **Enhance and improve the capacity utilization.**
- **Focus on contract manufacturing**

- **Improving manufacturing technology**

Major emphasis will be given to the manufacturing technology. The process technology is developed in house which will meet quality norms as per the requirement of customers' demand.

- **Enhancing employees skills & efficiencies**

All employees would be given good working environment, which will help in building a good teamwork. Innovative ideas identified and suggested by employees are implemented, which gives them a sense of belonging and spurs them to excel in their area of working.

- **Being Enviro - friendly**

Our Company is committed to provide a safe, clean and healthy environment. Our Company will continuously strive to minimize the generation of waste water and air emissions, thereby preventing pollution at source and that can be achieved by adopting cleaner technologies, reducing the use of natural resources and reusing & recycling wastes. Our Company will continue complying with all local and national environmental laws and regulations, at all the times.

- **More focus on Research & Development**

New product development and process development is a continuous on going exercise and experimenting in the development of new molecules for pharma industry. With an established R & D facility already in place, our Company intends to continue its focus on R & D, which it believes to be the threshold of discovery of new products and processes.

- **Leveraging on Long term relationship**

Our Company believes that a long-term client relationship with large clients fetches better dividends. Long-term relations are built on trust and continuous maintaining of the requirements of the customers. It helps understanding the basic requirement of our Company and its market. It also forms basis for further expansion as our Company is able to monitor potential products/ markets closely. The existing clientele is an example of long term client relationship.

## **FUTURE PROSPECTS**

The chemical industry moves hand in hand with all other industries. It is inevitable to survive without chemicals for manufacturing different products. Today the chemical industry is a necessity for other industries to operate. Hence the scope and future Prospects of the industry is wide and long term.

Alkali Metals Limited produces and proposes to produce Sodium derivatives, Pyridine derivatives and Fine chemicals specialty chemicals. Our products are mainly used in pharma and agro chemical industries. India is the fifth leading fertilizer producer in the world after Canada, China and France. India is the fourth largest consumer of fertilizer in the world. The agro chemical industry is growing at an increasing pace, because of special support given by the government to the agricultural sector. For producing wide range of complex fertilizers, there is need of many chemicals and additives for which there is an increasing demand. The Indian pharmaceutical industry looks ahead at a colourful horizon, what with contract research and clinical trials businesses taking wing, and the new patent regime opening new avenues for players in the country. Growing at over 9% annually, it is likely for the Indian pharmaceutical industry to grow more than triple to US\$ 20 billion by 2015 from the current level of US\$ 6 billion to become one of the top ten pharmaceutical markets in the next decade. Patented drugs are likely to see increased sales in the domestic pharmaceutical market. So we see that our varied basket of product matches with the demanding market needs.

## CAPACITY & CAPACITY UTILIZATION

Product	unit	Installed Capacity		
		2005-06	2006-07	2007-08
Sodium Derivatives	MTPA	2500	2700	3400
Amino Pyridines	MTPA	500	500	600
Fine Chemicals	MTPA	200	250	400

### Capacity utilisation

	2005-06	2006-07	2007-08
Sodium Derivatives	67%	66%	49%
Amino Pyridines	27%	24%	18%
Fine Chemicals	38%	5%	7%
Aggregate Capacity Utilisation	57%	56%	41%

Capacity Utilisation has to be read keeping in view the following:

The process operations are of batch / semi – continuous type. Moreover, the process plants of this kind need to have higher capacities built in to meet:

- Customers' demands which might vary from time to time
- Despatches in the form of container loads
- Surges in demands
- Manufacture of larger number of products on a campaign basis

### Proposed Capacity Utilisation:

	2008-09	2009-10	2010-11
Sodium Derivatives	50%	55%	60%
Amino Pyridines	50%	55%	60%
Fine Chemicals	50%	55%	60%
APIs (Proposed Products)	-	49%	75%

The manufacturing facility for API with an installed capacity of 672 MT is expected to commence commercial production in April, 2009. For details, please refer the section on 'Objects of the Issue' on Page [•] of this DRHP.

## **COMPETITION AND COMPETITIVE STRENGTHS**

Our Company has been in this line of business for almost four decades during which it has gained expertise in handling hazardous processes and products involving sodium based compounds and pyridine derivatives. It enjoys a niche position with respect to its products and also number of players in this market. There are a few Chinese companies producing similar products apart from Rohm and Haas, USA and Rhone Poulenc, France. With regard to amino pyridines, the major competitor within India is Jubilant Organosynthese Products. Reilly, Belgium; Koci, Japan etc. are the companies at international level who are also engaged in the manufacture of amino pyridines.

Our Company's core strength is in identification, evaluation, development and optimisation of technology on industrial scale in a short lead time.

## SWOT Analysis:

### STRENGTHS

- **Technology focussed –**
  - ✓ Our Company is a forty year old company and has developed technology for sodium metal based on it's in – house R & D capability. (There were only a few manufacturers of sodium metal at that time and the technology was not available easily)
  - ✓ Our Company has the distinction of developing technology for the manufacture of sodium metal for usage in fast breeder nuclear reactors for power generation.
  - ✓ Our Company developed technologies for several derivatives based on sodium metal, picoline and various other cyclic compounds.
  - ✓ Expertise in developing technologies for products involving hazardous process chemistry.
- **Products –**
  - ✓ A product portfolio with high demand potential. The products are building blocks in the manufacture of bulk drugs and pharma intermediates and many other sectors like agrochemicals, dyes.
  - ✓ A leading manufacturer of sodium azide, sodium amide etc.,
- **Customers** - Strong customer base with dependable customers in the national and international markets. Relationships developed over a period of three and a half decades.
- **Reputation** – Looked at by customers not only as a supplier but a strategic partner – a source of reliable and high quality products. Perhaps the largest and lone manufacturer for certain key products.
- **Recovery / Recycling processes** – Has one of its kind facility to recover and recycle gaseous emissions from one plant, to be used as raw material for other product. Has a unique Hydrogen recovery plant, built with its own expertise and resulting in substantial savings in energy costs.
- **Testing and Analytical Facilities** - Full fledged in-house testing facilities with latest and modern test equipment and instrumentation lab.
- **R & D** - Strong in-house R&D with requisite expertise and recognition as in-house R&D unit from the Dept. of Science and Technology, Govt. of India. All products are developed with in-house technology. ALKALI METALS spends, on an average, 4 % - 5 % of its revenues on R & D for development of new products and for improving the production practices.
- Expertise in process development and quick scale up to commercial production with short lead time
- **Expertise** – Three and a half decades of experience in the chemical industry has helped our Company earn a reputation of being an expert in handling hazardous chemicals and processes
- **Certifications** - ISO 9001 & 14001 certified company with strict compliance to legal and regulatory requirements
- **Versatile plants** – The plants can be operated to manufacture a variety of Sodium / Potassium based products as and when required with a minimum expenditure

## **WEAKNESS**

- Emerging Marketing potential to be exploited in the further.

## **OPPORTUNITIES**

- More market potential for pyridine derivatives, fine chemicals and cyclic compounds.
- More opportunities because of the increasing trend of production outsourcing and contract manufacturing jobs moving to India especially in the Pharma industry which is a key customer base.
- Ample scope for custom synthesis
- Indian market for fine chemicals and Pharmaceuticals to grow at higher than GDP i.e. at about 10 % per year.

## **THREATS**

- Increasing competition from Chinese manufacturers.
- Erosion of margins due to domestic competition,

### **Social responsibility:**

Yerramilli Venkata Rao Trust was incorporated on March 25, 2002. The registered office of the Trust is located at # 3-4-490/A, Barkatpura, Hyderabad - 500 027. The Trust is the corporate social responsibility arm of the promoters of Alkali Metals. The Trust was set up 5 years ago by Dr. Y. V. S. Murty in memory of his father Late Mr. Venkata Rao. The other trustees of this family Trust are Mrs. Y. V. Lalitha Devi, Mr. Y. S. R. Venkata Rao and Mrs. Y. Krishna Veni. The activities are being funded by the trust directly and by participation in many of schemes of the Ramakrishna Mutt such as free meals, financial support, health care, drinking water supply, education, sports and livelihood programmes to enhance employment and incomes among rural people and education scholarships to the deserving engineering and medical students.

### **INSURANCE**

Our Company has maintained insurance cover for the Unit I and Unit II with Standard Fire and Special Perils Policy for the plant and machinery, building and stocks situated at those respective Units. Further, Our Company has maintained insurance cover for the Unit I and Unit II with Public Liability Industrial Risk. Our Company has also maintained the insurance cover for their office premises along with the furniture and fixtures with Standard Fire and Special Perils Policy. Our Company has maintained the marine policies for incoming and outgoing materials where deemed necessary. Our Company also maintained the Group Personnel accident Policy and Group Mediclaim Policy for their employees. The vehicles have been insured with Private Car Policy and Package. All insurance policies are with the National Insurance Company Limited that is renewed on a regular basis.

**PROPERTY****FREEHOLD:**

Sr. No.	Date of Agreement	Description of Property/ Area	Parties to the Agreement	Nature of Agreement	Total Consideration Paid (Rs.)
1	January 18, 1969	Premises situated at B-5, Block III, Uppal, Hyderabad – where Registered office and Unit I is located.	Department of Industries, AP Government, the Vendor and Company, the purchaser	Deed of Sale	19,151.20
2	March 24, 2005	Land and building located at Survey No. 299, 300, 301 & 302, Dommara Pochampally Village, Qutubullapur Mandal, R.R. District – where Unit II is located. (See Note 1)	Mr. Y.S.R Venkata Rao the Vendor and Company, the Purchaser	Deed of Sale for land	550,000
3.	March 28, 2005		Balaji Agro, the vendor and Company, the Purchaser	Transfer agreement for building	4,000,000
4	June 16, 2006	Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam – location of the proposed project	Ramky Pharma City (India) Limited & APIIC, the Vendors and Company, the Purchaser	Sale Agreement	6,568,000
5	October 18, 2006	Plot No. 194/2, 194/3, 194/4 and 195/5 D- Block of Industrial Park (I.D.A), Visakhapatnam	APIIC	Sale Agreement	6,640,086

**Note 1:** Mr. Y. S. R Venkata Rao our Promoter Director had given the land on lease to Balaji Agro Industries Limited who had then constructed a building on the said land and further leased it to Alkali Metals. Later he executed a sale deed in favour of Alkali Metals Limited on March 24, 2005 for the aforementioned land. Subsequently, Balaji Agro Industries Limited entered into Transfer Agreement on March 28, 2005 with Alkali Metals for the transfer of the building.

**LEASEHOLD:**

Sr.No.	Lessor	Description of Lease and Purpose	Period of Lease	Rent Per Month (Rs.)	Period
1.	Dr.Y.V.S.Murty	Flat No.6, Prembagh apartments, Barkatpura, Hyderabad, taken for	11 months	10,000	February 1, 2008 to December 31, 2008

		office.			
2.	CDC Industrial Infrass Limited	Flat No.5, Prembagh apartments, Barkatpura, Hyderabad, taken for office.	11 months	7,000	February 1, 2008 to December 31, 2008
3.	CDC Industrial Infrass Limited	B-4, Industrial Development Area, Uppal, Hyderabad taken for godown.	3 years	80,000	1 April, 2006 to 31 March, 2009

## KEY INDUSTRY REGULATIONS AND POLICIES

### REGULATIONS AND POLICIES

The business operations of our Company comprises of manufacturing, export, import, and to deal in all kinds of sodium derivatives, pyridine derivatives and fine chemicals. Our Company operations are subject to a range of laws and regulations framed by Governmental and Local authorities and are subject to numerous regulations and controls governing their handling and storage. Certain regulatory policies affecting our Company's operations are described below.

#### INDUSTRY RELATED ACT(S)/REGULATION(S):

##### 1. Drugs and Cosmetics Act, 1940

In order to sell drugs in India, our company is required to comply with the Drugs and Cosmetics Act, 1940 that regulates the import, manufacture, distribution and sale of drugs in India.

In the case of active pharmaceutical ingredients, the Drug Controller General of India issues a manufacturing and marketing Licence. These manufacturing and marketing licences are submitted by our Company seeking to produce the drug, to the state level authority, the Drug Control Administration which clears the drug for manufacturing and marketing. The Drug Control Administration also provides the approval for the technical staff as per the Drugs and Cosmetics Act, 1940 and rules framed under the legislation abiding by the WHO and cGMP inspection norms. Approvals for licensing are also to be acquired from the Drug Control Administration.

##### 2. Drugs (Prices Control) Order 1995

The Drugs (Prices Control) Order 1995 or DPCO was promulgated under the Essential Commodities Act, 1955 and is to be read with the Drugs and Cosmetics Act, 1940. The DPCO fixes the ceiling price of some active pharmaceuticals and formulations. The active pharmaceuticals and formulations that fall within the purview of the legislation are called scheduled drugs and scheduled formulations, respectively. The authority set up under the legislation is the National Pharmaceutical Pricing Authority, or NPPA, it is responsible for the collection of data and the study of the pricing structure of active pharmaceuticals and formulations. Upon the recommendation of the NPPA, the Ministry of Chemicals and Fertilizers fixes the ceiling prices of the active pharmaceuticals and formulations and issues notifications on drugs that are scheduled drugs and scheduled formulations.

#### FACTORY RELATED ACT(S)/REGULATION(S):

##### Environmental Regulation

The three major statutes in India that seek to regulate and protect the environment against pollution related activities in India are the Water (Prevention and Control of Pollution) Act 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Environment Protection Act, 1986. The basic purpose of these statutes is to control, abate and prevent pollution. In order to achieve these objectives, Pollution Control Boards (PCBs), which are vested with diverse powers to deal with water and air pollution, have been set up in each state. The PCBs are responsible for setting the standards for maintenance of clean air and water, directing the installation of pollution control devices in industries and undertaking investigations to ensure that industries are functioning in compliance with the standards prescribed. These authorities also have the power of search, seizure and investigation if the authorities are aware of or suspect pollution. All industries and factories are required to obtain consent orders from the PCBs, which are indicative of the fact that the factory or industry in question is functioning in compliance with the pollution control norms laid down. These are required to be renewed annually.

The issue of management, storage and disposal of hazardous waste is regulated by the Hazardous Waste Management Rules, 1989 made under the Environment Protection Act. Under these rules, the PCBs are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility. A similar regulatory framework is also established with respect to biomedical waste under the Bio-Medical Waste (Management and Handling) Rules, 1998. In addition, the Ministry of Environment and Forests looks into Environment Impact Assessment (EIA). The Ministry receives proposals for expansion, modernization and setting up of projects and the impact that such projects would have on the environment is assessed by the Ministry before granting clearances for the proposed projects.

### **1. Factories Act, 1948**

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

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

### **2. The Petroleum Act, 1934**

In accordance with the provisions of the Petroleum Act, 1934, anyone importing, transporting or storing any petroleum has to take License from Central Government and has to comply all such rules as specified under the Act.

Rules laid down by Central Government prescribe the place of import, period within which license shall be taken and regulates the transport of petroleum etc.

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

The provisions of the Air (Prevention & Control of Pollution) Act, 1981 provides that 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. Further as per the provisions of the said act, no person shall, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area.

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

The provisions of the Water (Prevention & Control of Pollution) Act, 1974 provides that no person shall without the previous consent to establish or take any step 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 or bring into use any new or altered outlet for the discharge of sewage or begin to make any new discharge of sewage.

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

The Rules are applicable on every industry which is carrying the activity which involves or likely to involve one or more of hazardous chemicals 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 on 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.

### **6. 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.

#### **7. The Explosives Act, 1884;**

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

#### **8. Contract Labour (Regulation and Abolitions) Act, 1970.**

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

#### **9. Industrial Disputes Act, 1947.**

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

#### **10. Workmen's Compensation Act, 1923.**

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

#### **11. Trade Union Act, 1926.**

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

### **STATUTORY DUES ACT(S)/REGULATION(S):**

#### **1. Central Excise Act, 1944**

In accordance with the Central Excise Act & Central Excise Rules, every person who produces or manufactures any excisable goods is required to get itself registered with the

Jurisdictional Deputy or Assistant Commissioner of Central Excise .Hence this Act is applicable on our Company. Further the provisions of the Central Excise Rules provide that the manufacturer of final products (other than SSI's) shall submit the duty on goods removed from the factory or warehouse during the month by the fifth day of following month. Also a Monthly Return in Form ER1 is required to be submitted to the Superintendent of Central Excise within 10 days after the close of the month.

## **2. Value Added Tax, 2005**

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

## **3. Central Sales Tax, 1956**

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

## **4. Income Tax Act, 1961**

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

## **5. Customs Duty**

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

## **6. Service Tax (Finance Act, 1994)**

In accordance with Rule 6 of Service tax Rules the assesses is required to pay Service tax in TR 6 challan by fifth of the month immediately following the month to which it relates. Further under Rule 7 (1) of Service Tax Rules, our company is required to file a half yearly return in Form ST 3 by twenty fifth of the month immediately following the half year to which the return r elates.

## **7. Employees' State Insurance Act, 1948;**

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

#### **8. Employees' Provident Funds and Miscellaneous Provisions Act, 1952;**

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

#### **9. Industries (Development and Regulation) Act, 1951;**

Under the New Industrial Policy dated July 24, 1991, all industrial undertakings are exempt from licensing except for certain industries such as distillation and brewing of alcoholic drinks, cigars and cigarettes of tobacco and manufactured tobacco substitutes, all types of electronic aerospace and defense equipment, industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches and hazardous chemicals and those reserved for the small scale sector. An industrial undertaking, which is exempt from licensing, is required to file an Industrial Entrepreneurs Memorandum ("IEM") with the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, and no further approvals are required.

#### **10. Payment of Gratuity Act, 1972;**

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

#### **11. Payment of Bonus Act, 1965**

The Payment of Bonus Act, 1965 is applicable on every establishment employing 20 or more employees and is also applicable on us. The said act provides for payment of the minimum bonus to the employees specified under the Act. It further requires for the maintenance of certain books and registers like register showing computation of the allocable surplus; register showing the set on & set off of the allocable surplus and register showing the details of the amount of Bonus due to the employees. Further it also requires for the submission of Annual Return (FORM D) deposited by the employer within 30 days of payment of the bonus to the Inspector.

#### **12. Payment of Wages Act, 1936**

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

## OUR HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on April 17, 1968 as a private limited company in Hyderabad, Andhra Pradesh under the Companies Act, 1956 registered with the Registrar of Companies, Andhra Pradesh at Hyderabad; vide Registration No. 01 – 01196. Subsequently it became a deemed public limited company and the certificate for the same was issued by the RoC on June 18, 1975. Our Company was reconverted into a private limited company on October 6, 1976. Again our Company became a deemed public company and the certificate for the same was issued by the RoC on July 6, 1977 and the name was changed to Alkali Metals Limited. Our Company was re-converted into a private limited company on November 10, 1986 with the original name being restored. Subsequently, our Company was converted into a public limited company and the name was changed to Alkali Metals Limited. The certificate for the same was issued by the RoC on July 29, 1992. The registered office of our Company is situated at Plot B5, Block III, Industrial Development Area (IDA), Uppal, Hyderabad - 500 039, AP.

Our Company was promoted by Dr. Y.V.S. Murty. Our Company started as a joint venture with APIDC. We commenced the production of sodium metal, with an installed capacity of 125 MT. In the year 1986, APIDC exited from the joint venture. With increasing power tariffs, imported sodium metal became more attractive compared to the cost of indigenous production. Hence our Company then began to diversify and built its product portfolio, classified into: Sodium derivatives, Pyridine derivatives and Fine chemicals. These products find wide application and use in various industries like the pharma, agro based products, pesticides, explosives, bio technology products, electroplating chemicals etc.

Currently, our Company has two manufacturing facilities, Unit I and II, both ISO 14001:2004 and ISO 9001:2000 certified, and both of our units are having installed capacity of 2,200 MTPA. Unit II, for which the land and building was taken on lease from Balaji Agro Industries Limited (a group company), commenced active operations in the year 2003, as a 100% EOU. Subsequently in the year 2005, our Company acquired the complete ownership of the Unit. In the same year, our Company also set up a separate plant in Unit I for recovery of hydrogen which could be re – deployed in the manufacturing process, thus enabling energy conservation.

Balaji Agro Industries Limited was acquired by Alkali Metals Limited with an intention to foray into processing of agro based products, for which Alkali Metals started acquiring shares of Balaji Agro Industries Limited, from its erstwhile promoters from July 1, 2000. The registered office was shifted to Hyderabad, Andhra Pradesh and it was converted into a public limited company. It also became a subsidiary of Alkali Metals with effect from April 2, 2002 and the erstwhile promoters exited our Company fully on March 29, 2003. They are no longer the shareholders of Balaji Agro Industries Limited, However, later it was found that integrating the business processes of Alkali Metals Limited, and Balaji Agro Industries Limited, was not feasible and therefore Alkali Metals Limited, divested its stake in Balaji Agro Industries Limited, to Dr. Y. V. S. Murty, Mrs. Y. V. Lalitha Devi, Mr. Y. S. R. Venkata Rao and Mrs. Y. Krishna Veni on March 19, 2005. Since then, Balaji Agro Industries Limited has ceased to be a subsidiary of Alkali Metals Limited.

Our Company has been awarded a Certificate of Merit for Outstanding Export Performance by CHEMEXCIL, Mumbai for the year 2001-02. It has also been awarded the Silver Trophy for the Best Technology Development in Research & Development in the state of Andhra Pradesh by the Federation of Andhra Pradesh Chambers of Commerce & Industry for the year 2001-02 and Outstanding Performance in the field of Technology by Uppal Industries Association, Hyderabad, Andhra Pradesh in the year 2003. Our Company has also been conferred the status of “Export House” by Joint Director General of Foreign Trade, Ministry of Commerce and Industry, Government of India.

Our Company had earlier filed its Draft Red Herring Prospectus dated August 31, 2007 with SEBI, BSE and NSE. We had received in-principle approvals from BSE vide its letter dated October 23, 2007 and from NSE vide its letter dated December 04, 2007. We had also received SEBI’s observation on the said filing vide its letter no.

CFD/DIL/ISSUES/SM/112220/2007 dated December 31, 2007. We did not proceed with the issue due to adverse capital market conditions and changes in capital structure which were effected in May 2008.

**Major events in the history of our Company are given below:**

<b>Year</b>	<b>Major event</b>
1968	Incorporation – commenced production of Alkali metals (Unit I), a Joint Venture with APIDC.
1970	Started commercial production of Sodium Metal – Became the first company to manufacture Sodium Metal in Asia.
1986	APIDC exited out of the Joint Venture, giving our Company complete operational and management control.
1995	BS EN ISO 9002: 1994 certification for Unit I by Bureau Vistas, valid for three years.
2000	ISO 14001:1996 certification for Unit I by Bureau Veritas, valid for three years.
2002	ISO 9001:2000 certification for Unit I by Bureau Veritas, valid for three years.  Awarded the Silver Trophy for “Best Technology Development in Research & Development by an Industrial / Scientific Organisation in the State” from FAPCCI, AP.  Awarded the “Certificate of Merit for outstanding export performance in basic inorganic and organic chemicals panel” during the year 2001–02 by Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council, Mumbai.  Company accorded the status of “Export House” by DGFT, AP.
2003	Unit II commenced active operations – accorded the status of 100% EOU by Development Commissioner, Visakhapatnam SEZ
2003	Awarded the “Best Technology Award” for outstanding performance in the field of technology from Uppal Industries Association, Hyderabad, AP.  Started to focus on custom synthesis business and off shoring capability.
2004	Renewed the ISO 14001:1996 certification for Unit I by Bureau Vistas, valid for three years.  ISO 9001: 2000 and ISO 14001:1996 certifications by Bureau Vistas, given for Unit I, extended to include Unit II.  Awarded the “Best Export Performance Award” for the year 2003 – 04 in the state by FAPCCI.
2005	Acquired ownership of Unit II.  Renewed the ISO 9001:2000 certification by Bureau Vistas for both the Units, valid for three years.  Plant for recovery of by – product, Hydrogen from Sodium Amide Plant, enabling energy conservation
2006	ISO 14001:2004 certification by Bureau Vistas for both the units, valid for one year.
2007	Renewed the ISO 14001:2004 certification by Bureau Veritas for both the units, valid for three years.  Certificate of Recognition for “Export House”, renewed for another period of two years.
2008	Renewed the ISO 9001:2000 certification by Bureau Vistas for both the Units, valid for three years.

### Changes in the Registered Office of our Company

There has been no change in the registered office of our Company since inception.

### Main objects of our Company:

The main objects contained in the Memorandum are:

3.1.1. Manufacture of Alkali Metals, Rare Metals, Related Compounds and Derivatives, Chlorinated Compounds, Pure Chemicals, Fine Chemicals, Elements, Fertilizers, Pesticides, Animal Feeds, Pharmaceutical preparations, Agro Products, Building & Construction materials, Genetic Engineering Products, Fabrication of Plant, Machinery and Equipment and sale of the same either manufactured by the Company or by others.

3.1.2. Procurement of raw materials, spares, intermediates and finished goods required for the Industries mentioned above either for the activities of the company or for others.

3.1.3. Consultancy services in respect of the activities referred to in item 3.1.1 such as feasibility reports, project estimates, procurement of equipment, detailed engineering, erection and commissioning including development of know-how, trouble shooting on retainer / commission / partnership basis either for the business of the company or for others.

3.1.4. To carry on business of leasing, sub-leasing, letting on hire, hire purchase, trading, factoring, financing (except Banking as defined in the Banking Regulation Act, 1949) and to finance all kinds of leasing and hire purchase operations.

3.1.5. Trading and contract manufacturing in the products set out above and in other chemical products, either locally or internationally.

3.1.6. To establish and maintain laboratories and carrying on Research & Development activities for own purposes or on behalf of third parties in the fields set out above or in the field of chemical technology and pharmaceutical intermediates and products.

### Changes in Memorandum of Association of our Company

Since incorporation of our Company, the following changes have been made to the Memorandum of Association:

Date of Change	Particulars of change
November 11, 1977	Alteration of the name clause, deleting the word 'Private' from the name. Alteration of the capital clause in the Memorandum of Association by splitting the Equity Shares of face value of Rs. 100/- each to Equity Shares of face value of Rs.10/- each.
November 10, 1986	Alteration of the name clause, inserting the word "Private" in the name, consequent to the Company becoming a private limited company.
October 30, 1989	Alteration of the object clause by amending the clause 3-1-1 and insertion of new clause 3-1-4: in clause 3-1-1, after the words "pharmaceutical preparations" the words "agro products, building and construction materials, genetic engineering products, fabrication of plant, machinery and equipment" shall be inserted. 3-1-4. "to carry on business of leasing , sub-leasing , letting on hire, hire purchase, trading, factoring , financing (except banking as defined in the banking Regulation Act,1949) and to finance all kinds of leasing and hire purchase operations".
September 28, 1991	Alteration of the capital clause: Conversion of the preference share capital into equity capital Increase in the authorised share capital from Rs. 5 million to Rs. 20 million.

July 29, 1992	Alteration of the name clause by deleting the word "Private" in the name, consequent to the Company becoming a public limited company.
February 26, 1994	Alteration of the capital clause: Increase in the authorised capital from Rs. 20 million to Rs. 30 million.
February 21, 1998	Alteration of the capital clause: Increase in the authorised capital from Rs. 30 million to Rs. 50 million.
July 7, 2000	Alteration of the capital clause: Increase in the authorised capital from Rs. 50 million to Rs. 100 million.
July 21, 2007	Alteration of the capital clause: Increase in the authorised capital from Rs.100 million to Rs. 150 million.  Insertion of new clauses in the main objects authorising the Company:  a. To carry on trading and contract manufacturing in the products manufactured by the Company and other chemical products, either locally or internationally. b. To establish and maintain laboratories and carrying on Research & Development activities for own purposes or on behalf of third parties. chemical technology and pharmaceutical intermediates and products.  Insertion of new clauses under Other objects authorising the Company to carry on activities relating to construction, power, steel, software and outsourcing, media & entertainment, hotels, services, amusement parks and textiles.
May 7, 2008	Insertion of new clause 3.3.10 in the other objects of the Company which reads as follows: 3.3.10 To procure or produce or fabricate for use pressure vessels to contain fluids and other substances at pressures at ambient temperatures in varying and convenient capacities. To use such vessels for containing fluids and substances under pressure and transport the same by road, river or sea for sale of the contained fluid with or without container.

### **Subsidiaries of our Company**

Our Company does not have any subsidiary.

### **Shareholders' Agreements**

Our Company does not have any subsisting shareholder's agreement as on the date of filing of this Draft Red Herring Prospectus.

### **Other Agreements**

#### **Technology Transfer Agreement**

On March 30, 2000, an agreement was entered between the Company and Dr. Y.V.S.Murty (Promoter of the Company). As per which, Dr. Y.V.S.Murty supplies technical knowhow pertaining to process, engineering and commissioning for the manufacture of a few products having market potential. In consideration of this our Company pays Dr. Y.V.S.Murty 3% of the net sale value of each of the products developed and commercialised in our Company's plant between April 1, 1997 to March 31, 2007. This royalty of 3% shall be payable on the sale of each product for a period of 10 years commencing from the date of first sale of such product

or from April 1, 1997, whichever is later. This will be payable on a quarterly basis at the end of each quarter. However, no royalty shall be payable by our Company on the sale of Sodium Metal, Sodium Amide and Sodium Methoxide.

This agreement has been approved by the shareholders of our Company vide their resolution dated February 29, 2000. Our Company commenced payment of royalty from the year 1997 – 98, being the first year of sale of the above mentioned products and is being paid every year since then. As per the terms of the said agreement for the products developed and commercialized till March 31, 2007, our Company would be liable for payment of royalty for the period of 10 years from such date.

There is no other material contract / other agreements entered / intended to be entered by our Company, except in the ordinary course of the business.

**Strategic Partners**

As on date of filing this DRHP with SEBI, our Company does not have any strategic partners.

**Financial Partners**

As on date of filing this DRHP with SEBI, our Company does not have any financial partners.

## OUR MANAGEMENT

### Board of Directors

As per the Articles of Association, the Company cannot have less than 3 directors and more than 12 directors. The Board of Directors comprising seven directors currently manages our Company. Mrs. Y. V. Lalitha Devi is our Chairperson & Mr. Y. S. R. Venkata Rao is the Managing Director; he is in-charge of the overall management of our Company subject to the supervision and control of the Board. He is ably supported by professional and technically qualified team of executives.

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

Sr. No.	Name, Age, Fathers Name, Designation, Status, DIN, Address, Nationality & Occupation of Director	Other Directorships/Trustee	Date of Appointment & Term of Directorship
1)	Mrs. Y. V. Lalitha Devi (74 years) W/o Dr. Y. V. S. Murty Chairperson Non Executive & Non Independent DIN: 00360242 Flat No. 2, Prembagh Apartments, 3-4-490/A, Barkatpura, Hyderabad – 500027 Andhra Pradesh Indian Business	<ul style="list-style-type: none"> <li>▪ CDC Industrial Infrass Limited</li> <li>▪ YVS Power Ventures Private Limited</li> <li>▪ Yeramilli Venkat Rao Trust</li> </ul>	March 8, 1993 Liable to retire by rotation
2)	Dr. Y.V.S. Murty ( 80 years) S/o Late Mr. Y. S. R. Venkata Rao Director Non Executive & Non Independent DIN: 00250612 Flat No. 3, Prembagh Apartments, 3-4-490/A, Barkatpura, Hyderabad - 500027 Andhra Pradesh Indian Business	<ul style="list-style-type: none"> <li>▪ CDC Industrial Infrass Limited</li> <li>▪ YVS Power Ventures Private Limited</li> <li>▪ Diana Hotels Limited</li> <li>▪ Sri Krishna Drugs Limited</li> <li>▪ Yerramilli Venkata Rao Trust</li> </ul>	July 21, 2007 Liable to retire by rotation
3)	Mr. Y. S. R. Venkata Rao ( 57 years) S/o. Dr. Y.V.S. Murty Managing Director Executive & Non Independent DIN: 00345524 Flat No. 2, Prembagh Apartments, 3-4-490/A, Barkatpura, Hyderabad - 500027 Andhra Pradesh Indian Business	<ul style="list-style-type: none"> <li>▪ Asian Herbex Limited</li> <li>▪ Balaji Agro Industries Limited</li> <li>▪ Yeramilli Chemicals Private Limited</li> <li>▪ Roa-San Infotek Private Limited</li> <li>▪ Yeramilli Venkat Rao Trust</li> </ul>	July 1, 1991 Reappointed as Managing Director on May 29, 2004 w.e.f. May 01, 2004. Term as Managing Director ends on April 30, 2009
4)	Mr. Ch. S. Prasad, ( 72 years) S/o. Chirala Raghavaiah Director Non Executive & Independent	<ul style="list-style-type: none"> <li>▪ CDC Industrial Infrass Limited</li> <li>▪ Cyberbills India Private Limited</li> </ul>	September 30, 1989 Liable to retire by rotation

	DIN: 00199003 No.13, Dasapalla Hills, Visakapatnam – 530 003 Andhra Pradesh Indian Technical Consultant		
5)	Mr. P. C. Patnaik ( 73 years) S/o. Mr. Satyanarayan Patnaik Director Non Executive & Independent DIN: 01536277 1/2, Harish Mukherjee Road, Flat No. 5B, Kolkata – 700 020 West Bengal Indian Technical Consultant	NIL	July 21, 2007 Liable to retire by rotation
6)	Mr. G. Jayaraman ( 52 years) S/o. Mr. K. Ganapathy Non Executive & Independent Director DIN: 01461157 H.No. 1–4-190/A/67, Bhaskara Rao Nagar, Phase 3, Sainikpuri, Secunderabad - 500 094 Andhra Pradesh Indian Service	NIL	July 21, 2007 Liable to retire by rotation
7)	Dr. J. S. Yadav (57 years) S/o. Mr. Ram Singh Yadav Non Executive & Independent Director DIN: 02014136 A & B Quarters, Directors Bunglow IICT Quarters Hyderabad 500 007 Andhra Pradesh Indian Service	NIL	March 31, 2008 Liable to retire by rotation

#### **Brief Profile of Our Board of Directors**

**Mrs. Y.V. Lalitha Devi**, aged 74 years is the Chairperson of our Company. She is a Non Executive and Non Independent Director. She is an Arts graduate by qualification. She has been associated with several social welfare organizations, working for the education and medical needs of the economically underprivileged people and was District President of Lioness Club of Hyderabad – North. She is presently a Committee member of the Association of Lady Entrepreneurs of Andhra Pradesh.

**Dr. Y.V.S. Murty**, aged 80 years is the Promoter of our Company. He is a Non Executive and Non Independent Director of our Company. A technocrat and first generation entrepreneur, Dr. Y. V. S. Murty holds M.Sc. (Tech.) degree in Chemical Engineering from Andhra University and Doctor of Science (Chemical Engineering) from Atlantic International University, U.S.A. along with having fellow membership of reputed institutes namely,

Institution of Engineers (India), Indian Institute of Chemical Engineers and International Institute of Risk & Safety Management (London). His technical expertise and business acumen spanning over almost six decades, has earned him many awards and recognitions. Dr. Y.V.S. Murty was the former Executive Council Member of Institute of Engineers India, Hyderabad, National Safety Council for Industrial Safety and also FAPCCI. He has also chaired the Hyderabad Regional Centre of India Institute of Chemical Engineers for two terms and All India Manufacturers' Organisation (AP Chapter). He supervises the R & D operations and Quality Control of our Company.

**Mr. Y. S. R. Venkata Rao**, aged 57 years is the Promoter of our Company and presently the Managing Director of our Company. He is an Executive and Non Independent Director. A technocrat and second generation entrepreneur, Mr. Y. S. R. Venkata Rao, holds B.E.(Mechanical) from Sri Venkateswara University, Andhra Pradesh, and Fellow of the Institution of Engineers (India). He joined our Company in the year 1977 and since then, he has been playing a pivotal role in steering the growth of our Company from being a manufacturer of alkali metals to producer of sodium metal derivatives, cyclic compounds, fine chemicals, which find wide application in various industries, especially the pharmaceutical sector. In his capacity as Managing Director of our Company, Mr. Y. S. R. Venkata Rao takes care of operational and strategic initiatives of our Company. His technical expertise has earned him the 'Member of the Year Award' for the year 2002 from the All India Manufacturers' Association, Andhra Pradesh State Board and also various coveted posts in FAPCCI, PHARMEXCIL, BDMA and such other organisations.

**Mr. Ch. S. Prasad**, aged 72 years is a Non Executive and Independent Director of our Company. He holds M.Sc (Chemical Technology) from Andhra University. He is also a Fellow of the Indian Institute of Chemical Engineers and also the Institution of Engineers (India). In the past he has been the Chairman of Indian Institute of Chemical Engineers, Waltair Regional Centre, Mr. Ch. S. Prasad has around of 45 years of experience in the field of Manufacturing Industry. He has worked as an Assistant Plant Manager in M/s. Fertiliser Corporation of India, Vice President (Manufacturing) in M/s. Coromandal Fertilizers Limited and as the Regional Director of the Mehta Group International in Uganda, (East Africa) for M/s. Mehta Group taking care of the corporate management of their joint ventures.

He was also Member-Regional Technical Committee of Andhra Pradesh State Pollution Control Board for issuing environmental clearance for establishing new Industries in the region and Member-Technical Committee of the Government of India for regulating business activity in Coastal Regulation Zone of the coastal areas of the State of Andhra Pradesh under Shore Area Development Authority, Rules.

**Mr. P.C. Patnaik**, aged 73 years, is a Non Executive and Independent Director of our Company. He holds M.Sc. (Tech.) in Chemical Engineering from Andhra University. He had done his Research Scholar at IIT, Kharagpur and Ford Foundation Scholar at Carnegie Mellon University, Pittsburgh. He is also Fellow of the Institute of Engineers (India). Mr. P.C. Patnaik has around 48 years of experience in the field of project development, industrial promotion, entrepreneurship development and corporate management at senior and apex levels. He has worked as Technical Executive in Steel Authority of India (SAIL), as Senior Technical Advisor, Andhra Pradesh Industrial Development Corporation (APIDC), as Managing Director – North Eastern Industrial and Technical Consultancy Organisation (NEITCO).

He had also worked as consultant/ advisor in Scotia Energy, Scotland; Scottish Power, UK; Flo Energy, Florida, USA, Southland Enviro Green C, Atlanta, USA.

**Mr. G. Jayaraman**, aged 52 years, is a Non Executive and Independent Director of our Company. He holds B.Sc., Mathematics degree and is a Fellow member of Institute of Chartered Accountants of India, Institute of Cost & Works Accountants of India and Institute of Company Secretaries of India. He has multi-faceted industry experience across information technology, textile, cement and pharmaceutical over 26 years spanning in finance, accounts, secretarial, legal and administration. Currently, he is serving a multi-national IT company in senior leadership role.

He has been associated with Andhra Pradesh State Board of All India Manufacturers' Organisation for the past 10 years and served as its Chairman during 2003-04 and 2004-05.

**Dr. J. S. Yadav**, aged 57 years, is a Non Executive and Independent Director of our Company. He has Doctorate in Chemistry in 1976. He was a Post Doc at Rice University, Houston & UW, Madison in USA for 3 ½ years. His research group successfully developed cost effective technologies for specialty chemicals. His expertise and skills organic chemistry are outstanding and is an eminent scientist with a high level of commitment to the cause of his profession viz. Natural Products-Organic chemistry. He is a director of the Indian Institute of Chemical Technology (IICT), Hyderabad since 2003.

#### **Borrowing Powers of the Board**

No resolution was required to be passed by the shareholders in terms of the provisions of Section 293(1)(d) of Companies Act, 1956, for authorising the Board to borrow sum of money for the purpose of our Company.

#### **COMPENSATION TO MANAGING DIRECTORS/WHOLE-TIME DIRECTORS**

Mr. Y. S. R. Venkata Rao has been appointed as the Managing Director of our Company for a period of 5 years with effect from May 1, 2004. The appointment was made pursuant to Sections 198, 269, 297, 299, 300, 309 of the Companies Act, 1956 read with the provisions of Parts I, II & III of Schedule XIII of the Companies Act, 1956.

Pursuant to the Meeting of the Board of Directors held on December 31, 2007 our Company has agreed to pay Mr. Y.S.R. Venkata Rao a monthly lumpsum amount of Rs.5 lacs per month with effect from September 1, 2007 for the balance period of his tenure.

#### **CORPORATE GOVERNANCE**

The provisions of the Listing Agreement to be entered into with BSE and NSE with respect to Corporate Governance and the SEBI Guidelines in respect of corporate governance will be applicable to our Company immediately upon the listing of our Company's Equity Shares on the Stock Exchanges.

Our Company has taken necessary steps to implement the provisions of the Corporate Governance. The constitution of our Board of Directors is in compliance with the said provisions and it has the necessary committees in place in compliance with the said provisions:

- (A) Audit Committee
- (B) Investor Grievance Committee
- (C) Remuneration Committee

#### **COMPOSITION OF THE BOARD OF DIRECTORS**

The Board of Directors of our Company has an optimum combination of executive and non-executive Directors as envisaged in Clause 49 of the Listing Agreement. Our Board has Seven Directors out of which four are independent directors in accordance with the requirement of clause 49 of the listing agreement of the stock exchanges. The chairperson of the Board is Mrs. Y.V. Lalitha Devi.

Sr. No.	Name of the Director	Designation	Category
1	Mrs. Y. V. Lalitha Devi	Chairperson	Non-Executive & Non Independent
2	Dr. Y. V. S. Murty	Director	Non – Executive & Non Independent
3	Mr. Y. S. R. Venkata Rao	Managing Director	Executive & Non Independent
4	Mr. Ch. S. Prasad	Director	Non-Executive & Independent
5	Mr. P. C. Patnaik	Director	Non-Executive & Independent
6	Mr. G. Jayaraman	Director	Non-Executive & Independent
7	Dr. J. S. Yadav	Director	Non-Executive & Independent

*Note: as per the Corporate Governance requirements of Clause 49 of the Listing Agreement, if the Chairman of the Board is Non Executive Director and is a Promoter or is related to the Promoter then, at least half of the Board should be independent. We have total seven directors out of which four are independent Directors.*

## **AUDIT COMMITTEE**

### **Constitution of Committee**

Our Company has constituted an Audit Committee, as per the provisions of Section 292A of the Companies Act. The re-constitution of the Audit Committee was approved at the Meeting of the Board of Directors held on April 25, 2008.

The terms of reference of Audit Committee complies with the requirements of Clause 49 of the listing agreement, which will be entered into with the Stock Exchange in due course. The committee consists of all Non-Executive and Independent Directors.

Sr. No.	Name of the Director	Nature of Directorship
1)	Mr. G. Jayaraman	Non Executive & Independent
2)	Mr. Ch. S. Prasad	Non Executive & Independent
3)	Mr. P. C. Patnaik	Non Executive & Independent
4)	Dr. Y. V. S. Murty	Non Executive & Non Independent

### **Powers of Audit Committee**

- Investigate any activity within its terms of reference.
- Seek information from any employee.
- Obtain outside legal or other professional advice.
- Secure attendance of outside consultant with relevant expertise, in the required field as and when necessitated
- Appointment, removal and terms of remuneration of the Chief Internal Auditor.

### **Role of Audit Committee**

The role of the audit committee is as per the section 292A of the companies Act, 1956 and Clause 49 of the Listing Agreement and shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. 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.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. 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
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. 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.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. 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.
11. 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.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. To review any other matters as it consider necessary.

#### **Review of information by Audit Committee**

The Audit Committee shall review the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and

#### **INVESTOR GRIEVANCE COMMITTEE**

##### **Constitution of Committee**

Our Company has constituted an Investor Grievance Committee. The reconstitution of the Shareholders/ Investor Grievance Committee was approved by a Meeting of the Board of Directors held on April 25, 2008.

<b>Sr. No.</b>	<b>Name of the Director</b>	<b>Nature of Directorship</b>
1	Mr. Ch. S. Prasad	Non Executive & Independent
2	Mr. P. C. Patnaik	Non Executive & Independent
3	Mr. G. Jayaraman	Non Executive & Independent

4	Mr. Y.S.R. Venkata Rao	Executive
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The terms of reference of the Investor Grievance Committee are as follows:

- Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non-receipt of balance sheet etc in particular.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Shareholders and investor relations committee

## REMUNERATION COMMITTEE

### Constitution of Committee

Our Company has constituted a Remuneration Committee, details of which are given below. The reconstitution of the Remuneration Committee was approved by a Meeting of the Board of Directors held on April 25, 2008.

Sr. No.	Name of the Director	Nature of Directorship
1	Mr. P. C. Patnaik	Non Executive & Independent
2	Mr. Ch. S. Prasad	Non Executive & Independent
3	Mr. G. Jayaraman	Non Executive & Independent
4	Dr. Y.V.S.S. Murty	Non-Executive & Non Independent Director

The terms of reference of the Remuneration Committee are as follows:

- To recommend to the Board, the remuneration packages of the Company's Managing / Executive Directors, including all elements of remuneration package (i.e. salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirement benefits, details of fixed component and performance linked incentives along with the performance criteria, service contracts, notice period, severance fees etc.);
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Compensation Committee.
- Establishment and administration of employee compensation and benefit plans.

### **Policy on Disclosures and Internal Procedure for Prevention of Insider Trading.**

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of its Equity Shares on the Stock Exchanges. Our Company undertakes to comply with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 prior to listing of the Equity Shares.

### **Shareholding of Directors**

As per the Article of Association of our Company, a Director is not required to hold any shares in our Company to qualify him for the office of Director of our Company. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as at the date of this Draft Red Herring Prospectus.

Name of the Director	No. of Shares	% of Pre-Issue Paid-up Share Capital
Mrs. Y. V. Lalitha Devi	75,900	0.99
Dr. Y. V. S. Murty	57,68,966	75.58
Mr. Y. S. R. Venkata Rao	15,37,507	20.14

Mr. Ch. S. Prasad	253	Negligible
Mr. P. C. Patnaik	-	
Mr. G. Jayaraman	-	
Dr. J. S. Yadav	-	

## INTEREST OF DIRECTORS

All the Directors of our Company may be deemed to be interested to the extent of sitting fees and/or other remuneration if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of reimbursement of expenses if any payable to them under the Articles of Association. The Managing Director will be interested to the extent of remuneration, if any, paid to him for services rendered by him as an officer or employee of our Company. All the Directors may also be deemed to be interested in the Equity Shares of our Company, if any, held by them, their relatives or by the companies or firms or trusts in which they are interested as directors / members / partners or that may be subscribed for and allotted to them, out of the present Issue in terms of the DRHP and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Further, Dr. Y.V.S. Murty is also interested to the extent of amount received by him as royalty from our Company pursuant to the technology transfer agreement entered into with our Company on March 30, 2000. For the details of royalty income received by him please refer to the section 'Promoters and their background' beginning on page [●] of this DRHP. For details of this agreement please refer to the section 'History and Corporate Matters' on page [●] of this DRHP. He is also interested to the extent of receiving rent for the flat let out to our Company. For details refer to the section 'Promoters and their Background' beginning on page [●] of this DRHP.

All the Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by our Company with any other company in which they have direct /indirect interest or any partnership firm in which they are partners.

Except as stated otherwise in this DRHP, our Company has not entered into any contract, agreements or arrangement during the preceding two years from the date of this DRHP in which the Directors 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.

### Interest as to Property

Our promoter director, Mr. Y.V.S Murty is interested to the extent of receiving rent for the flat let out to our Company. For details refer to the section 'Promoters and their Background' beginning on page [●] of this DRHP. Except as stated otherwise in this Draft Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Draft Red Herring Prospectus in which the directors are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

### Directors Remuneration for the year ended March 31, 2008

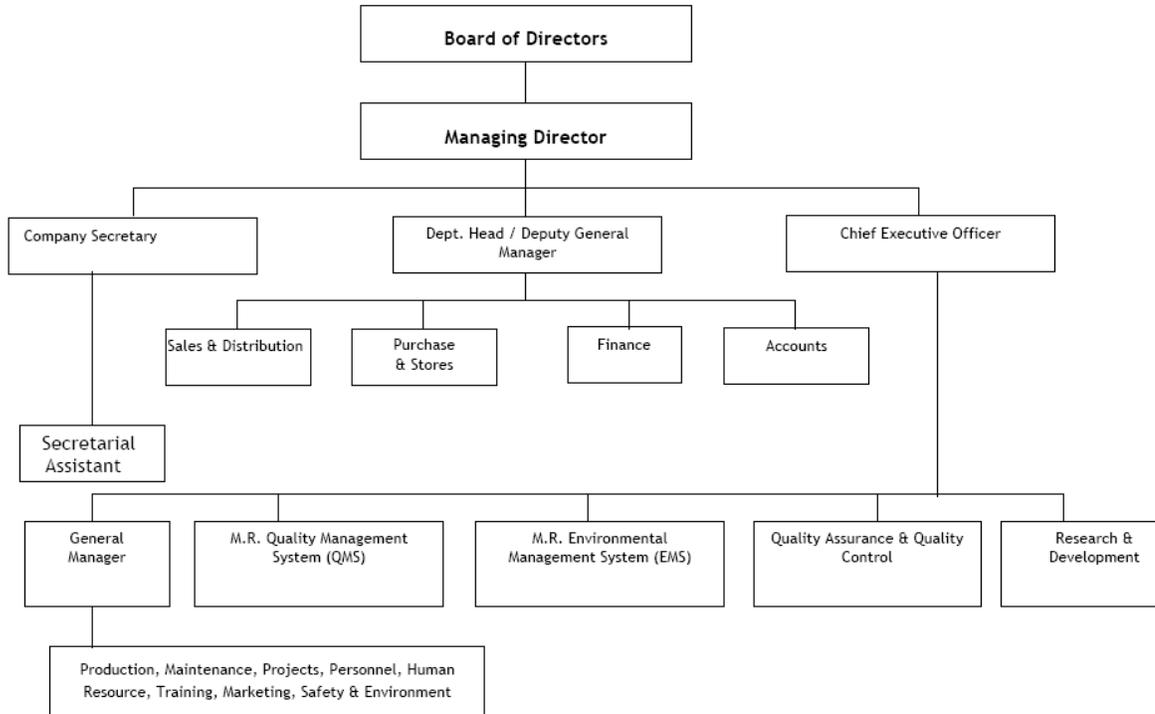
(Rs. Mn)

Sr. No	Name of the Director	Sitting Fees per meeting	Salaries / Perquisites	Commission	Total
1.	Mrs. Y. V. Lalitha Devi	0.023	Nil	Nil	0.023
2.	Dr. Y. V. S. Murty	0.020	Nil	Nil	0.020
3.	Mr. Y. S. R. Venkata Rao	0.00	4.07	Nil	4.07
4.	Mr. Ch. S. Prasad	0.018	Nil	Nil	0.018
5.	Mr. P. C. Patnaik	0.011	Nil	Nil	0.011
6.	Mr. G. Jayaraman	0.022	Nil	Nil	0.022
7.	Dr. J. S. Yadav	0.005	Nil	Nil	0.005
	<b>Total</b>	<b>0.099</b>	<b>4.07</b>		<b>4.169</b>

**Changes in the Board of Directors in the last three years**

<b>Name</b>	<b>Date of Appointment</b>	<b>Date of Cessation</b>	<b>Reasons</b>
Dr. J. S. Yadav	March 31, 2008	--	Appointed to broad base the board
Dr. Y. V. S. Murty	July 21, 2007	--	Appointment
Mr. G. Jayaraman	July 21, 2007	--	Appointed to broad base the board
Mr. P. C. Patnaik	July 21, 2007	--	Appointed to broad base the board
Mrs. Y. Krishna Veni	September 05, 2003	October 9, 2007	Resignation
Ms. Y. Lalithya Poorna	--	March 20, 2006	Resignation

## MANAGEMENT ORGANISATION STRUCTURE



## KEY MANAGERIAL PERSONNEL

S.No.	Name & Age	Designation	Qualification	Industry experience (in years)	Date of joining
1	Mr. C. V. Raju, 59 Years	CEO	M. Tech (Chemical Engineering)	34 years	November 1, 2006
2	Mr. Vasudeva Rao Devaki	Company Secretary & Compliance Officer	B.Com, LLB, Company Secretary	12 years	May 19, 2008
3.	Mr. K. N. Prasad 50 Years	Dy. General Manager – Production	B.Tech (Electrical) & Diploma (Electrical Engineering)	23 years	March 1, 1990
4.	Mr. P. Sankara Rao 49 Years	Dy. General Manager – Finance	B.Com.	25 years	March 18, 1992
5.	Mr. T. Rosaiah 36 Years	Manager – R & D	M.Sc., (Chemistry)	14 years	April 12, 1993
6.	Dr. M. A Muneem 57 years	Senior Manager – R & D	M.Sc., (Chemistry) Ph.D (Applied Chemistry)	32 years	February 1, 2007
7.	Dr. R. Srinivasa Rao 36 Years	Manager – R & D	B.A.M.S., M.D	3 years	April 1, 2005

### BRIEF PROFILE OF KEY MANAGERIAL PERSONNEL

1. **Mr. C.V. Raju** aged 59 years, is Chief Executive Officer of our Company. He is a post graduate in chemical engineering from IIT (Kharagpur). He has over 22 years of experience in identifying business opportunities, promotion and carrying out economic feasibility of projects, know-how monitoring and related activities. Prior to joining us he has worked as an Expert Consultant with APITCO, Chem Design Company Private Ltd. (now CDC Industrial Infras Limited), Adam Smith International, UK, Implementation Secretariat, Chief General Manager in Andhra Pradesh Industrial Development Corporation Limited, Manager (Chemicals) in Gujarat State Finance Corporation, Junior Engineer (R&D) in Indian Petrochemicals Corporation Ltd., Chemical Engineer in Indian Plastics & Chemicals Pvt. Ltd. and was Senior Research Fellow in IIT (Kanpur). The gross remuneration paid to him for the last financial year was Rs. 0.72 Mn.
2. **Mr. Vasudeva Rao Devaki** aged 36 is the Company Secretary & Compliance Officer of our Company. He joined our Company on May 19, 2008. A Commerce and Law graduate he is an Associated Member of the Institute of Company Secretaries of India. He has over 12 years of experience in secretarial and administration. Earlier he was associated with S. Chidambaram & Associates, Practising Company secretaries, Narender & Associates, Practising Company Secretaries, ERP Functional Consultant in RHB Securities SDN BHD, Dy. Manager in Nagarjuna Financial Services Private Limited, Asst. Company Secretary in Suven Life Sciences Limited and Management Trainee in Natco Pharma

Limited. He is incharge of compliance and secretarial matters of our Company. His annual compensation is Rs. 0.24 Mn.

3. **Mr. K.N. Prasad** aged 50 years, is Deputy General Manager - production. He has done his B.Tech (Electrical) from IASE University, Rajsathan and Diploma in Electrical Engineering from Government Polytechnic Proddatur. He had over 23 years of experience in the field of Production Management. He has worked as Electrical Supervisor in IDPL and as supervisor in Sri Engineering Works. He has been with our Company for the last 17 years. The gross remuneration paid to Mr. K. N. Prasad for the last financial year was Rs.0.34 Mn.
4. **Mr. P. Sankara Rao** aged 49 years, is the Deputy General Manager-Finance. He is responsible for the accounts and general matters of our Company. He is a Commerce graduate and has been with our Company for the last 15 years. He has over 25 years of experience in the field of Accounting and Finance. Prior to joining us he has worked with M/s. Miniature Motor Co. The gross remuneration paid to Mr P. Sankara Rao for the last financial year was Rs. 0.34 Mn.
5. **Mr. T. Rosaiah** aged 36 years, is the Manager of Research & Development departments. He is M.Sc in (Chemistry) by qualification. He has been with our Company for the last 14 years and looks into the development of new products. The gross remuneration paid to Mr. T. Rosaiah for the last financial year was Rs. 0.26 Mn.
6. **Dr. M.A Muneem** aged 57 years, is the Senior Manager of the Research & Development department of our Company. He holds a Ph.D in Applied Chemistry (Agro Chemical Formulations) and has worked as R & D Manager in Astrachem, Saudi Arabia and also as technical officer in IICT, Hyderabad. He has expertise in the preparation of technical reports required by the R & D Department. The gross remuneration paid to Dr. M. A. Muneem for the last financial year was Rs. 0.30 Mn.
7. **Dr. R. Srinivasa Rao** aged 36 years is Manager of the Reaserch & Development department. He is a graduate in Ayurvedic Medicine and Surgery from Dr. N.T.R. University of Health Science and is a M.D (Ayurveda- Dravyaguna) from Dr. N.T.R. University of Health Science. He is a Post Graduate Diploma in Patents Law from Nalsar University of Law. The gross remuneration paid to Dr. R. Srinivasa Rao for the last financial year was Rs. 0.36 Mn.

#### Shareholding of Key Managerial personnel

None of the Key Managerial Personnel of our Company hold any shares of our Company as on the date of filing of this Draft Red Herring Prospectus.

#### Changes in Key Managerial Personnel

Sr. No.	Name	Designation	Date of Appointment	Date of Resignation	Reasons
1.	Mr. C. V. Raju	CEO	November 1, 2006	--	Joined
2.	Dr. M. A. Muneem	Senior Manager	February 1, 2007	--	Joined
3.	Mr. P.S.R. Swami	CFO & Company Secretary	July 1, 2007	--	Joined
4.	Mr. P.S.R. Swami	CFO & Company Secretary	--	March 31, 2008	Resignation
5.	Mr. S. Vijay Kumar	General Manager – Marketing	--	March 31, 2008	Resignation
6.	Mr. N. R. G. Babu	Deputy General Manager – Production	--	April 30, 2008	Resignation
7.	Mr. Vasudeva Rao Devaki	Company Secretary	May 19, 2008	--	Joined

Except the above there has been no change in the Key Managerial Personnel.

**Notes:**

- All the Key Managerial Personnel mentioned above are on the payrolls of our Company as the permanent employees.
- There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.
- The Key Management Personnel mentioned above are not related parties as per the Accounting Standard 18.

**Bonus or profit sharing plan for Key Managerial Personnel**

There is no specific bonus or profit sharing plan for the Key Managerial Personnel other than as may be decided by the Management.

**EMPLOYEES**

The details about our employees appear under the section titled 'Manpower' on page [●] of this Draft Red Herring Prospectus.

**ESOP/ESPS scheme to employees**

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

**Payment or Benefit to our Officers**

Except for the payment normal remuneration for the services rendered in their capacity as employees of our Company, no other amount or benefit has been paid or given within the two preceding years or intended to be paid or given to any of them.

## PROMOTERS AND THEIR BACKGROUND

The Promoters of our Company are:

- Dr. Y. V. S. Murty
- Mr. Y. S. R. Venkata Rao



### 1. DR. Y. V. S. MURTY

Dr. Y. V. S. Murty aged 80 years, son of Late Mr. Y. S. R. Venkata Rao is the Founder Promoter and Director of our Company.

He holds M.Sc. (Tech.) degree in Chemical Engineering from Andhra University and Doctor of Science (Chemical Engineering) from Atlantic International University, U.S.A. along with having fellow membership of reputed institutes like Institution of Engineers (India), Indian Institute of Chemical Engineers and International Institute of Risk & Safety Management (London). He has almost 6 decades of experience in the chemical industry. He started Alkali Metals Limited started in 1968 as a joint venture with APIDC and within the next few years, he shaped our Company to its current position with specific thrust on Sodium Derivatives, Pyradine Derivatives and Fine Chemicals used in different industries.

His technical expertise and business acumen spanning over almost six decades, has earned him many awards and recognitions:

- The National Research Development Corporation of India (NRDC) Award for Invention of Sodium Bus Bar in 1982.
- The Honour Summus Award from the Watamull Foundation, USA for High Technology Entrepreneurship in 1987.
- The Andhra University Chemical Engineering Alumni Association award for pioneering Sodium & Sodium derivatives Technology in the year 1997.
- Entrepreneur of the Year 2002 award from Hyderabad Management Association.
- Life Time Achievement Honour from Indian Chemical Engineering Congress in the year 2002.

Dr. Y. V. S. Murty was the former Executive Council Member of Institute of Engineers India, Hyderabad and the National Safety Council for Industrial Safety. He has also chaired the Hyderabad Regional Centre of India Institute of Chemical Engineers for two terms and All India Manufacturers' Organisation (AP Chapter). Formerly he was also a committee member of FAPCCI. Currently Dr. Y. V. S. Murty supervises the R & D operations of our Company.

**Driving License No: Not Available**

**Voter Id No: Not Available**



## 2. MR. Y. S. R. VENKATA RAO

Mr. Y. S. R. Venkata Rao, aged 57 years, son of Dr. Y. V. S. Murty is the Managing Director of our Company.

He is a technocrat and second generation entrepreneur. He has completed his graduation in Engineering (Mechanical) from Sri Venkateswara University, Aandhra Pradesh and is Fellow of the Institution of Engineers (India). He joined our Company in the year 1977 and Since then, he has been playing a pivotal role in steering the growth of our Company from being a manufacturer of alkali metals to producer of sodium metal derivatives, cyclic compounds, fine chemicals, which find wide application in various industries, especially the pharma sector. His technical expertise has earned him the 'Member of the Year Award' for the year 2002 from the All India Manufacturers' Association, Andhra Pradesh State Board and also various coveted posts. He was the Chairman of the All India Manufacturer's Organisation of the Andhra Pradesh State Board.

- Executive member in Central Governing Council for All India Export Promotion Council.
- Member in Committee for Administration, PHARMEXCIL.
- Committee Member in FAPCCI.
- Member in Hyderabad Management Association.
- Member of the Institute of Engineers.
- Member of the Indio-American Chamber of commerce.
- Member of the Indo-German Chamber of Commerce.
- Member of the India China Chamber of Commerce & Industry.
- Member of CHEMEXCIL.
- Member of BDMA
- Member of Uppal Industrial Association.
- Indian Institute of Packaging

He was also the Chairman of Regional Governing Council and Export Promotion Council for EOU & SEZ Units (EPCES), Visakhapatnam.

He is involved in the day to day operations of our company and is responsible for the strategic initiatives of our Company and entering new markets, increasing the product line with constant focus on improvement in quality of products offered.

**Driving License No: DLRAP00980082007**

**Voter Id No: KGY0549311**

The Permanent Account Number, Bank Account details and Passport Number of our Promoters have been submitted to The Bombay Stock Exchange Limited and The National Stock Exchange of India Limited (NSE), on which our Company proposes to list its Equity Shares at the time of filing of this Draft Red Herring Prospectus.

Further, the Promoters have not been identified as a willful defaulter by RBI or any other Government authority and there are no violations of securities laws committed by the Promoters in the past or any such proceedings are pending against the Promoters.

### Common Pursuits

There are no common pursuits amongst Alkali Metals Limited and any other group companies except for Yerramilli Chemicals Private Limited whose objects contain the manufacture of

chemicals. However, this company is yet to commence active operations. For details please refer to the section titled 'Ventures / Other Concerns Promoted by Promoters / Group Companies' on page no [●] of this DRHP.

### Interest of Promoters

Our promoters are interested in the promotion of our Company and are also interested to the extent of their shareholding, for which they are entitled to receive the dividend declared, if any, by our Company. Further, our Promoters, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of our Board or Committees thereof as well as to the extent of remuneration and/or reimbursement of expenses payable to them for services rendered to us in accordance with the provisions of the Companies Act and in terms of the Articles.

Dr. Y. V. S. Murty may be deemed to be interested to the extent of the equity shares held by him, his friends and relatives, and benefits arising from his holding directorship / employment in our Company. He may also be deemed to be interested in the transactions entered into by our Company and the ventures where he is interested as a Promoter, Director or otherwise.

Further, he is also interested to the extent of amount received by him as royalty from our Company pursuant to the technology transfer agreement entered into with our Company on March 30, 2000. As per the Agreement Dr. Y.V.S. Murty has agreed to provide Alkali Metals Limited exclusively, the technology on products developed and technical know how to our Company. In consideration of the transfer of technology by Dr. Y.V.S. Murty our Company agrees to pay royalty to Dr. Y.V.S. Murty at the rate of 3% of the net sale value of each of the products developed and commercialised in our company's plant from April 1, 1997 to March 31, 2007. This royalty of 3% shall be payable on the sale of each product for a period of 10 years commencing from the date of first sale of such product or from April 1, 1997 whichever is later. The royalty will be payable on quarterly basis at the end of each quarter. However, no royalty shall be payable by Alkali Metals on the sale of Sodium Metal, Sodium Amide and Sodium Methoxide. This agreement has been approved by the shareholders of our Company vide their resolution dated February 29, 2000.

Royalty paid for the following financial years:

Year	Amount (Rs. in Mn)
1997-1998	1.66
1998-1999	3.65
1999-2000	5.76
2000-2001	5.70
2001-2002	7.73
2002-2003	11.13
2003-2004	9.64
2004-2005	8.52
2005-2006	16.68
2006-2007	11.57
2007-2008	3.06
<b>Total</b>	<b>85.10</b>

Our Company commenced payment of royalty from the year 1997–98, being the first year of sale of the above mentioned products and is being paid every year since then. As per the terms of the said agreement for the products developed and commercialized till March 31, 2007, our Company would be liable for payment of royalty for the period of 10 years from such date.

Further, our Company has taken on rent, an apartment owned by Dr. Y. V. S. Murty, located at Flat No. 6, Prembagh Apartments, Barkatpura, Hyderabad 500027, for a period of 11 months from February 1, 2008 to December 31, 2008 for a monthly rent of Rs.10,000/-.

Party	Transaction	Year				
		2003-04	2004-05	2005-06	2006-07	2007-08
Dr. Y.V.S.Murty	Rent	0.00	0.00	0.00	0.19	0.19

Mr. Y.S.R. Venkata Rao may be deemed to be interested to the extent of the equity shares held by him, his friends and relatives, and benefits arising from his holding directorship /employment in our Company. He may also be deemed to be interested in the transactions entered into by our Company and the ventures where he is interested as a Promoter, Director or otherwise. He is also interested to the extent of remuneration paid to him.

The Promoters do not have any interest in any property acquired by our Company within two years of the date of this DRHP or proposed to be acquired by it.

#### Payment or Benefit to our Promoters

##### (I) Payment of benefit to Dr. Y. V. S. Murty:

(Rs. in Mn)

Party	Transaction	Year				
		2003-04	2004-05	2005-06	2006-07	2007-08
Dr Y.V.S. Murty	Royalty	9.64	8.52	16.68	11.57	3.06
Dr Y.V.S.Murty	Rent	0.00	0.00	0.00	0.19	0.19

##### (II) Payment of benefit to Mr. Y. S. R. Venkata Rao:

Mr. Y. S. R. Venkata Rao has been drawing remuneration from our Company in his capacity as Managing Director. The details of the remuneration are given below:

(Rs. in Mn)

Party	Transaction	Year				
		2003-04	2004-05	2005-06	2006-07	2007-08
Sri Y.S.R. Venkata Rao	Remuneration	0.47	1.25	1.27	1.27	4.07

Except as stated above there has been no other payment of benefits to the Promoters during the last two years from the date of filing of this DRHP.

Except as stated hereinabove and as stated in 'Related Party Transactions' appearing under section titled 'Financial Information' beginning on page [●] of this Draft Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Draft Red Herring Prospectus in which the Promoters are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

#### Sales or Purchases between companies in the Promoter Group

The sales or purchases between companies in the promoter group are as detailed in "Related Party Transactions" on page [●] of this Draft Red Herring Prospectus.

#### Related Party Transactions

The details of related party transactions have been disclosed as a part of the Auditors Report. For details, please refer page [●] of this Draft Red Herring Prospectus.

## CURRENCY OF PRESENTATION

In this Draft Red Herring Prospectus, unless the context otherwise requires, all references to the word “Lakh” or “Lac”, means “One hundred thousand” and the word “million” means “Ten Lacs” and the word “Crore” means “ten million” and the word “billion” means “One thousand million and the word “trillion” means “One thousand billion”. In this Draft Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Draft Red Herring Prospectus, all the figures have been expressed in Millions of Rupees, except when stated otherwise. All references to “Rupees” and “Rs.” in this Draft Red Herring Prospectus are to the legal currency of India.

## DIVIDEND POLICY

Dividends, other than interim dividends, will be declared at the AGM of the shareholders based on the recommendation of the Board of Directors. The Board may, at its discretion, recommend dividends to be paid to the shareholders, considering a number of factors including, without limitation, our Company’s future expansion plans and capital requirements, profits earned during the fiscal year, cost of raising funds from alternate sources, liquidity position, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and general market conditions. The dividend payments in the past are not necessarily indicative of the dividend amounts, if any, or the dividend policy, of our Company in the future.

The Summary of dividends declared by our Company during the previous five FYs is as follows:

<b>Period/Year Ended</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Face Value of Equity Share (Rs. per share)	10	10	10	10	10
Dividend including Dividend Tax (Rs. in Mn.)	27.75	27.15	105.60	18.10	30.17
Dividend Rate (%)	40	45	175	30	50

## SECTION VII - FINANCIAL INFORMATION

### FINANCIAL STATEMENTS

#### Auditor's Report

To  
The Board of Directors  
Alkali Metals Ltd.  
Block III, B 5, I D A  
UPPAL, Hyderabad – 500 039.

#### Re: Public Issue of Alkali Metals Limited

Dear Sir,

We have examined and found correct the Audited Accounts of ALKALI METALS LTD, ('The Company') for the past five financial years ended on March 31, 2004, 2005, 2006, 2007 and 2008 being the date up to which the accounts of the Company have been made up and audited by us. At the date of signing this report, we are not aware of any material adjustment, which would affect the result shown by these accounts drawn up in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the Act), and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) for the purpose of the Offering Memorandum as aforesaid, we report that:

- a. We have examined the attached restated Profits & Loss Statement of the Company for the financial years ended March 31, 2004, 2005, 2006, 2007 and 2008, which is as set out in **Annexure - I** to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies and Notes to Accounts appearing in **Annexure III and IV** respectively to this report.
- b. We have examined the attached restated assets and liabilities of the Company as at March 31 2004, 2005, 2006, 2007 and 2008, which is as set out in **Annexure - II** to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Notes to Accounts appearing in **Annexure IV** to this report.
- c. Based on our examination of these Restated Summary Statements we confirm that:
  - i. The accounting policies have been consistently applied by the Company and are consistent to those used in previous year as disclosed in **Annexure III**.
  - ii There are no extra ordinary items in the period covered by the Restated Summary Statement.
  - iii. There have been no material prior period items which required adjustments in the restated financial statements.
  - iv. There are no qualifications in the auditor's report in the period covered by the Restated Summary Statements.
- d. We have examined the cash flow statement relating to the Company for the five years ended March 31, 2004, 2005, 2006, 2007 and 2008, which is appearing in **Annexure V** to this report.
- e. The rates of dividends paid by the Company in respect of the financial years ended March 31 2004, 2005, 2006, 2007 and 2008, are as shown in **Annexure VII** to this report.

- f. We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer document:
- i. Details of Loans & advances as appearing in **Annexure – VI** to this report.
  - ii. Performance Ratios as appearing in **Annexure VIII** to this report
  - iii. Capitalization Statement as appearing in **Annexure IX** to this report
  - iv. Statement of tax shelters as appearing in **Annexure X** to this report
  - v. Details of other income as appearing in **Annexure XI** to this report
  - vi. Details of sundry debtors as appearing in **Annexure XII** to this report
  - vii. Details of secured loans as appearing in **Annexure XIII** to this report
  - viii. Details of transactions with related parties as appearing in **Annexure XIV** to this report
  - ix. Details of investments as appearing in **Annexure XV** to this report
  - x. Details of contingent liabilities as appearing in notes to accounts to this report
  - xi. Details of Significant Accounting Policies as given in **Annexure III** to this report

In our opinion the above financial information of the Company read with Significant Accounting Policies and Notes on Account attached in **Annexure III and IV** respectively to this report, after making adjustments and regroupings as considered appropriate has been prepared in accordance with paragraph B (1) Part II of Schedule II of the Act and the SEBI Guidelines.

In terms of Clause 6.10.2.7 (b) of the SEBI (DIP) Guidelines and Other provisions relating to accounts of the Alkali Metals Limited, we hereby confirm that Statements of Assets and Liabilities and Profit and Loss or any other financial information have been incorporated after making the following adjustments, wherever quantification is possible:

1. Adjustments/ rectification for all incorrect accounting practices or failures to make provisions or other adjustments which resulted in audit qualifications.
2. Material amounts relating to adjustments for previous years has been identified and adjusted in arriving at the profits of the years to which they relate irrespective of the year in which the event triggering the profit or loss occurred.
3. Where there has been a change in accounting policy, the profits or losses of the earlier years (required to be shown in the prospectus) and of the year in which the change in the accounting policy has taken place has been recomputed to reflect what the profits or losses of those years would have been if a uniform accounting policy was followed in each of these years.
4. If an incorrect accounting policy is followed, the re-computation of the financial statements has been in accordance with correct accounting policies.
5. Statement of profit or loss disclose both the profit or loss arrived at before considering extraordinary items and after considering the profit or loss from extraordinary items.

The statement of assets and liabilities has been prepared after deducting the balance outstanding on revaluation reserve account from both fixed assets and reserves and the networth arrived at after such deductions.

This report is intended solely for your information and for inclusion in the Offer document in connection with the specific Public Offer of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

**For AVADHANI & CO,  
Chartered Accountants**

**K.R.K.AVADHANI**  
**Partner**  
Membership No. 2946

Date: 21.05.2008

Place: Hyderabad

## ANNEXURE - I

## STATEMENT OF PROFIT AND LOSS (RESTATED)

(Rs. in Mn.)

Particulars	For the Year ended				
	2004	2005	2006	2007	2008
<b>Income</b>					
Gross Sales of products manufactured by the company	459.59	415.87	733.66	649.35	687.04
Less: Excise Duty & Sales Tax	36.02	33.89	77.36	49.25	69.36
Net Sales of products manufacturing by the company	423.57	381.98	656.30	600.10	617.68
Other Income	2.80	2.42	2.31	1.21	0.42
Increase / (Decrease) in Stock	0.08	22.48	(9.24)	38.69	35.25
<b>Total</b>	<b>426.45</b>	<b>406.89</b>	<b>649.36</b>	<b>640.00</b>	<b>653.35</b>
<b>Expenditure</b>					
Raw materials Consumed	200.77	180.87	300.63	353.26	361.66
Employees cost	24.22	31.92	37.76	42.55	50.51
Power & Fuel	31.01	32.63	45.80	59.25	62.06
Other Manufacturing Cost	31.81	38.10	29.44	15.47	16.93
Research & Development Expenses	19.86	19.43	27.71	19.28	10.77
Marketing Expenses	29.43	26.73	33.12	28.49	25.71
Interest ( Financial Expenses)	8.38	11.28	17.80	20.29	17.72
Depreciation	9.64	11.28	12.81	16.87	18.17
<b>Total</b>	<b>355.11</b>	<b>352.23</b>	<b>505.08</b>	<b>555.46</b>	<b>563.53</b>
<b>Net profit before extra ordinary Items &amp; Tax</b>	<b>71.34</b>	<b>54.66</b>	<b>144.28</b>	<b>84.55</b>	<b>89.82</b>
<b>Extra Ordinary Item:</b>					
Loss on Sale of Investment	0.00	4.11	0.29	0.00	0.00
Current tax(Provision and payment)	6.00	2.50	9.50	6.00	10.50
Deferred Tax	2.00	1.00	1.50	2.50	0.00
Net profit after Tax	<b>63.34</b>	<b>47.05</b>	<b>132.99</b>	<b>76.05</b>	<b>79.32</b>
amount available for appropriation	63.34	47.05	132.99	76.05	79.32
<b>APPROPRIATION</b>					
Provision for Dividend	30.17	18.10	105.59	27.15	27.75
Provision For tax on Dividend	3.87	2.37	14.81	3.81	4.72
Transfer to General Reserve	6.33	5.00	14.00	8.00	8.00
Balance Carried over to Balance Sheet	22.97	21.58	(1.40)	37.09	38.85

## ANNEXURE - II

**SUMMARY OF ASSETS AND LIABILITIES-RESTATED**  
(Rs. in Mn.)

<b>DETAILS</b>	<b>Mar-04</b>	<b>Mar-05</b>	<b>Mar-06</b>	<b>Mar-07</b>	<b>Mar-08</b>
<b>Fixed Assets</b>					
Gross Block (Including Capital WIP)	215.57	261.52	326.76	383.01	418.46
LESS: Depreciation	43.08	54.35	66.54	83.42	101.49
<b>Net Block(A)</b>	<b>172.50</b>	<b>207.17</b>	<b>260.22</b>	<b>299.59</b>	<b>316.97</b>
<b>Investments (B)</b>	<b>36.20</b>	<b>15.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Current Assets, Loans &amp;Advances</b>					
Inventories	46.21	77.87	80.24	124.01	130.93
Sundry Debtors	103.43	86.02	128.21	82.10	121.00
Cash and Bank Balances	20.52	11.51	1.36	1.30	0.41
Loans and Advances	43.26	34.10	43.13	54.33	95.56
<b>Sub Total (C )</b>	<b>213.43</b>	<b>209.50</b>	<b>252.93</b>	<b>261.74</b>	<b>347.95</b>
<b>PRELIMINARY &amp; PRE-OPERATIVE EXPENDITURE(D)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>9.01</b>
<b>Loans and Liabilities</b>					
Secured Loans	98.12	133.14	185.76	203.16	237.37
Deferred Sales Tax Liability	10.00	11.04	12.64	14.63	18.10
Current Liabilities and Provisions	75.55	44.71	57.87	39.07	67.14
<b>Sub Total (E)</b>	<b>183.68</b>	<b>188.89</b>	<b>256.27</b>	<b>256.87</b>	<b>322.61</b>
<b>Deferred Tax (F)</b>	<b>5.50</b>	<b>6.50</b>	<b>8.00</b>	<b>10.50</b>	<b>10.50</b>
<b>Net Worth (A+B+C+D-E-F)</b>	<b>232.95</b>	<b>236.28</b>	<b>248.88</b>	<b>293.96</b>	<b>340.82</b>
Represented by					
Share Capital	60.34	60.34	60.34	60.34	69.39
Reserves & Surplus	172.61	175.95	188.55	233.62	271.43
Less: Miscellaneous Expenditure					
<b>Net Worth</b>	<b>232.95</b>	<b>236.28</b>	<b>248.88</b>	<b>293.96</b>	<b>340.82</b>

**ANNEXURE –III**

**SIGNIFICANT ACCOUNTING POLICIES:**

The following are significant accounting policies adopted by the company in the Preparation and presentation of financial statements.

<b>S.No.</b>	<b>Accounting Policies</b>	<b>AS No</b>
1	Disclosure of Accounting Policies: Financial statements have been prepared under the historical costs convention and in accordance with applicable accounting standards and provisions of the Companies Act, 1956. All income and expenditure having a material bearing in the financial statements are prepared on accrual basis.	AS-1
2	Valuation of Inventories: a)Raw Materials and Work in Progress are valued at cost. b) Stock-in-Trade is valued at cost or realisable value whichever is less. c) CENVAT & VAT on purchase of raw material/components are deducted from cost of such materials.	AS-2
3	Cash Flow Statements: Cash flow statement is prepared and is forming part of the financial statements.	AS-3
4	Contingencies and events occurring after the balance sheet date (a) Contingent Liabilities not provided for: Nil (b) Capital Commitment not provided for: Nil	AS-4
5	Net Profit or Loss for the period, prior period items and changes in accounting policies  <u>Net profit for the period:</u>  All items of income and expenses in the period are included in the determination of net profit for the period, unless specifically mentioned in the financial statements or is required by an Accounting Standard  <u>Prior period items</u> Nil  <u>Accounting policies:</u>  There are no changes in the accounting policies of the Company from that of the previous year.	AS -5
6	Depreciation Accounting: Fixed assets are valued at cost less depreciation provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. In respect of additions made during the 1 <sup>st</sup> half year, depreciation is provided on pro rata basis.	AS-6
7	Accounting for Construction contracts The above Standard is not applicable to the Company, as it is not engaged in the business of construction.	AS-7
8	Revenue Recognition  Sales & Services are inclusive of taxes and duties collected  Revenue from fixed price contracts are recognized as per the terms of the contract.  Revenue from other income is based on accrual basis	AS-9
9	Accounting for Fixed Assets Fixed assets are capitalized at acquisition cost and other directly attributable cost of bringing the assets to its working condition. Cenvat & VAT claimed on capital goods are credited to plant & machinery account.	AS-10

10	<p>Accounting for effects in foreign exchange rates</p> <p>a) All monetary items denominated in foreign currency are reflected at the rates prevailing on the Balance sheet date.</p> <p>b) Income and Expenditure items involving foreign exchange are translated at the exchange rate prevailing on the dates of transaction.</p> <p>c) Exchange differences, if any, arising on account of fluctuations in foreign exchange have been duly reflected in the Profit &amp; Loss Account except in respect of acquisition of fixed assets.</p>	AS-11
11	<p>Accounting for Government Grants</p> <p>Since the company has not received any grants, this accounting standard is not applicable</p>	AS-12
12	<p>Accounting for Investments</p> <p>Investments are valued at cost.</p>	AS-13
13	Accounting for Amalgamation - Not applicable	AS-14
14	<p>Accounting for Retirement Benefits:</p> <p>a) The Company has a provident fund scheme for their employees. Contributions to the scheme are charged to the profit and loss account.</p> <p>b) Provision for gratuity has been made for all the employees in the rolls of the company at the closing of accounting half year. The company is making actual gratuity payments as and when crystallized by debiting to the gratuity fund account.</p> <p>c) The Company extends benefit of Encashment of Leave to its employees while in service as well as on retirement. Leave encashment liability in respect of leave accumulated is accounted for on the basis of last drawn salary.</p>	AS-15
15	<p>Borrowing Cost</p> <p>Borrowing Cost on qualifying asset is commenced for capitalization when the expenditure on Qualifying asset and borrowing cost are incurred.</p>	AS-16
16	<p>Segment Reporting</p> <p>The revenue is recognised in primary and secondary business segments.</p>	AS-17
17	<p>Related Party Disclosure</p> <p>The company has entered into transactions with related parties and the said information is shown separately.</p>	AS-18
18	<p>Earnings Per Share</p> <p>The company follows the relevant AS and the disclosures made accordingly</p>	AS-20
19	<p>Consolidated Financial Statements</p> <p>It is clarified that AS 21 is mandatory if an enterprise presents consolidated financial statements. In other words, the accounting standard does not mandate an enterprise to present consolidated financial statements but, if the enterprise presents consolidated financial statements for complying with the requirements of any statute or otherwise, it should prepare and present consolidated financial statements in accordance with AS 21. Hence, this Standard is not applicable as the company does not opt for presenting consolidated financial statements. Therefore, the financial statements of M/s Balaji Agro Industries Ltd., a subsidiary of the company for the years 2003-04, were not consolidated for the respective years. From 2004-05 onwards, M/s Balaji Agro Industries Ltd., ceased to be the subsidiary of the</p>	AS-21

	company.	
20	<p>Deferred Taxation:  Current Tax is determined as per the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets/liabilities, on timing differences, being difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.</p>	AS-22
21	<p>Accounting for investments in associates  An investment in associates is valued at cost of investment.</p>	AS-23

## Notes to Accounts:

## I. QUANTITATIVE INFORMATION

## Capacity

Product	unit	Licensed Capacity					Installed Capacity				
		2003-04	2004-05	2005-06	2006-07	2007-08	2003-04	2004-05	2005-06	2006-07	2007-08
Sodium Metal Derivatives	MT	N.A.	N.A.	N.A.	N.A.	N.A.	1800	2000	2500	2700	3400
Amino Pyridines	MT	N.A.	N.A.	N.A.	N.A.	N.A.	500	500	500	500	600
Fine Chemicals	MT	N.A.	N.A.	N.A.	N.A.	N.A.	150	150	200	250	400

## Capacity utilisation

	2003-04	2004-05	2005-06	2006-07	2007-08
Sodium Metal Derivatives	71%	60%	67%	66%	49%
Amino Pyridines	35%	41%	27%	24%	18%
Fine Chemicals	19%	4%	38%	5%	7%

## Details of Production and Sales (in MT)

## 2007-08

Product	Opening Stock	Production	Sales	Closing Stock
Sodium Metal Derivatives	14.656	1653.714	1659.870	8.500
Amino Pyridines	0.650	106.840	107.490	---
Fine chemicals	---	28.923	28.923	---
Caustic Lye (dilute) (Recovered from Pollution control & treatment)	---	1179.105	1179.105	---
Work in Process	198.498			272.187

## 2006-07

Product	Opening Stock	Production	Sales	Closing Stock
Sodium Metal Derivatives	0.225	1784.197	1769.765	14.656
Amino Pyridines	---	119.318	118.668	0.65
Fine chemicals	0.022	12.977	12.999	---
Caustic Lye (dilute) (Recovered from Pollution control & treatment)	---	1495.735	1495.735	---
Work in Process	182.558			198.498

## 2005-06

Product	Opening Stock	Production	Sales	Closing Stock
Sodium Metal Derivatives	2.200	1667.018	1668.993	0.225
Amino Pyridines	---	136.990	136.990	---
Fine chemicals	---	75.490	75.470	0.020
Caustic Lye (dilute) (Recovered from Pollution control & treatment)	---	1091.810	1091.810	---

Work in Process	221.723			182.558
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#### 2004-05

Product	Opening Stock	Production	Sales	Closing Stock
Sodium Metal Derivatives	0.023	1207.678	1205.501	2.200
Amino Pyridines	---	205.339	205.339	---
Fine chemicals	0.044	5.379	5.423	---
Caustic Lye (dilute) (Recovered from Pollution control & treatment)	---	1025.540	1025.540	---
Work in Process	123.570			221.723

#### 2003-04

Product	Opening Stock	Production	Sales	Closing Stock
Sodium Metal Derivatives	0.300	1272.993	1273.270	0.023
Amino Pyridines	---	175.335	175.335	---
Fine chemicals	0.046	28.677	28.679	0.044
Caustic Lye (dilute) (Recovered from Pollution control & treatment)	---	512.660	512.660	---
Work in Process	73.017			123.570

### II. CONSUMPTIONS

	2007-08	2006-07	2005-06.	2004-05	2003-04	2007-08	2006-07	2005-06	2004-05	2003-04
	QTY	QTY	QTY	QTY	QTY	Value (Rs. Mns)				
1) Chemicals (MT)	2010.575	1520.67	1786.73	1371.02	1125.00	260.59	244.96	206.51	124.42	145.89
2) Gases (MT)	1319.541	1102.83	1461.88	797.58	676.00	48.95	47.79	51.94	26.01	16.39
-do- (Cylinders)	17359	15,024	3,354	22,692	45,314	4.08	3.43	0.69	7.20	7.76
3) Oils & Solvents(KL)	894.061	373.88	295.78	201.35	316.00	23.45	18.12	9.59	6.03	8.32
-do- (MT)	108.775	182.33	547.30	354.79	371.00	7.20	7.51	15.04	8.80	8.48
4) Stores & Others	---	---	--	---	---	17.39	31.64	21.74	15.99	13.93
5) LDO (KL)	--	24.00	64.80	883.07	1086.00	--	0.62	1.72	16.52	18.89
6) HCO (KL)	1827.755	1588.97	1309.55	241.17	---	40.14	36.71	20.49	3.31	--
7) Power (units)	5598585	51,86,165	56,05,666	3481392	2980280	21.91	21.72	22.26	16.12	12.12
<b>Total</b>						<b>423.71</b>	<b>412.50</b>	<b>349.98</b>	<b>224.40</b>	<b>231.78</b>

### III. FOREIGN EXCHANGE TRANSACTIONS

	2007-08 (Rs in Mn.)	2006-07. (Rs in Mn.)	2005-06. (Rs in Mn.)	2004-05. (Rs in Mn.)	2003-04. (Rs in Mn.)
a) C.I.F value of imports		88.84	127.77	140.97	96.04
Raw Materials	86.97		127.77	138.44	94.49
Capital Equipment	1.87		Nil	2.53	3.26
b) Expenditure in Foreign		3.34	5.23	9.11	8.39

currency									
c) F.O.B. value of Exports		223.97		248.16		326.43		198.68	223.16

#### IV. DIRECTORS' REMUNERATION

(Rs. in Mn.)

2003-04	2004-05	2005-06	2006-07	2007-08
0.468	1.249	1.27	1.27	4.07

#### V. AUDITORS' REMUNERATION

(Rs. in Mn.)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Statutory Audit	0.020	0.020	0.020	0.020	0.020
Tax Audit	0.006	0.006	0.006	0.006	0.006
Out of Pocket Expenses	0.003	0.004	0.006	0.005	0.013
<b>Total</b>	<b>0.029</b>	<b>0.030</b>	<b>0.032</b>	<b>0.031</b>	<b>0.039</b>

#### VI. EARNINGS PER SHARE (EPS)

PERIOD ENDED ON	31-03-04	31-03-05	31-03-06	31-03-07	31-03-08
PAT (Including Deferred Tax) (Rs in Millions)	63.34	47.05	132.99	76.04	79.32
No. of Shares	6033600	6033600	6033600	6033600	6938640
Earning Per Share(EPS) (Rs.)	10.50	7.80	22.04	12.60	11.43

#### VII. Related Parties

PARTY	Nature of Relationship
Balaji Agro Industries Limited	Promoter Group company
Asian Herbex Limited	Promoter Group company
CDC Industrial Infrass Limited	Promoter Group company
Yerramilli Venkata Rao Trust	Promoter's trust
Mr. Y.S.R.Venkata Rao	Managing Director
Dr. Y. V. S. Murthy	Promoter
M/s Intech, Nanded	Promoter group entity

#### RELATED PARTY TRANSACTIONS

(Rs. in Mn.)

PARTY	Nature of Relationship	TRANSACTION	YEAR				
			2003-04	2004-05	2005-06	2006-07	2007-08
Balaji Agro Industries Limited	Promoter Group company	Rent	1.80	0.60	0.00	0.00	0.00
Asian Herbex Limited	Promoter Group company	Sale	0.00	0.00	22.99	77.08	138.47
Asian Herbex Limited	Promoter Group company	Purchase	2.57	7.01	3.91	57.98	137.69
CDC Industrial Infrass Limited	Promoter Group company	Consultancy	0.28	0.06	0.00	0.00	0.00
CDC Industrial Infrass	Promoter Group	Rent	0.05	0.00	0.08	1.04	1.04

Limited	company							
Yerramilli Venkata Rao Trust	Promoter's trust	Donation	0.93	0.00	0.00	0.00	0.00	0.00
Dr. Y. V. S. Murthy	Promoter	Royalty	9.64	8.52	16.68	11.57	3.06	
Mr. Y. S. R. Venkata Rao	Managing Director	Remuneration	0.47	1.25	1.27	1.27	4.07	
Dr Y.V.S.Murthy	Promoter	Rent	0.00	0.00	0.00	0.19	0.19	
M/s Intech, Nanded	Promoter group entity	Sales commission	0.31	0.36	0.38	0.43	0.00	

## VIII SEGMENT INFORMATION

### i. PRIMARY BUSINESS SEGMENTS

The Company is exclusively in Chemical business segment.

### ii. SECONDARY BUSINESS SEGMENTS

(Rs. in Mn.)

Particulars	India	Italy	Japan	Belgium	Germany	US	U.K	Israel	Others	Total
<b>Segment Revenue</b>										
2007-08	452.65	72.10	52.27	31.70	36.08	20.76	6.49	9.53	5.45	687.04
2006-07	353.27	24.25	67.16	77.20	47.80	15.35	15.50	11.41	37.38	649.34
2005-06	372.10	80.35	77.13	72.03	60.12	13.61	12.25	6.31	39.76	733.66
2004-05	218.03	33.69	56.17	40.62	-		21.27	21.35	24.72	415.87
2003-04	224.21	64.36	70.68	31.34	3.84	5.79	20.69	22.08	16.58	459.59
<b>Segment Assets</b>										
2007-08	384.50									
2006-07	358.57									
2005-06	313.12									
2004-05	196.89									
2003-04	172.49									
<b>Capital Expenditure</b>										
2007-08	26.14									
2006-07	45.45									
2005-06	65.52									
2004-05	35.67									
2003-04	33.58									
2002-03	37.72									

## IX ACCOUNTING POLICIES

- i) Sales are inclusive of Central Excise and Sales Tax.
- ii) Gratuity is handled through LIC Special Policy on actuarial basis and the annual premium is treated as expenditure.
- iii) Straight Line Method of Depreciation has been adopted.
- iv) Raw Materials are valued at Cost, excluding Modvat.
- v) Stock in process valued at cost
- vi) Finished Goods are valued at Market Value less selling expenses Less profit element.
- vii) Modvat Benefits are reduced from cost of Purchases.
- viii) Stores, Spares & Packing Material are valued at Cost.
- ix) Investments are carried at cost plus accrued interest, if any.

x) Expenses on Research & Development are separately allocated.

#### X. NOTES TO ACCOUNTS

1. The value of proforma credits under MODVAT SCHEME are as under

	Rs. in Mn.	
Year ended	31.03.2008	32.07
Year ended	31.03.2007	27.21
Year ended	31.03.2006	27.60
Year ended	31.03.2005	10.40
Year ended	31.03.2004	15.72

2. Contingent liabilities as per **AS-4** not provided for on account of :

(Rs in Mn.)

S No	Particulars	As at	AMOUNT
I	Income Tax demands.	31.03.2008	28.31
II	Income Tax demands.	31.03.2007	17.48
III	Income Tax demands.	31.03.2006	5.13
IV	-	31.03.2005	0.00
V	Income Tax demands	31.03.2004	24.82

3. LOANS:

Loans with SBI:

Loans with State Bank of India is secured by second charge on fixed assets, hypothecation of stocks and receivables and personal guarantee of Directors.

4. Figures of sundry debtors, creditors and other advances are subject to reconciliation.
5. Previous year's figures are regrouped wherever necessary to conform to the Current Period's Presentation / Classification.
6. Amounts and weights have been rounded off to the nearest Rupee Previous years' figures.
7. The amount due to Small Scale Industrial undertakings as at 31.03.2008: NIL
8. Material events after Balance Sheet date:  
The company has issued Bonus shares on 19<sup>th</sup> May 2008 in the ratio of 1:10 out of its free-reserves.

## ANNEXURE - V

**CASH FLOW STATEMENT PREPARED FROM THE RESTATED FINANCIAL STATEMENTS**  
(Rs. in Mn.)

<b>PARTICULARS</b>	<b>Mar-04</b>	<b>Mar-05</b>	<b>Mar-06</b>	<b>Mar-07</b>	<b>Mar-08</b>
<b>CASH FROM OPERATING ACTIVITIES</b>					
Net Profit before taxation & Extraordinary items	<b>71.34</b>	<b>54.66</b>	<b>144.28</b>	<b>84.54</b>	<b>89.82</b>
Adjustments for					
Depreciation	9.64	11.28	12.81	16.87	18.17
Interest income	(1.58)	(0.30)	(0.35)	(0.26)	(0.43)
Dividend income & others	(1.22)	(2.12)	(1.96)	(0.95)	0.00
Interest Expenses	8.38	11.28	17.80	20.29	17.72
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>86.56</b>	<b>74.79</b>	<b>172.58</b>	<b>120.49</b>	<b>125.29</b>
<b>Adjustments for changes in working capital</b>					
Debtors	(13.94)	17.42	(42.19)	46.10	(38.90)
Inventories	(12.45)	(31.66)	(2.37)	(43.78)	(6.92)
Other Current Assets & Loans & Advances	7.76	22.72	(9.03)	(11.18)	(41.28)
Current Liabilities	(3.37)	(43.39)	14.66	(16.30)	28.07
Cash generation from operations	64.56	39.88	133.65	95.34	66.26
Less : Income tax Paid	8.00	26.75	11.00	8.50	10.50
<b>(A) NET CASH FROM OPERATIONS</b>	<b>56.56</b>	<b>13.13</b>	<b>122.65</b>	<b>86.84</b>	<b>55.76</b>
<b>CASH FROM INVESTING ACTIVITIES</b>					
Purchase of Fixed Assets	(33.58)	(45.96)	(68.89)	(56.25)	(35.75)
Proceeds from Sales of Assets	0.12	0.00	3.03	0.00	0.21
Purchase of investments	(10.20)	0.00	0.00	0.00	0.00
Sale of Investments	0.00	17.08	14.71	0.00	0.00
Interest income	1.58	0.30	0.35	0.26	0.43
Dividend Income & others	1.22	2.12	1.96	0.95	0.00
<b>(B) NET CASH FROM INVESTING ACTIVITIES</b>	<b>(40.87)</b>	<b>(26.46)</b>	<b>(48.84)</b>	<b>(55.04)</b>	<b>(35.11)</b>
<b>CASH FROM FINANCING ACTIVITIES</b>					
Increase in Long Term Liabilities	4.48	1.04	1.60	1.69	73.47
Increase in short term borrowings	35.63	35.32	53.20	17.70	(35.79)
Borrowings/ Repayment of loans	0.00	(0.30)	(0.57)	0.00	0.00
Interest paid	(8.38)	(11.28)	(17.80)	(20.29)	(17.72)
Dividend paid	(30.17)	(18.10)	(105.59)	(27.15)	(27.75)
Tax on dividend	(3.87)	(2.37)	(14.81)	(3.81)	(4.72)
Preliminary & Pre Operative Exp.	0.00	0.00	0.00	0.00	(9.02)
<b>(C) Net cash from Financing Activities</b>	<b>(2.30)</b>	<b>4.32</b>	<b>(83.96)</b>	<b>(31.85)</b>	<b>(21.53)</b>
<b>Net increase /( Decrease) in cash &amp; cash equivalents(A+B+C)</b>	<b>13.39</b>	<b>(9.01)</b>	<b>(10.15)</b>	<b>(0.05)</b>	<b>(0.89)</b>
<b>Cash And Cash equivalents at the beginning of the year</b>	<b>7.13</b>	<b>20.52</b>	<b>11.51</b>	<b>1.36</b>	<b>1.30</b>
<b>Cash And Cash equivalents at the end of the year</b>	<b>20.52</b>	<b>11.51</b>	<b>1.36</b>	<b>1.30</b>	<b>0.41</b>

**ANNEXURE VI  
LOANS AND ADVANCES**

(Rs. in Mn.)

Period ending on	31.03.04	31.03.05	31.03.06	31.03.07	31.03.08
Loans and advances given to Affiliates / Group Companies or those related to Promoters/ Directors in any way	0	0	0	0	0
Others	43.26	34.10	43.13	54.33	95.60
<b>Total</b>	<b>43.26</b>	<b>34.10</b>	<b>43.13</b>	<b>54.33</b>	<b>95.60</b>

**ANNEXURE – VII**

**Statement of Dividend**

Rs in Mn.

	2003-04	2004-05	2005-06	2006-07	2007-08
Amount of Capital	60.34	60.34	60.34	60.34	69.39
% of Dividend	50	30	175	45	40
Amount of dividend	30.17	18.10	105.60	27.15	27.75

**ANNEXURE VIII**

**ACCOUNTING RATIOS**

PERIOD ENDED ON	31-03-04	31-03-05	31-03-06	31-03-07	31-03-08
Earning Per Share(EPS) (Rs)	10.50	7.80	22.04	12.60	11.43
Return on Net Worth (%)	27.19	19.91	53.44	25.87	23.27
Net Asset Value Per Share (Rs)	38.61	39.16	41.25	48.72	49.12
<b>Workings</b>					
<b>A. No of Shares</b>	6033600	6033600	6033600	6033600	6938640
PAT (Including Deferred Tax)	63.34	47.05	132.99	76.04	79.32
<b>B. Net Worth (Rs. Mn.)</b>	232.94	236.28	248.88	293.95	340.82

Notes

A. The ratios have been computed as below;

1. Earnings per Share (Rs) =  $\frac{\text{Net Profit Attributable to Equity Share Holders}}{\text{Number of Equity Shares Outstanding at the end of year.}}$

2. Return on Net Worth (%) =  $\frac{\text{Profit After Tax}}{\text{Net Worth}}$

3. Net Assets Value per Share (Rs) =  $\frac{\text{Net Worth}}{\text{Number of Equity Shares outstanding at the end of year}}$

B. The above ratios have been computed on the basis of the adjusted profit /losses for the respective years as per the statement of Restated Profit and Losses Account.

C. EPS is computed in accordance with the Accounting standard 20 issued by the Institute of Chartered Accountants of India.

## ANNEXURE IX

## CAPITALIZATION STATEMENT

Rs. in Mn.

Period ended on	31.03.08	31.03.07	Post Issue *
Borrowing statement			
Short term Debt **	167.37	203.16	
Long term Debt	70.00	0.00	
<b>Total Debt</b>	<b>237.37</b>	<b>203.16</b>	
<b>Share holders Funds</b>			
Share Capital			
Equity	69.39	60.34	
Less Calls in arrears	0.00	0.00	
Preference	0.00	0.00	
Share Premium	0.00	0.00	
Reserves & Surplus	271.43	233.62	
Less: Misc Exp not w/o	0.00	0.00	
<b>Total share holders Funds</b>	<b>340.82</b>	<b>293.96</b>	
<b>Long term debt / Equity Ratio</b>	<b>1.01</b>	<b>0.000</b>	

\* Information relating to the Share Capital and Reserves (Post issue) can be determined only upon the finalization of the Issue Price.

\*\*Short term debts represent debts which are due within one year

**ANNEXURE X**

**TAX SHELTER STATEMENT**

Rs. In Mn.

Period ending on	31.03.04	31.03.05	31.03.06	31.03.07	31.03.08
<b>profit before Taxes as per books (A)</b>	71.33	54.66	144.28	84.54	89.82
<b>Tax Rate (%) (B)</b>	35.88	36.59	33.66	33.99	33.99
Tax at actual rate on book profits	25.59	20.00	48.57	28.74	30.53
<b>Adjustments</b>					
<b>Permanent Differences</b>					
U/s 80HHC	3.86	0.00	0.00	0.00	0.00
U/s Sec 35 (2AB)	7.50	5.88	6.72	3.90	4.00
u/s 10 (23D)	1.01	2.02	0.00	0.00	0.00
U/s 10B	37.16	41.41	94.53	58.30	55.00
<b>Total Permanent Differences (C)</b>	49.53	49.31	101.25	62.20	59.00
<b>Timing Differences</b>					
Diff Between Tax Depreciation & Book Depreciation	5.09	-0.67	14.06	7.60	3.20
Other Adjustments	0.00	0.00	0.00	0.00	0.00
<b>Total Timing Differences ( D )</b>	5.09	-0.67	14.06	7.60	3.20
<b>Net Adjustments (C+D=E)</b>	54.62	48.64	115.31	69.80	62.20
<b>Tax Savings thereon (E*B)</b>	19.59	17.80	38.81	23.73	21.14
<b>Disallowances (F)</b>	0	0	-0.72	0.36	0.00
<b>Profit as per Income tax return (A-C-D+F)</b>	16.71	6.02	28.25	15.10	17.06
<b>Tax as per Income Tax Return</b>	5.99	2.2	9.9	5.80	10.5
<b>Tax as per Income Tax Return (MAT)</b>	2.25	0.99	3.66	2.00	3.2

**ANNEXURE XI**

**Other Income**

Rs. in Mn.

PERIOD ENDED ON	31.03.04	31.03.05	31.03.06	31.03.07	31.03.08
Other income	2.79	2.15	1.99	1.22	4.27
20 % of PBT	14.27	10.93	28.86	16.91	17.97
10% of Total income	42.64	38.44	65.86	60.11	61.81
Applicability	NA	NA	NA	NA	NA

## ANNEXURE XII

### AGEWISE ANALYSIS OF SUNDRY DEBTORS

Rs. in Mn.

Period ended on	31.03.04	31.03.05	31.03.06	31.03.07	31.03.08
Less than six months	103.43	83.70	128.21	81.45	120.18
More than six months	0.00	2.32	0.00	0.65	0.82
<b>Total</b>	<b>103.43</b>	<b>86.02</b>	<b>128.21</b>	<b>82.10</b>	<b>121.00</b>
Amount due from affiliates/ Group Companies or those related to promoters/ Directors in any way	NIL	NIL	NIL	NIL	NIL

## ANNEXURE XIII

### SECURED LOANS

(Rs. in Mn.)

Period ended	31.03.04	31.03.05	31.03.06	31.03.07	31.03.08
<b>STATE BANK OF INDIA</b>					
Cash Credit	40.00	74.05	102.83	63.32	163.57
Inland Bills Discounting	1.76	2.34	2.93	6.52	3.55
Export Packing Credit	10.35	6.95	10.35	0.25	0.25
Foreign Bills Discounting	12.65	16.38	5.25	1.51	0.00
Stand by Line of Credit	0.00	0.00	33.00	33.00	0.00
Demand Loan in foreign currency	32.15	32.54	31.09	98.55	0.00
Term Loan	0.00	0.00	0.00	0.00	70.00
<b>APIDC</b>					
Term Loan	0.30	0.30	0.004	0.004	0.00
<b>ICICI BANK</b>					
Car Loan	0.90	0.59	0.30	0.00	0.00
<b>Total</b>	<b>98.12</b>	<b>133.14</b>	<b>185.76</b>	<b>203.16</b>	<b>237.37</b>

### Details of the secured loans outstanding as on 31.03.2008

(Rs. in Mn.)

Securities offered with Repayment terms	Particulars of Loan	Financial institution	Nature of Loan	Sanctioned Amount (Rs. in Mn.)	Amount Outstandi ng (Rs. in Mn.)	Rate of Interest p.a
Secured by hypothecation of stocks and book debts. First charge on Fixed assets of Unit I and Unit II of the company.	CASH CREDIT	State Bank Of INDIA	Short term loan	250.00	163.57	0.50 % above SBAR effective 13.25%
--do--	Letter of Credit			50.00	9.73	
--do--	Bank Guarantee			15.00	8.00	
Equitable Mortgage of Factory land and Building and plant and Machinery of unit 1 of the company.	TERM LOAN	State Bank Of INDIA	Long term	143.50	70.00	0.50 % above SBAR effective 13.25%

### Repayment Terms

Cash Credit from SBI	ON DEMAND
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Term Loan from SBI

Rs. 8.0Mn. per quarter starting from June '08 till Sept. '12

## ANNEXURE – XIV

## Related Parties

PARTY	Nature of Relationship
Balaji Agro Industries Ltd	Promoter Group company
Asian Herbex Ltd	Promoter Group company
CDC Industrial Infrass Ltd.,	Promoter Group company
Yerramilli Venkata Rao Trust	Promoter's trust
Mr. Y. S. R. Venkata Rao	Managing Director
Dr. Y. V. S. Murthy	Promoter
M/s Intech, Nanded	Promoter group entity

## RELATED PARTY TRANSACTIONS

(Rs. in Mn.)

PARTY	Nature of Relationship	TRANSACTION	YEAR				
			2003-04	2004-05	2005-06	2006-07	2007-08
Balaji Agro Industries Limited	Promoter Group company	Rent	1.80	0.60	0.00	0.00	0.00
Asian Herbex Limited	Promoter Group company	Sale	0.00	0.00	22.99	77.08	138.47
Asian Herbex Limited	Promoter Group company	Purchase	2.57	7.01	3.91	57.98	137.69
CDC Industrial Infrass Limited	Promoter Group company	Consultancy	0.28	0.06	0.00	0.00	0.00
CDC Industrial Infrass Limited	Promoter Group company	Rent	0.05	0.00	0.08	1.04	1.04
Yerramilli Venkata Rao Trust	Promoter's trust	Donation	0.93	0.00	0.00	0.00	0.00
Dr. Y.V.S.Murthy	Promoter	Royalty	9.64	8.52	16.68	11.57	3.06
Mr. Y.S.R.Venkata Rao	Managing Director	Remuneration	0.47	1.25	1.27	1.27	4.07
Dr. Y.V.S.Murthy	Promoter	Rent	0.00	0.00	0.00	0.19	0.19
M/s Intech, Nanded	Promoter group entity	Sales commission	0.31	0.36	0.38	0.43	0.00

**ANNEXURE – XV**

**INVESTMENTS**

**Rs. in Mn.**

	<b>31.03.04</b>	<b>31.03.05</b>	<b>31.03.06</b>	<b>31.03.07</b>	<b>31.03.08</b>
<b>(Unquoted) (at cost)</b>					
100 equity shares of CDC Industrial Infrass Ltd.,	0.001	0.001	0.001	-	-
8,62,320 equity shares of Asian Herbex Ltd.,	8.000				-
39,99,400 equity shares of Balaji Agro Ind. Ltd.,	18.000	-	-		-
<b>Quoted (at cost)</b>					-
181865.090 units of DSP Merrill Lynch Opportunities fund	2.500	3.500		-	-
130958.617 units of Reliance Growth Fund		5.000		-	-
500000 units of Reliance Equity Opportunities fund		5.000		-	-
107372.94 units of Prudential ICICI Power plan		1.500		-	-
108910.288 units of Franklin India Blue chip fund	2.700				-
107108.906 units HDFC Equity fund	2.500				-
171244.538 units of Pru ICICI Floating Rate Plan	2.500				-
<b>Total</b>	<b>36.201</b>	<b>15.001</b>	<b>0.001</b>	-	-

## FINANCIAL INFORMATION OF GROUP COMPANIES/CONCERNS

### 1) ASIAN HERBEX LIMITED

Asian Herbex Limited was incorporated on September 27, 1996 as Asian Herbex Limited and was granted the Certificate for Commencement of business on October 14, 1996. The name was changed to Ashian Herbex Limited on March 24, 2003 and was changed to the original name on March 21, 2007. The entire capital was acquired by the present shareholders from the erstwhile promoter shareholders during the year 2000 – 01 and 2001- 02. The Corporate Identification Number is U51211AP1996PLC025328 and has its registered office at Flat No.5, 3-4-490/A, Prembagh Apartments, Barkatpura, Hyderabad 500 027.

#### Main Object

To carry on the business of manufacture, refining and extraction of essential oils, oleo-resins, perfumes, colours, by-products, derivatives by mechanical, electrical and /or chemical means from all herbs, spices, flowers, agricultural and horticultural produce whether edible, pharmaceutical, medicinal or any kind or nature whatsoever and food preparations of all kinds and descriptions.

#### Board of Directors

Name of the Director	Designation	DIN
Mr. Y. S. R. Venkata Rao	Managing Director	00345524
Mrs. Y. Krishna Veni	Director	00345605
Mr. Y. V. Prashanth	Director	00345418
Mrs. Y. Lalithya Poorna	Director	00345471
Mr. D. V. Ramana	Director	01897999

#### Shareholding Pattern

Name of Shareholders	Number of Shares	Shareholding %
M/s. Balaji Agro Industries Limited	862,320	9.72
Mr. Y. S. R. Venkat Rao	2,444,580	27.56
Mrs. Y. Krishna Veni	4,721,800	53.24
Mr. Y. V. Prashanth	689,250	7.77
Mrs. Y. Lalithya Poorna	150,000	1.69
Ms. Y. Swetha	1,000	0.01
Mr. M. Anurag	200	Negligible
M/s CDC Industrial Infrass Limited	100	Negligible
<b>Total</b>	<b>8,869,250</b>	<b>100.00</b>

#### Financial Performance

Particulars	(Rs. in Mn.)		
	For the Year ended March 31		
	2006	2007	2008
Equity share capital	88.69	88.69	88.69
Share Application Money	4.73	--	--
Reserves & Surplus			
Capital Reserve	1.12	1.12	1.12
Profit & Loss Account (Dr. Balance)	-17.39	-17.44	-13.71
Miscellaneous Expenditure to the extent not written off	0.47	0.53	0.53
Total Income	40.58	83.07	127.95
Profit / Loss after tax	2.09	-0.05	3.73
Earnings per share (in Rs.)	0.24	--	0.42
Net Asset Value per share (Rs.)	8.52	7.97	8.39

There are no pending litigations, defaults, etc., against the above mentioned company and its promoters.

Asian Herbex Limited is an unlisted Company and has not made any public issue in preceding three years. The Company does not fall under the definition of a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. The Company has not been restrained from accessing the capital market for any reasons by SEBI or by any other authority.

## 2) CDC INDUSTRIAL INFRAS LIMITED

CDC Industrial Infrass Limited was originally incorporated as Chemical Design Company Private Limited on October 9, 1980. The Company was converted to a public limited company and the name was changed to Chemical Design Company Limited on February 28, 2002. The name of the company was changed to Chem Design Company Limited on October 22, 2002. On June 29, 2006 the company was converted to a private limited company and the was changed to Chem Design Company Private Limited. Subsequently the name was changed to CDC Industrial Infrass Private Limited on December 27, 2007. It was converted into a public limited company on January 23, 2008. The Corporate Identification Number is U24110AP1980PLC002800. It has its registered office at Flat No.5, 3-4-490/A, Prembagh Apartments, Barkatpura, Hyderabad 500 027.

### Main Object

To carry on the business of providing all types of infrastructural facilities including construction and development works like laying of roads, water, power, supply, sewerage, effluent disposal, waste management etc., as engineering contractors, consultants on construction of industrial / commercial units and deal in real estates.

### Board of Directors

Name of the Director	Designation	DIN
Dr. Y. V. S. Murty	Director	00250612
Mrs. Y. V. Lalitha Devi	Director	00360242
Mr. Pendyala Ramarau	Director	01933123
Mr. Ch. S. Prasad	Director	00199003
Mrs. Y. Lalithya Poorna	Director	00345471

### Shareholding Pattern

Name of Shareholders	No. of Shares	Shareholding %
Dr. Y. V. S. Murty	25,03,000	58.95
Mrs. Y. V. Lalitha Devi	10,07,000	23.72
Mrs. Y. Lalithya Poorna	7,31,100	17.22
Mr. Y. V. Prashanth	3,000	0.07
Mr. Y. S. R. Venkata Rao	700	0.02
Mrs. Y. Krishna Veni	1,000	0.02
Asian Herbex Limited	100	Negligible
Balaji Agro Industries Limited	100	Negligible
Yerramilli Chemicals Private Limited	100	Negligible
<b>TOTAL</b>	<b>42,46,100</b>	<b>100.00</b>

### Financial Performance

(Rs. in Mn.)

Particulars	As of 31 March		
	2006	2007	2008
Equity Share Capital	2.46	7.46	42.46
Reserves & Surplus	2.02	2.34	4.47
Total Income	1.62	2.75	5.16

Profit after Tax	(0.09)	0.32	2.13
Earnings per Share (in Rs.)	--	0.43	0.50
Net Asset Value per share (Rs.)	18.21	13.14	11.05

The equity shares of the company are not listed on any stock exchange.

There are no pending litigations, defaults, etc against the above mentioned company and its promoters.

CDC Industrial Infrass Limited is an unlisted Company and has not made any public issue in preceding three years. The Company does not fall under the definition of a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. The Company has not been restrained from accessing the capital market for any reasons by SEBI or by any other authority.

### 3) RAO-SAN INFOTEK PRIVATE LIMITED

Rao-San Infotek Private Limited was incorporated on April 11, 2005 under the Companies Act, 1956 with the Registrar of Companies, Andhra Pradesh, Hyderabad. The Corporate Identification Number of the Company is U74200AP2005PTC45853. The Registered office of the Company is situated at Flat No.6, 3-4-490/A, Prembagh Apartments, Barkatpura, Hyderabad 500027. The Company is engaged in the business of software development.

#### Main Object

To develop, design, structure, establish, maintain and to set up the business of handling customer support services by establishing call centres, Data centres, Medical Transcription Centres whether pertaining to own customers or client's customers from within India or outside for requests received by telephone, fax, email, web, kiosk, post or any other mode through which any customer can communicate by accessing information in possession of the company or provided by the client.

#### Board of Directors

Name of the Director	Designation	DIN
Mr. Y. S. R. Venkat Rao	Director	00345605
Mrs. Y. Krishna Veni	Director	00345524
Mr. Y. V. Prashanth	Director	00345418

#### Shareholding Pattern

Name of Shareholders	No. of Shares	Shareholding %
Mr. Y. S. R. Venkata Rao	5,000	50
Mrs. Y. Krishna Veni	5,000	50
<b>TOTAL</b>	<b>10,000</b>	<b>100</b>

#### Financial Performance

Particulars	(Rs. In Mn.)		
	As on March 31		
	2006	2007	2008
Equity share capital	0.1	0.1	0.1
Share Application money	1.75	3.25	4.22
Reserves & Surplus	-	-	-
P&L (Dr. Balance)	0.71	2.15	3.12
Miscellaneous Expenditure to the extent not written off	0.82	0.31	0.35
Total Income	0.015	0.02	0.47
Profit after Tax	-0.71	-1.43	-1.05

Earnings per share (in Rs.)	-	-	-
Net Asset Value per share (Rs.)	32	89	85

There are no pending litigations, defaults, etc against the above mentioned company and its promoters.

Rao-San Infotek Private Limited is an unlisted Company and has not made any public issue in preceding three years. The Company does not fall under the definition of a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. The Company has not been restrained from accessing the capital market for any reasons by SEBI or by any other authority.

#### 4) YVS POWER VENTURES PRIVATE LIMITED

YVS Power Ventures Private Limited was incorporated on March 1, 2006 as Vensal Invest Private Limited under the Companies Act, 1956 with the Registrar of Companies, Andhra Pradesh, Hyderabad. The name of the Company was changed to YVS Power Ventures Private Limited vide new certificate of Incorporation dated November 26, 2007. The Corporate Identification Number of the Company is U67120AP2006PTC049331 and has its Registered Office situated at Flat No.6, 3-4-490/A, Prembagh Apartments, Barkatpura, Hyderabad 500 027. The Company has not yet commenced operations.

##### Main Object

To carry on in India or elsewhere the business to generate, receive, produce, improve, transmit, accumulate, distribute, develop, handle, protect, supply electric power by establishments of power plants based on any source of energy, to lay down the necessary infrastructure for the same and to deal with all types of power based and power dependent chemical and metallurgical products. The company is yet to commence operations. It has its registered office at Flat No.6, 3-4-490/A, Prembagh Apartments, Barkatpura, Hyderabad 500 027.

##### Board of Directors

Name of the Director	Designation	DIN
Dr. Y.V.S. Murty	Director	00250612
Mrs. Y. V. Lalitha Devi	Director	00360242
Mr. Pendyala Ramarau	Director	01933123

##### Shareholding Pattern

Name of Shareholders	No. of Shares	Shareholding %
Dr. Y. V. S. Murty	5,000	50
Mrs. Y. V. Lalitha Devi	5,000	50
<b>TOTAL</b>	<b>10,000</b>	<b>100</b>

##### Financial Performance

Particulars	(Rs. in Mn.)	
	As on March 31	
	2007	2008
Equity share capital including share application money	0.10	0.10
Share Application Money	0.05	3.68
Reserves & Surplus	-	-
Miscellaneous Expenditure to the extent not written off	0.05	3.50
Total Income	-	-
Profit after Tax	-	-
Earnings per share (in Rs.)	-	-
Net Asset Value per share (Rs.)	10.00	28.00

There are no pending litigations, defaults, etc against the above mentioned company and its promoters.

YVS Power Ventures Private Limited is an unlisted Company and has not made any public issue in preceding three years. The Company does not fall under the definition of a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. The Company has not been restrained from accessing the capital market for any reasons by SEBI or by any other authority.

#### 5) YERRAMILI CHEMICALS PRIVATE LIMITED

Yerramilli Chemicals Private Limited was incorporated on April 27, 1985 under the Companies Act, 1956 with the Registrar of Companies, Andhra Pradesh, Hyderabad. The Corporate Identification Number of the Company is U24110AP1985PTC005475 having its registered office at Flat No.3, 3-4-490/A, Prembagh Apartments, Barkatpura, Hyderabad 500 027. The Company has not yet commenced operations.

#### Main Object

To carry on the business to manufacture, assemble, buy, sell, import, export, repair, alter, improve, exchange, develop, let on hire, distribute or otherwise deal in all types of Chemicals, Related compounds and derivatives, Chlorinated Compounds, Pure Chemicals, Fine Chemicals, Elements, Pesticides, Pharmaceuticals preparations.

#### Board of Directors

Name of the Director	Designation	DIN
Mr. Y. S. R. Venkata Rao	Director	00345524
Mrs. Y. Krishna Veni	Director	00345605

#### Shareholding Pattern

Name of Shareholders	No. of Shares	Shareholding %
Mr. Y. S. R. Venkata Rao	5,300	53
Mrs. Y. Krishna Veni	4,700	47
<b>TOTAL</b>	<b>10,000</b>	<b>100</b>

#### Financial Performance

Particulars	(Rs. in Mn.)		
	As on March 31		
	2006	2007	2008
Equity Share Capital	0.10	0.10	0.10
Reserves & Surplus	-	-	-
P&L (Dr. balance)	0.024	0.028	0.03
Total Income	0.003	-	-
Profit after Tax	0.002	(0.004)	(0.003)
Earnings Per Share (in Rs.)	0.20	-	-
Net Asset Value per share (Rs.)	7.60	7.20	7.00

There are no pending litigations, defaults, etc against the above mentioned company and its promoters.

Yerramilli Chemicals Private Limited is an unlisted Company and has not made any public issue in preceding three years. The Company does not fall under the definition of a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. The Company has not been restrained from accessing the capital market for any reasons by SEBI or by any other authority.

## 6) Alkani Telefilms Private Limited

Alkani Telefilms Private Limited was incorporated on November 27, 2006 under the Companies Act, 1956, with the Registrar of Companies, Andhra Pradesh, Hyderabad. The Corporate Identification Number of the Company is U32304AP2006PTC051821. The Registered Office of the Company is situated at Flat No.3, 3-4-490/A, Prembagh Apartments, Barkatpura, Hyderabad 500 027.

### Main Object

To carry on the business as a Producers, Distributors, Exhibitors and Exploiters, Traders, Exporters, and importers of Television Films, Serials, Video Films and Serials, Motion Pictures, Feature Films, Documentaries, Advertisement Films etc.

### Board of Directors

Name of the Director	Designation	DIN
Mrs. Y. Krishna Veni	Director	00345605
Mr. Y. V. Prashanth	Director	00345418
Mr. S. B. Shankar Kumar	Director	00927772

### Shareholding Pattern

Name of Shareholder	No. of Shares	Shareholding %
Mrs. Y. Krishna Veni	3,000	30
Mr. Y. V. Prashanth	3,000	30
Mr. S. B. Shankar Kumar	4,000	40
<b>TOTAL</b>	<b>10,000</b>	<b>100</b>

### Financial Performance

The Company is yet to commence operations. There are no pending litigations, defaults, etc against the above mentioned Company and its promoters.

Alkani Telefilms Private Limited is an unlisted Company and has not made any public issue in preceding three years. The Company does not fall under the definition of a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. The Company has not been restrained from accessing the capital market for any reasons by SEBI or by any other authority.

## 7) Balaji Agro Industries Limited

Balaji Agro Industries Limited was incorporated on June 20, 1989 in Pondicherry as a private limited company to carry on main business as to set up, to establish, to carry on business, purchase, sell, deal, import, export, act as consultants, commissions agents, brokers, store, preserve, prepare, process, manufacture, crush, refine, finish, pack and repack, market, the various products, based on, related to, made/or associated with the various types of oil bearing raw materials and oil bearing seeds, edible and non-edible, either by solvent extraction process or by Miscella-refining process, or any convenient and economic process, either existing or that might be devised in future.

Balaji Agro Industries Limited, was acquired by Alkali Metals Limited, with an intention to foray into processing of agro based products, for which Alkali Metals Limited started acquiring shares of Balaji Agro Industries Limited, from its erstwhile promoters from July 1, 2000. The Corporate Identification Number of Balaji Agro Industries Limited is U15143AP1989PLC036802. The registered office was shifted to Hyderabad, Andhra Pradesh at Flat No.5, 3-4-490/A, Prembagh Apartments, Barkatpura, Hyderabad 500 027 and it was converted into a limited company. It also became a subsidiary of Alkali Metals Limited, with effect from April 2, 2002, and ceased to be our subsidiary w.e.f. March 19, 2005. The

erstwhile promoters exited the company fully on March 29, 2003 at a total consideration of Rs. 18.40 million and are no longer the shareholders of Balaji Agro Industries Limited.

However, later it was found that integrating the business processes of Alkali Metals Limited and Balaji Agro was not feasible and therefore Alkali Metals Limited, divested its stake in Balaji Agro Industries Ltd., to Dr.Y.V.S. Murty, Mrs.Y.V. Lalitha Devi, Mr.Y.S.R. Venkata Rao and Mrs.Y.Krishna Veni on March 19, 2005 at the same consideration of Rs. 18.40 million. Since then, Balaji Agro Industries Limited has ceased to be a subsidiary of Alkali Metals Limited.

#### Board of Directors

Name of the Director	Designation	DIN
Mrs. Krishna Veni	Managing Director	00345605
Mr.Y.S.R.Venkata Rao	Director	00345524
Mr. Y. V. Prashanth	Director	00345418
Mrs.Y. Lalithya Poorna	Director	00345471

#### Shareholding Pattern

Name of Shareholder	No. of Shares	Shareholding %
Mr. Y. S. R. Venkata Rao	3,997,700	99.95
Mrs. Y. Krishna Veni	1800	0.05
Mr. Y. V. Prashanth	100	Negligible
Mrs. Y. Lalithya Poorna	100	Negligible
Asian Herbex Limited	100	Negligible
CDC Industrial Infrass Limited	100	Negligible
Yerramilli Chemicals Private Limited	100	Negligible
<b>TOTAL</b>	<b>4,000,000</b>	<b>100</b>

#### Financial Performance

(Rs. in Mn.)

Particulars	Financial year ended March 31		
	2006	2007	2008
Equity Share Capital*	36.00	36.00	36.00
Reserves & Surplus	6.80	10.46	10.97
Total Income	3.80	7.01	2.26
Profit / Loss after Tax	1.74	3.67	0.51
Earnings per Share (Rs.)	0.48	1.02	0.14
Net Asset Value per Share (Rs.)	11.89	12.91	13.05

\* Consists of 2,000,000 fully paid up equity shares of Rs.10/- each and 2,000,000 partly paid up equity shares of Rs.8/- each.

There are no pending litigations, defaults, etc against the above mentioned company and its promoters.

Balaji Agro Industries Limited is an unlisted Company and has not made any public issue in preceding three years. The Company does not fall under the definition of a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up. The Company has not been restrained from accessing the capital market for any reasons by SEBI or by any other authority.

## 8) ALKALI METALS (USA) INC.

Alkali Metals (USA) Inc. was incorporated on June 28, 2000 in the US. The company was Promoted by Mr. Y. V. Prashanth, who is the the sole shareholder and Director of the company. He holds 200 Equity Shares of the Company. The company was incorporated with the purpose to start trading of chemicals. However, the company is yet to commence any active operations.

There are no pending litigations, defaults, etc against the above mentioned company and its promoters.

## PARTNERSHIP FIRM

### 1) M/S INTECH

M/s Intech is a registered Partnership Firm which is formed vide Partnership Deed dated April 1, 2005, having its office No.24, Bahadur BandaSingh Market, Nanded, Maharashtra.

The firm is engaged in the business of brokerage & liasions in the marketing of Chemicals. The firm may carry out other activities as and when decided mutually among the partners.

### Partners

Name of Partner	Profit / Loss Sharing %
Mrs. Y. V. Lalitha Devi	15
Mrs. Y. Krishna Veni	30
Mr. K.V. Rajeshwar Sharma	10
Mrs. Y. Lalithya Poorna	30
Mr. Y. V. Prashanth	15
<b>Total</b>	<b>100</b>

### Financial Performance

Particulars	As of 31 March			(Rs. in Mn.)
	2005	2006	2007	
Total Income	0.64	0.39		0.43
Profit After Tax	0.17	0.025		0.03
Partners Capital	2.91	2.79		3.19

## TRUST

### 1) YERAMILLI VENKATA RAO TRUST

Yeramilli Venkat Rao Trust has been formed by Dr. Y. V. S. Murty vide Trust Deed dated March 25, 2002.

The main objects of the Trust are:

- To encourage, support funding and partial funding for R&D in Science & Technology in general & life sciences;
- To support funding / partial funding for development of waste land, natural, bio & herbal products;
- To support funding / partial funding to the deserving and needy person to pursue education from primary school level to international schools abroad, including provisions of clothing, books, travel, food, lodging, insurance & healthcare etc.
- To support funding / partial funding to the deserving and needy for healthcare including provision of hospitals, medical facilities, medical check up and treatment;

- (e) To adopt villages or habitat in particular to weaker sections of the society and provide fund / partial funding and facilities for sanitation water, including drinking water, lighting, roads, schools, play grounds, community centres etc.

The First Trustees (who shall hold this office for life)

- (a) Dr. Y. V. S. Murty  
 (b) Mr. Y. S. R. Venkat Rao  
 (c) Mrs. Y. Krishna Veni

As per the Trust Deed, the objects of the Trust shall be achieved without involving any activity for Profit and the Benefits of the Trust shall be open to all Indians, irrespective of caste, creed or religion.

Particulars	(Rs. in Mn)		
	As of March 31		
	2006	2007	2008
Trust Corpus	0.05	0.05	0.05
Earmarked Funds	10.00	10.00	10.00
Reserves & Surplus	2.61	2.37	1.35
Total Income	6.65	5.58	1.79
Excess of income over Expenditure	2.28	(0.25)	(1.02)

**Company/ entity with which the Promoters have disassociated themselves in the last three years**

There is no company or any other entity from which promoters have disassociated themselves during the last three years.

**Common Pursuits**

There are no common pursuits between the Company and any of the ventures promoted by the promoters except for Yerramilli Chemicals Private Limited whose objects contain the manufacture of chemicals. However, Yerramilli Chemicals Private Limited is yet to commence active operations.

**Sales or Purchases between Companies in the Group**

There have been no sales or purchases between companies in the Group exceeding in value in the aggregate 10% of the total sales or purchases of the Company, except those transactions mentioned under the section titled "Financial Information" on page [•] of this DRHP under the head 'Related party Transactions'.

**Changes in Accounting Policies in the last three years**

There have been no changes in the accounting policies in the last three years.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS**

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Draft Red Herring Prospectus. You should also read the section titled 'Risk Factors' beginning on page [●] of this Draft Red Herring Prospectus, which enumerates number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company on a standalone basis, and unless otherwise stated, is based on our restated unconsolidated financial statements, which have been prepared in accordance with Indian GAAP, the accounting standards and other applicable provisions of the Companies Act, 1956, and the SEBI guidelines. Our Financial year ends on March 31 of each year.

### **Business Overview**

We are an ISO 14001:2004 and ISO 9001:2000 certified company engaged in the business of manufacturing a range of fine chemicals, based on related chemistry. Our Company was incorporated on 17 April, 1968 in a joint venture with APIDC. Our product portfolio can be classified into following three categories:

1. Sodium derivatives
2. Pyridine derivatives
3. Fine chemicals

Products in these categories include amides, hydrides, alkoxides, azides, tetrazoles, pyridine compounds, cyclic compounds, drug and pharma intermediates, specialty fine chemicals etc. In all these categories, our Company has developed 246 products. Our products cater to both the domestic and overseas markets. The Company manufactures products on bulk and regular basis, campaign basis and on contract manufacturing basis for international customers. Technology for these products was developed in – house which is an achievement considering hazardous process chemistry involved in the development and manufacture of the same.

We have a dedicated R & D facility recognised by the Ministry of Science and Technology, New Delhi. Currently, our Company has two manufacturing facilities. While Unit I is engaged in the manufacture of sodium metals, organo alkali metalics, tetrazoles and amino pyridines and caters to the domestic market, Unit II, a 100% EOU is engaged in the manufacture of pyridine derivatives, cyclic compounds and fine chemicals. These products find wide application and use in various industries like the pharma, agro based products, pesticides, explosives, bio technology products and electroplating chemicals.

### **Significant developments:**

After the date of last balance sheet i.e. March 31, 2008, our Company has made a Bonus issue of 76,32,506 Equity Shares in the ratio of 1:10 on May 19, 2008. Further, our Company has made progress in the implementation of the Project, which has been detailed under section titled "Objects of the Issue" beginning on page [•] of this Draft Red Herring Prospectus. Except as stated above the bonus issue, the Directors of the Company confirm that in their opinion, there have not been any significant developments.

### **Capacity addition and utilisation:**

The details of existing installed capacities and utilisation thereof, are given below:

Product	unit	Installed Capacity				
		2003-04	2004-05	2005-06	2006-07	2007-08
Sodium Derivatives	MTPA	1800	2000	2500	2700	3400

Amino Pyridines	MTPA	500	500	500	500	600
Fine Chemicals	MTPA	150	150	200	250	400

### Capacity utilisation

Product	2003-04	2004-05	2005-06	2006-07	2007-08
Sodium Derivatives	71%	60%	67%	66%	49%
Amino Pyridines	35%	41%	27%	24%	18%
Fine Chemicals	19%	4%	38%	5%	7%

Capacity Utilisation has to be read keeping in view the following:

The process operations are of batch / semi – continuous type. Moreover, the process plants of this kind need to have higher capacities built in to meet:

- Customers' demands which might vary from time to time
- Despatches in the form of container loads
- Surges in demands
- Manufacture of larger number of products on a campaign basis

The capacity utilisation in fine chemicals depends on the customers' requirement of products from cGMP or FDA certified companies. Since, there was a spurt in the FY 2006 – 07, of the FDA approved facilities in India, customers had opportunity to source their materials from them rather than the Company.

The fine chemicals that end up as medicines are termed bulk drugs/ APIs. To exploit the emerging market opportunities, the Company decided to expand the product portfolio and manufacturing capacities. For this, the Company is expanding the existing product line and also proposes to get into the manufacture of APIs. This is a natural extension of the existing activity of the Company being, manufacture of fine chemicals. This supports the Company's plan to set up its own API manufacturing facility, in compliance with FDA norms. We propose to set up an API Plant at Vishakhapatnam with the installed capacity of 672 MTPA

### Discussion on Results of Operation:

The following discussion on results of operations should be read in conjunction with the audited Financial results of the Company for the years ended 31 March, 2004, 2005, 2006, 2007 & 2008.

### Key factors affecting the results of operation:

The Company's future results of operations could be affected potentially by the following factors:

- Non – receipt of pending approvals for the proposed project.
- Prevailing trends in the Pharma industry, to which most of the products of the Company are supplied.
- Increase in the prices of raw materials both in domestic and international markets.
- Foreign exchange rate fluctuations could have an impact on its input costs, especially the cost of sodium that is imported from China.
- Continued availability of tax holidays, especially under Section 10B of the I.T. Act, 1961, which is due to expire next financial year.
- Company's ability to successfully implement their marketing, business and growth strategies.
- Changes in the regulations / regulatory framework / economic policies in India and / or in foreign countries.

## OUR SIGNIFICANT ACCOUNTING POLICIES

For Significant accounting policies please refer to the section titled “Financial Information” beginning on page [●] of this Red Herring Prospectus.

### Product wise Revenue Break up

Particulars	Year ended March 31, 2005			Year ended March 31, 2006			Year ended March 31, 2007			Year ended March 31, 2008		
	Sales Amount (Rs. in Mn.)	As % to Total Sales	Qty in MT	Sales Amount (Rs. in Mn.)	As % to Total Sales	Qty in MT	Sales Amount (Rs. in Mn.)	As % to Total Sales	Qty in MT	Sales Amount (Rs. in Mn.)	As % to Total Sales	Qty in MT
<b>Domestic Sales</b>												
Sodium Derivatives	78.91	20.66	462	190.90	29.09	853	215.20	35.86	1089	333.75	54.03	1151
Amino Pyridines	50.68	13.27	95	34.97	5.33	50	28.48	4.75	41	39.44	6.39	43
Fine Chemicals & Others	9.68	2.53	4	68.87	10.49	37	60.36	10.06	5	9.93	1.61	8
<b>Total (A)</b>	<b>139.27</b>	<b>36.46</b>	<b>561</b>	<b>294.74</b>	<b>44.91</b>	<b>940</b>	<b>304.04</b>	<b>50.66</b>	<b>1135</b>	<b>383.12</b>	<b>62.03</b>	<b>1202</b>
<b>Export Sales</b>												
Sodium Derivatives	136.03	0.36	743	240.69	36.67	816	210.14	35.02	680	152.2	24.64	509
Amino Pyridines	64.47	16.88	110	52.67	8.03	87	61.81	10.30	78	40.02	6.48	64
Fine Chemicals & Others	42.21	11.05	2	68.2	10.39	38	24.11	4.02	8	42.34	6.85	21
<b>Total (B)</b>	<b>242.71</b>	<b>63.54</b>	<b>855</b>	<b>361.56</b>	<b>55.09</b>	<b>941</b>	<b>296.06</b>	<b>49.34</b>	<b>766</b>	<b>234.56</b>	<b>37.97</b>	<b>594</b>
<b>Total Sales (A) + (B)</b>	<b>381.98</b>	<b>100</b>	<b>1416</b>	<b>656.3</b>	<b>100.00</b>	<b>1881</b>	<b>600.10</b>	<b>100.00</b>	<b>1901</b>	<b>617.68</b>	<b>100.00</b>	<b>1796</b>

### Results of Our Operations

(Rs. in Mn)

Particulars	31.03.05	31.03.06	31.03.07	31.03.08
	(12 Months)	(12 Months)	(12 Months)	(12 Months)
<b>Gross Turnover</b>	<b>415.87</b>	<b>733.66</b>	<b>649.35</b>	<b>687.04</b>
Increase/Decrease (%)	-9.51%	76.42%	-11.49%	5.80%
<b>Less: Taxes and Duties</b>	<b>33.89</b>	<b>77.36</b>	<b>49.25</b>	<b>69.36</b>
<b>Net Sales</b>	<b>381.98</b>	<b>656.3</b>	<b>600.1</b>	<b>617.68</b>
Increase/Decrease (%)	-9.82%	71.82%	-8.56%	2.93%
<b>Other Income</b>	<b>2.42</b>	<b>2.31</b>	<b>1.21</b>	<b>0.42</b>
<b>Increase/Decrease in Stocks/WIP</b>	<b>22.48</b>	<b>-9.24</b>	<b>38.69</b>	<b>35.25</b>
<b>Total Revenue</b>	<b>406.88</b>	<b>649.37</b>	<b>640.00</b>	<b>653.35</b>
Increase/Decrease (%)	-4.59%	59.60%	-1.44%	2.09%
<b>Material Purchased and Consumed</b>	<b>180.87</b>	<b>300.63</b>	<b>353.26</b>	<b>361.66</b>

<b>Particulars</b>	<b>31.03.05</b>	<b>31.03.06</b>	<b>31.03.07</b>	<b>31.03.08</b>
	<b>(12 Months)</b>	<b>(12 Months)</b>	<b>(12 Months)</b>	<b>(12 Months)</b>
Increase/Decrease (%)	-9.91%	66.21%	17.51%	2.38%
% to Turnover	47.35%	45.81%	58.87%	58.55%
<b>Other Manufacturing Expenses</b>	<b>70.73</b>	<b>75.24</b>	<b>74.72</b>	<b>78.99</b>
Increase/Decrease (%)	12.59%	6.38%	-0.69%	5.71%
% to Turnover	18.52%	11.46%	12.45%	12.79%
<b>R&amp;D Expenses</b>	<b>19.43</b>	<b>27.71</b>	<b>19.28</b>	<b>10.77</b>
Increase/Decrease (%)	-2.17%	42.61%	-30.42%	-44.14%
% to Turnover	5.09%	4.22%	3.21%	1.74%
<b>Administrative &amp; Other Expenses</b>	<b>58.65</b>	<b>70.88</b>	<b>71.04</b>	<b>76.22</b>
Increase/Decrease (%)	9.32%	20.85%	0.23%	7.29%
% to Turnover	15.35%	10.80%	11.84%	12.34%
<b>Total Expenditure</b>	<b>329.68</b>	<b>474.46</b>	<b>518.3</b>	<b>527.64</b>
Increase/Decrease (%)	-2.20%	43.92%	9.24%	1.80%
% to Turnover	86.31%	72.29%	86.37%	85.42%
<b>Profit Before Depreciation, interest and Tax</b>	<b>77.20</b>	<b>174.91</b>	<b>121.70</b>	<b>125.71</b>
Increase/Decrease (%)	-13.60%	126.57%	-30.42%	3.29%
% to Turnover	20.21%	26.65%	20.28%	20.35%
<b>Depreciation</b>	<b>11.28</b>	<b>12.81</b>	<b>16.87</b>	<b>18.17</b>
Increase/Decrease (%)	17.01%	13.56%	31.69%	7.71%
% to Turnover	2.95%	1.95%	2.81%	2.94%
<b>Profit Before Interest and Tax</b>	<b>65.92</b>	<b>162.10</b>	<b>104.83</b>	<b>107.54</b>
Increase/Decrease (%)	-17.30%	145.90%	-35.33%	2.59%
% to Turnover	17.26%	24.70%	17.47%	17.41%
<b>Interest/Financial Expenses</b>	<b>11.28</b>	<b>17.8</b>	<b>20.29</b>	<b>17.72</b>
Increase/Decrease (%)	34.61%	57.80%	13.99%	-12.67%
% to Turnover	2.95%	2.71%	3.38%	2.87%
<b>Profit Before Tax</b>	<b>54.66</b>	<b>144.28</b>	<b>84.55</b>	<b>89.82</b>
Increase/Decrease (%)	-23.38%	163.96%	-41.40%	6.23%
% to Turnover	14.31%	21.98%	14.09%	14.54%
<b>Provision for Tax</b>	<b>3.50</b>	<b>11.00</b>	<b>8.50</b>	<b>10.50</b>
Increase/Decrease (%)	-56.25%	214.29%	-22.73%	23.53%
% to Turnover	0.92%	1.68%	1.42%	1.70%
<b>Profit after Tax</b>	<b>47.05</b>	<b>132.99</b>	<b>76.05</b>	<b>79.32</b>
Increase/Decrease (%)	-25.72%	182.66%	-42.82%	4.30%
% to Turnover	12.32%	20.26%	12.67%	12.84%
<b>Effective Tax Rate</b>	<b>6.40%</b>	<b>7.62%</b>	<b>10.05%</b>	<b>11.69%</b>

#### **Comparison of Fiscal 2008 with Fiscal 2007:**

##### **Revenue from Operations:**

There was a decrease of 105 MT in the total sales quantity for the year 2008 as the company recorded sales of 1796 MT as against sales of 1901 MT in the year 2007.

The Gross turnover for the FY 2008 was 687.04 Mn as compared to 649.35 Mn during the FY 2007 showing a increase of 5.80%. The turnover recorded for FY 2008 was Rs. 617.68 millions, up by 2.93% compared to Rs 600.10 millions recorded during the FY 2007.

During FY 2008, there was slight decrease in sales volume (1796 MT in FY 2008 as compared to 1901 MT sold during FY 2007). However, there was better price realisation for sodium derivatives.

For amino pyridines, though the quantity sold during FY 2008 was around 107 MT as compared to that of 119 MT sold during FY 2007, there was better sales realisation for amino pyridines, compared to previous year, hence, better sales value.

Therefore, the increase in the total sales value during FY 2008 vis – a – vis FY 2007, is mainly attributable to the better sale price realisation. The quantity of fine chemicals sold during FY 2008 was around 29 MTs as compared to 13MT sold during FY 2007. Fine chemicals are low volume and high value products having a fluctuating demand and off take. In view of supply of products in fine chemicals segment on contract manufacturing, there was impressive growth in the sales of fine chemicals.

#### **Expenditure:**

##### **Raw material cost**

Raw material cost increased from Rs. 353.26 Mn for the FY 2007 to Rs. 361.663 Mn for FY 2008 showing an increase of 2.38%. The raw materials consumption cost was 58.55% of total sales during FY 2008 as against that of 58.87% during FY 2007. The company could maintain the same proportion of consumption of raw materials which was because of efficient use of raw materials & gases in the production operations.

##### **Other Manufacturing Costs:**

Other Manufacturing Expenses increased from Rs. 74.72 Mn for the FY 2007 to Rs. 78.99 Mn for FY 2008 showing a increase of 5.71%. Though there has been a slight increase in the other manufacturing costs which include Power, fuel, repairs, maintenance etc., the effect was absorbed by the increase in the sales value. This cost stood at 12.79% and 12.45% of total sales for FY 2008 and FY 2007 respectively.

##### **R & D expenses:**

R&D Expenses decreased from Rs. 19.28 Mn for the FY 2007 to Rs. 10.77 Mn for FY 2008 showing a decrease of 44.14%. There was a reduction in R & D costs incurred during the FY 2008 compared to FY 2007 by Rs 8.51 Mn. The expenditure on R & D is programme specific and does not have a direct bearing on the sales.

##### **Administrative and other Expenses:**

Administrative Expenses increased from Rs. 71.04 Mn for the FY 2007 to Rs. 76.22 Mn for FY 2008 showing the increase of 7.29%. During FY 2008, the administrative and other expense was 12.34% of total sales as against 11.84% during FY 2007. An increase in the employee cost due to increments in wage structures during the year which was offset to some extent by reduction in Travelling expenses and exhibition expenses which, in turn, led to a marginal increase in the cost of administrative and other expenses.

##### **Profit before Depreciation, Interest and Tax (PBDIT):**

PBDIT increased from Rs. 121.70 Mn for the FY 2007 to Rs. 125.71 Mn for the FY 2008 showing a increase of approximately 3.29%. During FY 2008, the Company recorded PBDIT of 20.35% of the total sales as against 20.28% during FY 2007. The consistency in operating profit is mainly because that the increases in Other manufacturing cost, Personnel cost and Administrative expenditure are mostly offset by the reduction in R&D expenditure.

**Depreciation:**

Depreciation increased from 16.87 Mn for the FY 2007 to Rs. 18.17 Mn for the FY 2008 showing an increase of 7.71%. The gross block fiscal 2007 was Rs. 383.01 Mn and it increased to Rs. 418.46 Mn for fiscal 2008. Depreciation on fixed assets was 2.94% of total sales during FY 2008 as compared to 2.81% during FY 2007. The Company added assets to the Plant & machinery and R&D wing because of which the depreciation increased as compared to previous year.

**Financial Expenses:**

Interest / Financial Charges cost decreased from Rs. 20.29 Mn for FY 2007 to Rs. 17.72 Mn for the FY 2008 showing the decrease of 12.67%. Financial expenses accounted to 2.87% of total sales during FY 2008 as against 3.38% in the year 2007. The reduction is attributed to decrease in the utilisation of working capital and efficient utilisation of funds during the year.

**Profit after Tax:**

PAT increased from Rs. 76.05 Mn for the FY 2007 to Rs. 79.32 Mn in FY 2008 showing a increase of 4.30%. During FY 2008, the Company recorded PAT of 12.84% of the total sales as against 12.67% during FY 2007. There was an increase in PAT as there has not been much of an increase in the expenditure for the year and the Company has maintained its Net Profit ratio during the year.

**Comparison of Fiscal 2007 with Fiscal 2006:****Revenue from Operations:**

There was an increase of 20 MT in the total sales quantity for the year 2007 as the company recorded sales of 1901 MT as against sales of 1881 MT in the year 2006.

The Gross turnover for the FY 2007 was 649.35 Mn as compared to 733.66 Mn during the FY 2006 showing a decrease of 11.49%. The net turnover recorded for FY 2007 was Rs. 600.10 millions, down by 8.56% compared to Rs. 656.30 millions recorded during the FY 2006.

During FY 2007, the Company was able to command better sales volume (1769 MT in FY 2007 as compared to 1669 MT sold during FY 2006) and also better price realisation for sodium derivatives.

For amino pyridines, though the quantity sold during FY 2007 was around 119 MT as compared to that of 137 MT sold during FY 2006, there was better export value for amino pyridines, compared to previous year, hence, better sales value.

However, the decrease in the total sales value during FY 2007 vis – a – vis FY 2006, is mainly attributable to the performance in the fine chemicals segment. The quantity of fine chemicals sold during FY 2007 was around 13 MTs as compared to 75MTs sold during FY 2006. Fine chemicals are low volume and high value products having a fluctuating demand and off take. The production and the capacity utilisation in fine chemicals depend on the customers' requirement of products, which is generally preferred from cGMP or FDA certified companies. During FY 2006 – 07, there was a spurt of FDA approved facilities in India and customers had an opportunity to source these materials from them rather than the Company. These resulted in a lower production of fine chemicals and hence lower sales value.

**Expenditure:****Raw material cost**

Raw material cost increased from Rs. 300.63 Mn for the period ended March 31, 2006 to Rs. 353.26 Mn for fiscal 2007 showing an increase of 17.51%. The raw materials consumption

cost was 58.87% of total sales during FY 2007 as against that of 45.81% during FY 2006. The increase in cost of consumption of raw materials was because of increase in prices of some raw materials and solvents. Some part of the increase was offset by the efficient use of gases in the production operations.

**Other Manufacturing Expenses:**

Other Manufacturing Expenses marginally decreased from Rs. 75.24 Mn for the period ended March 31, 2006 to Rs. 74.72 Mn for fiscal 2007 showing a decrease of 0.69%. Though there has been a slight reduction in the other manufacturing costs which include Power, fuel, repairs, maintenance etc., the effect was absorbed by the reduction in the sales value. This cost stood at 12.45% and 11.46% of total sales for FY 2007 and FY 2006 respectively.

**R & D expenses:**

R&D Expenses decreased from Rs. 27.71 Mn for the period ended March 31, 2006 to Rs. 19.28 Mn for fiscal 2007 showing a decrease of 30.42%. There was a reduction in R & D costs incurred during the FY 2007 compared to FY 2006 by about Rs. 8 Mn. The expenditure on R&D is programme specific and does not have a direct bearing on the sales.

**Administrative and other Expenses:**

Administrative Expenses marginally increased from Rs. 70.88 Mn for the period ended March 31, 2006 to Rs. 71.04 Mn for Fiscal 2007 showing the increase of 0.23%. During FY 2007, the administrative and other expense was 11.84% of total sales as against 10.80% during FY 2006. An increase in the employee cost due to training and safety expenses incurred during the year coupled with savings due to optimum utilisation of resources by the Company such as communication, transportation and other common utilities led to a marginal increase in the cost of administrative and other expenses.

**Profit before Depreciation, Interest and Tax (PBDIT):**

PBDIT decreased from Rs. 174.91 Mn for the period ended March 31, 2006 to Rs. 121.70 Mn showing a decrease of approximately 30.42%. During FY 2007, the Company recorded PBDIT of 20.28% of the total sales as against 26.65% during FY 2006. The dip in the operating profit is attributable to lower turnover recorded during the year compared to FY 2006 in the fine chemicals segment, which in turn was governed by the reduction in demand of customers in that year. The demand pattern was influenced by the increase in cGMP and FDA approved units in India during the year from whom the customers chose to source their requirements.

**Depreciation:**

Depreciation on fixed assets was 2.81% of total sales during FY 2007 as compared to 1.95% during FY 2006. The Company added assets to the Plant & machinery and R&D wing because of which the depreciation increased as compared to previous year. The gross block fiscal 2006 was Rs. 326.76 Mn and it increased to Rs. 383.01 Mn for fiscal 2007.

**Financial Expenses:**

Interest / Financial Charges cost increased from Rs. 17.80 Mn for fiscal 2006 to Rs. 20.29 Mn for the period ended March 31, 2006 showing the increase of 13.99%. Financial expenses accounted to 3.38% of total sales during FY 2007 as against 2.71% in the year 2006. The increase is attributed to increase in the utilisation of working capital and frequent upward revision of interest rates during the year.

**Profit after Tax:**

PAT decreased from Rs. 132.99 Mn for the period ended March 31, 2006 to Rs. 76.05 Mn in fiscal 2007 showing a decrease of 42.82%. During FY 2007, the Company recorded PAT of

12.67% of the total sales as against 20.26% during FY 2006. Though there has not been much of an increase in the expenditure for the year and the Company has sustained its practice of selling more than 95% of its production, the drop in sales value in the fine chemicals segment has had an impact on the profit after tax.

### **Comparison of Fiscal 2006 with Fiscal 2005**

#### **Revenue from Operations:**

There was an increase of 465 MT in sales quantity for FY 2006 as the Company recorded sales of 1881 MT against sales of 1416 MT for FY 2005.

The Gross turnover for the FY 2006 was 733.66 Mn as compared to 415.87 Mn during the FY 2005 showing a increase of 76.42%. The net turnover recorded for FY 2006 was Rs. 656.30 millions, up by 71.82% compared to Rs. 381.98 millions recorded during the FY 2005.

In the fine chemicals segment, the increase in sales from 6 MTs during FY 2005 to 75 MTs during FY 2006, contributed largely to the increase in the total sales value in FY 2006 vis – a - vis FY 2005. This was due to increased demand of fine chemicals, which are small volume and high value products. This also enhanced the capacity utilisation in this segment.

Increased sales of sodium derivatives, from 1205 MTs during FY 2005 to 1669 MTs during FY 2006 also boosted the growth in sales.

#### **Expenditure:**

##### **Raw material:**

Raw material cost increased from Rs. 180.87 Mn for the period ended March 31, 2005 to Rs. 300.63 Mn for fiscal 2006 showing an increase of 66.21%. The raw materials consumption was 45.81 % of total sales during FY 2006 as against 47.35% during FY 2005 as a result of higher sales realisation that absorbed the increase in the cost of consumption of raw materials.

##### **Other Manufacturing Costs:**

Other Manufacturing Expenses increased from Rs. 70.73 Mn for the period ended March 31, 2005 to Rs. 75.24 Mn for fiscal 2006 showing a increase of 6.38%. Other manufacturing costs which include Power, fuel, repairs, maintenance etc., were 11.46% and 18.52% of total sales during FY 2006 and FY 2005 respectively. Though there has been a marginal increase in the quantum of costs incurred on stores, maintenance of the Plants and other assets, rent and insurance, the increase in sales value has absorbed the impact of these increased costs.

##### **R & D cost:**

R&D Expenses increased from Rs. 19.43 Mn for the period ended March 31, 2005 to Rs. 27.71 Mn for fiscal 2006 showing a increase of 42.61%. There was an increase in R & D costs incurred during the FY 2006 compared to FY 2005 by about 8.28 Mn. The expenditure on R & D is programme specific and does not have a direct bearing on the sales.

##### **Administrative and other Expenses:**

Administrative Expenses increased from Rs. 58.65 Mn for the period ended March 31, 2005 to Rs. 70.88 Mn for Fiscal 2006 showing the increase of 20.85%. During FY 2006, the cost of administrative and other expenses was 10.80% of total sales as against 15.35% during FY 2005. While these costs went up due to higher manpower and freight costs, the impact was absorbed by increase in sales.

##### **Profit before Depreciation, Interest and Tax (PBDIT):**

PBDIT increased from Rs. 77.20 Mn for the period ended March 31, 2005 to Rs. 174.91 Mn showing a increase of approximately 126.57%. During FY 2006, the Company recorded PBIDT of 26.65% as against 20.21% of the total sales in the year 2005. The increase in operational profit is attributable to the increase in the demand of fine chemicals and hence, increases in sales. Increase in the sales volume of sodium derivatives also boosted the profit margin.

#### **Depreciation:**

Depreciation increased from 11.28 Mn for the FY 2005 to 12.81 for the FY 2006. Depreciation on fixed assets was 1.95% of total sales during FY 2006 as compared to 2.95% during FY 2005. Though there was an increase in the depreciation provided during the year due to the increase in the fixed asset base, the increase was absorbed by the increase in the sales turnover during FY 2006.

#### **Financial Expenses:**

Interest / Financial Charges cost increased from Rs. 11.28 Mn for FY 2005 to Rs. 17.80 Mn for the FY 2006 showing the increase of 57.80%. Financial expenses accounted to 2.71% of total sales during FY 2006 as against 2.95% during FY 2005. There was an increase in the financial expenses in view of higher working capital utilization proportionate to the increased sales turnover during that year.

#### **Profit after Tax:**

PAT increased from Rs. 47.05 Mn for FY March 31, 2006 to Rs. 132.99 Mn in FY 2007 showing a increase of 182.66%. During FY 2006, the Company recorded a PAT of 20.26% as against 12.32% of total sales value during FY 2005. This is attributable to the increase in the sales revenue and tax savings on export profits.

#### **Related Party Transactions**

For details of related party transactions, please refer to the section titled "Related Party Transactions" beginning on page [●] of this Draft Red Herring Prospectus.

#### **Financial Market Risks**

We are exposed to financial market risks from changes in interest rates and inflation.

#### **Interest Rate Risk**

Our interest rate risk results from changes in interest rates, which may affect our finance expenses. We bear interest rate risk with respect to the debts, which we have for the FY ended March 31, 2008, since the interest rates could fluctuate in the near future. Any rise in interest rates would result in higher interest bearing debts.

#### **FACTORS THAT MAY AFFECT THE RESULTS OF THE OPERATIONS:**

##### **1. Unusual or infrequent events or transactions.**

There have been no unusual or infrequent transactions that have taken place.

##### **2. Significant economic changes that materially affected or are likely to affect income from continuing operations.**

Volatility in Foreign exchange rates may have an inflationary effect on cost of imports. However, since the Company's export is almost 38% of the for the FY 2008 turnover, any inflationary effect on imports will be offset by higher realization on exports.

##### **3. Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.**

Apart from the risks factors disclosed in this DRHP, there are no other trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.

**4. Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known.**

The Company's future costs and revenues will be determined by demand/supply situation, government policies and availability of raw materials and prices thereof.

**5. Extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.**

Material increase in revenue from operations has been due to the introduction of new products in the fine chemicals segment, which have a fluctuating demand and off take. It has also been due to better sales realisation of sodium and pyridine derivatives.

**6. Total turnover of each major industry segment in which the issuer company operated.**

Please refer to page [●] under the heading 'Industry Overview'.

**7. Status of any publicly announced new products or business segment.**

The Company has not announced any new product and segment, other than through this DRHP. The Company plans to set up a manufacturing facility for APIs at Jawaharlal Nehru Pharma City, Parwada, Visakhapatnam, for which the IPO is proposed.

**8. The extent to which business is seasonal.**

The Company's business is not seasonal in nature.

**9. Any significant dependence on a single or few suppliers or customers.**

The % of contribution of the Company's customers and suppliers vis – a – vis the total sales and purchases respectively, during the last three financial years is given:

**Customers' contribution:**

	FY 2004 - 05	FY 2005 – 06	FY 2006 – 07	FY 2007 – 08
Top 3 (%)	27	30	25	18
Top 5 (%)	38	46	33	28
Top 10 (%)	55	60	43	43

*The % is rounded off to the nearest decimal point.*

The Company's pricing strategy is governed by the demand – supply position and also the ruling market prices from time to time. Most of the products manufactured by the Company are supplied to pharma companies. The Company has maintained cordial relations with its customers and has, over a period of time, built a heterogeneous customer base, thereby nullifying any chances of significantly depending on a single or few customers for its revenue streams.

**Suppliers' contribution:**

	FY 2004 - 05	FY 2005 – 06	FY 2006 – 07	FY 2007 – 08
Top 3 (%)	43	48	41	26
Top 5 (%)	57	59	48	31

Top 10 (%)	75	75	75	38
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*The % is rounded off to the nearest decimal point.*

The Company sources its raw materials both from the domestic and international markets. Sodium is available only in international markets in China and US. The Company imports its entire requirement of sodium, a primary raw material, from China due to the geographical proximity to India and also its availability there at competitive prices.

#### **10. Competitive conditions.**

Competitive conditions are as described under the sections titled "Industry Overview" and "Business Overview" on page [●] & [●] respectively of this DRHP.

## SECTION VIII - LEGAL AND OTHER REGULATORY INFORMATION

### OUTSTANDING LITIGATIONS / DISPUTES/ DEFAULTS

#### LITIGATION INVOLVING THE COMPANY

Save and except as stated herein, there are no outstanding litigations, suits, criminal or civil prosecutions, potential disputes, labour disputes, bargains and demands, investigations, Central / State Government claims or inquiries, proceedings or tax liabilities, overdues to banks/ financial institutions, defaults against banks/ financial institutions, proceedings initiated for economic/civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part I of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company or its Group Companies or its promoters or its directors and there are no defaults of non-payment of statutory dues against the Company including under the excise, customs, sales tax, income tax and service tax, and no disciplinary action has been taken by SEBI or any stock exchanges against the Company.

#### Matters pertaining to Income Tax liabilities:

##### Litigations filed by the Company:

##### Details of Income Tax disputes:

##### FY 1997-98

Our Company filed its income tax return on November 23, 1998 disclosing an income of Rs. 4,131,163 before the Additional Commissioner of Income tax, Circle 1(1), Hyderabad. The assessing officer completed the assessment determining a taxable income of Rs 6,407,060 by disallowing the following claims.

Details of claim	Total claim	Amount allowed (Rs.)	Amount disallowed (Rs.)	Reason for disallowance	Income tax involved (Rs.)
Deduction u/s 80HHC	5,887,823	3,611,923	2,275,900	Non inclusion of Excise and sales tax in the total turnover for purposes of deduction	67,340

The Company preferred an appeal before Commissioner of Income tax (Appeals –II) vide appeal no. ITA No. 107/CIT(A)-II/01-02 dt. May 10, 2001. CIT (Appeals) allowed the appeal in our favour vide its order dated November 27, 2001. The Income tax department appealed against the said order before Income Tax Appellate Tribunal, Hyderabad, which dismissed the appeal by their order dated May 27, 2005. The department filed an appeal before the Andhra Pradesh High Court vide their appeal no. ITTA No. 686 of 2005. The matter is pending for hearing.

##### FY 1998-1999

Our Company filed income tax return on November 22, 1999 disclosing an income of Rs. 1,30,70,890/- before the Asst. Commissioner of Income tax, Circle 1(1), Hyderabad. The assessing officer processed the return determining a taxable income of Rs 1,55,15,350/- by disallowing the following claims.

(In Rs.)

Details of claim	Total claim	Amount allowed	Amount disallowed	Reason for disallowance	Income tax involved
Deduction	50,54,182	26,09,766	24,44,416/-	Deduction on Export	15,93,226

u/s 80HHC				Incentives	
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Our Company didn't prefer an appeal and paid the tax amount of Rs. 15,93,226 on February 06, 2006. Subsequently, the assessing officer passed an order u/s 271(1)(c) of the Income tax Act, 1961 dated March 19, 2008 levying a penalty of Rs. 9,50,000/-. We have filed an appeal before Commissioner of Income tax (Appeals) praying for relief.

#### FY 1999-2000

Our Company had filed its income tax return on November 30, 2000 disclosing an income of Rs 13,070,891 before Deputy Commissioner of Income tax, Circle 1(1), Hyderabad. The assessing officer completed the assessment determining a taxable income of Rs 15,515,350 by disallowing the following claims.

Details of claim	Total claim	Amount allowed (Rs.)	Amount disallowed (Rs.)	Reason for disallowance	Income tax involved (Rs.)
Deduction u/s 80HHC	13,495,880	7,268,706	6,227,172	1. Non inclusion of Excise and sales tax in the total turnover for purposes of deduction. 2. Deduction on export incentives. 3. MAT credit not considered.	5,189,528

Our Company has paid the tax demand and preferred an appeal before Commissioner of Income tax (Appeals –II) vide appeal no. ITA No. 0273/CIT(A)-II/04-05 January 27, 2005. CIT (Appeals) partly allowed the appeal in our favour vide its order dated February 18, 2005. The Company appealed against the said order before ITAT, Hyderabad vide appeal no. 264/Hyd/05 dated April 04, 2005. The matter is pending for hearing.

The Income tax department also filed an appeal no. 478/Hyd/05 dated April 29, 2005 before ITAT, Hyderabad against the grounds allowed by the Commissioner of Appeals. The ITAT, Hyderabad dismissed the department's appeal vide their order no. ITA No. 478/Hyd/05 dated April 23, 2007.

#### FY 2000-01

Our Company filed its income tax return on October 30, 2001 disclosing an income of Rs. 8,929,114 before the Deputy Commissioner of Income tax, Circle 1(1), Hyderabad. The assessing officer completed the assessment determining taxable income of Rs 50,083,873 by disallowing the following claims.

Details of claim/addition	Total claim (Rs.)	Amount allowed (Rs.)	Amount disallowed/ Added (Rs.)	Reason for disallowance	Income tax involved (Rs.)
Deduction u/s 80HHC	18,449,927	19,535,574	1,085,647	1. Non inclusion of Excise and sales tax in the total turnover for purposes of deduction. 2. Excess deduction in view of addition of export incentives to the income.	24,820,438

U/s 43B	-	-	1,459,822	Sales tax payment not considered.	
Excess Depreciation	15,460,543	9,690,328	5,770,215	Prorata depreciation on additions disallowed	
U/s 28(iiiic) regarding additional income	-	-	28,090,189	Export incentives treated as income.	

Our Company preferred an appeal before the Commissioner of Income tax (Appeals –II) vide appeal no. ITA No. 0048/CIT(A)-II/04-05 dated April 16, 2004. CIT (Appeals) partly allowed the appeal in our favour vide its order dated September 07, 2004. We paid the tax of Rs. 9,189,629 against the consequential order dated November 02, 2004 and appealed against the said order before ITAT, Hyderabad vide appeal no. 1121/Hyd/04 dated November 11, 2004. The matter is pending for hearing.

The Income tax department also filed an appeal no. ITA No. 1154/H/04 dated December 06, 2004 before ITAT, Hyderabad against the grounds allowed by the Commissioner of Appeals. The ITAT, Hyderabad dismissed the department's appeal vide their order no. ITA No. 1154/H/04 dated August 30, 2005. The Income tax department appealed against the ITAT order before High Court of A.P. vide their appeal no. ITTA No. 586/2006 and the matter is pending for hearing.

#### **FY 2001-02**

Our Company filed its income tax return on October 29, 2002 disclosing an income of Rs. 21,087,909 before Deputy Commissioner of Income tax, Circle 1(1), Hyderabad. The assessing officer completed the assessment determining a taxable income of Rs 33,274,711 by disallowing the following claims.

Details of claim	Total claim (Rs.)	Amount allowed (Rs.)	Amount disallowed (Rs.)	Reason for disallowance	Income tax involved (Rs.)
Deduction u/s 80HHC	30,015,367	16,362,167	13,653,200	1. Non inclusion of Excise and sales tax in the total turnover for purposes of deduction. 2. Deduction on export incentives.	7,174,417

Our Company has paid the tax demand and preferred an appeal before Commissioner of Income tax (Appeals –II) vide appeal no. ITA No. 273/CIT(A)-II/04-05 dated January 27, 2005. CIT(Appeals) partly allowed the appeal in our favour vide its order dated February 18, 2005. Our Company appealed against the said order before ITAT, Hyderabad vide appeal no. 265 dated April 04, 2005 and the matter is pending for hearing.

The Income tax department also filed an appeal no. 479/Hyd/05 dated April 29, 2005 before ITAT, Hyderabad against the grounds allowed by the Commissioner of Appeals. The ITAT, Hyderabad dismissed the department's appeal vide their order no. ITA No. 479/Hyd/05 dated April 23, 2007.

#### **FY 2002-03**

Our Company filed its income tax return on November 28, 2003 disclosing an income of Rs. 23,635,693 before Deputy Commissioner of Income tax, Circle 1(1), Hyderabad. The assessing officer completed the assessment determining a taxable income of Rs 45,820,688 by disallowing the following claims.

Details of claim/addition	Total claim (Rs.)	Amount allowed (Rs.)	Amount disallowed/ addition(Rs.)	Reason for disallowance/ Addition	Income tax involved (Rs.)
Deduction u/s 80HHC	24,841,321	13,503,610	11,188,121	1. Non inclusion of Excise and sales tax in the total turnover for purposes of deduction. 2. Deduction on export incentives. 3. Inclusion of Job work income in total sales.	11,030,021
Deduction u/s 35(2AB)	6,221,564	6,149,976	71,588	Allowed as per certificate of Department of Science and Technology, Delhi	
Depreciation	43,488,123	42,867,775	620,348	Pro rata depreciation on additions	
Insurance claim U/s 41(3)	-	-	5,174,981	Insurance claim received on R&D assets treated as income	

The company paid a part of the tax demand amounting to Rs. 7,124,575 and preferred an appeal before Commissioner of Income tax (Appeals –II) vide appeal no. ITA No. dated December 29, 2005. CIT (Appeals) partly allowed the appeal in our favour vide its order dated January 25, 2007. We have appealed against the said order before ITAT, Hyderabad on February 12, 2007 and the matter is pending for hearing.

The Income tax department also filed an appeal no. 540/H/07 dated April 26, 2007 before ITAT, Hyderabad against the grounds allowed by the Commissioner of Appeals, which is pending for hearing.

#### **FY 2003-04**

Our Company filed its income tax return on October 29, 2004 disclosing an income of Rs. 16,708,288 before the Deputy Commissioner of Income tax, Circle 1(1), Hyderabad. The assessing officer completed the assessment determining a taxable income of Rs 57,936,430 by disallowing the following claims.

Details of claim/addition	Total claim (Rs.)	Amount allowed (Rs.)	Amount disallowed/ Addition (Rs.)	Reason for disallowance/ Addition	Income tax involved (Rs.)
Deduction u/s 80HHC	3,856,887	1,514,191	2,342,696	1. Non inclusion of Excise and	19,580,578

				sales tax in the total turnover for purposes of deduction. 2. Deduction on export incentives. 3. Inclusion of Job work income & other receipts in total sales.	
Exemption u/s 10 B	37,166,654	-	37,166,654	Allowed as per certificate of Department of Science and Technology, Delhi	
Depreciation	13,931,294	12,232,281	1,699,013	Pro rata depreciation on additions	
Disallowance u/s 14(A)	-	-	19,773	Interest paid on borrowed funds used for earning exempted income (Mutual fund dividends) is disallowed	

We have paid a part of the tax demand amounting to Rs. 6,000,000/- and preferred an appeal before Commissioner of Income tax (Appeals –II) vide appeal dated January 22, 2007. Case is heard and order is awaited.

#### **Pertaining to FY 2004-05**

Our Company filed its income tax return on October 28, 2005 disclosing an income of Rs. 6,012,362 before Deputy Commissioner of Income tax, Circle 1(1), Hyderabad. The assessing officer completed the assessment determining a taxable income of Rs 47,481,860 by disallowing the following claims.

Details of claim/addition	Total claim	Amount allowed	Amount disallowed/ Addition	Reason for disallowance/ Addition	Income tax Liability not provided for
Exemption u/s 10 B	4,14,10,038	-	4,14,10,038	Non compliance of conditions	1,58,74,280
Disallowance u/s 14(A)	-	-	59,459	Interest paid on borrowed funds for earning exempted income (Mutual funds dividends) is disallowed.	

We paid a part of the tax demand amounting to Rs. 4,000,000 and preferred an appeal before Commissioner of Income tax (Appeals –II) vide appeal dated January 25, 2008. Case is heard and the order in the matter is awaited.

**Litigations / Disputes involving Securities related offences, including penalties imposed by SEBI or any other securities market regulator in India or abroad - NIL**

**Litigations involving statutory or other offences, including penalties imposed by any regulatory authority in India or abroad (present or past) - NIL**

**Litigation in relation to labour laws, and employee related cases: NIL**

**Litigation involving revenue authorities (customs/excise/sales tax/income tax/service tax): NIL**

**Litigation involving customers/suppliers/agents: NIL**

**Litigation in the nature of winding up petitions/ liquidation/ bankruptcy / closure filed by / against the Company: NIL**

The Company has no dues payable to SSIs outstanding for a period of more than 30 days, as on March 31, 2008.

**Others:**

i. Non payment of statutory dues or dues to Banks / Institutions: NIL.

ii. Overdue interest/ principal as on current date: NIL.

There have been no defaults and there are no over dues in respect of bonds, debentures and fixed deposits (placed through public or private placement) and arrears in respect of cumulative reference shares or any other liabilities as on current date.

Further, there are no litigations/disputes/penalties or any proceedings known to be contemplated by government authorities.

No disciplinary action/investigation has been taken by the Securities and Exchange Board of India (SEBI)/ Stock Exchanges against the Company, its Directors, Promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of Sec 370 (1B) of the Companies Act, 1956.

There are no past cases in which penalties were imposed by the concerned authorities on the Company or its Directors.

The Company, its promoters, Directors or any of the Company's Associates or Group companies or other ventures of the promoters and companies with which the directors of the Company are associated as directors or promoters have not been prohibited from accessing the capital markets under any order or direction passed by SEBI and no penalty has been imposed at any time by any of the regulators in India or abroad.

No penalties were ever imposed by SEBI or any other regulatory body in India or abroad.

There are no litigations against any other company whose outcome could have materially adverse effect on the position of Alkali Metals including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956) etc.,

**LITIGATION AGAINST PROMOTERS**

There are no pending litigations in which the promoters are involved. Further, no defaults were made to the financial institutions/ banks, non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the promoters and the companies/ firms promoted by the promoters.

Further, there are no litigations against the promoter involving violation of statutory regulations or alleging criminal offence.

There are no Pending proceedings initiated for civil / economic offences against the promoters.

There are no pending litigations, defaults, non payment of statutory dues, proceedings initiated for economic offences/ civil offences (including the past cases, if found guilty). Further, no disciplinary action was taken by the SEBI/ stock exchanges against the promoters and their other business ventures (irrespective of the fact whether they are companies under the same management with the issuer company as per section 370 (1B) of the Companies Act, 1956).

#### **LITIGATION AGAINST DIRECTORS**

There are no pending litigations against the directors involving violation of statutory regulations or alleging criminal offence.

There are no pending proceedings initiated for civil / economic offences against the directors.

There are no pending litigations, defaults, non payment of statutory dues, proceedings initiated for economic offences/ civil offences (including the past cases, if found guilty), any disciplinary action taken by the SEBI / stock exchanges against the issuer company or its Directors.

Note: We confirm that Mr. G. Jayaraman, our director is not the same person, whose name appears in the RBI wilfull defaulters list in matters pertaining to Vibro Equipments, Sri Devi Karumariamman Educational Trust and J B Metals. We confirm that Mr. G. Jayaraman was never associated with the above entities in any manner whatsoever.

#### **LITIGATION AGAINST GROUP COMPANY/ ASSOCIATE CONCERNS**

Save and except as stated below, there are no criminal, securities, statutory or other litigations against any of the Group / Associate Companies. There are no outstanding litigations, disputes, defaults in dues towards instrument holders like debenture holders, fixed deposits, arrears in cumulative preference shares penalties including tax liabilities economic offence, criminal/civil prosecutions for any offence irrespective of whether specified under any enactment in paragraph (1) of Part (1) of schedule XIII of Companies Act 1956 against the Group companies / Associate Concerns promoted by the Promoters of Alkali Metals.

There are no outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the Company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956).

#### **Details of outstanding litigations:**

**Balaji Agro Industries Limited** had acquired the assets of Nagarjuna Drugs Ltd on October 31, 2003 from APIDC (u/Sec 29 of the State Financial Corporation Act, 1951). As per the said Sale Deed executed by APIDC, the assets are supposed to be free from encumbrances. However, after acquisition, Balaji Agro Industries Limited had received the following notices:

- e) Order dated May 05, 2003 u/s 7A issued by Employees Provident Fund Organisation for non payment of Provident Fund dues from the period July 2000 to Dec 2002.
- f) Demand Notice dated November 23, 2002 issued by the Andhra Pradesh Central Power Distribution Company Limited demanding a sum of Rs. 180,407 towards dues of electricity charges.
- g) Order of attachment of property situated at Bonthapally Village, Medak District, Andhra Pradesh, dated September 10, 2003 pasted on the walls of unit premises by tax recover officer of the Income Tax Department, Range 2, Hyderabad, for recovery of Rs. 2,514,125 from Nagarjuna Drugs Limited towards Income Tax dues.

- h) Excise demand notice dated January 20, 2004 issued by the Superintendent of Customs and Central Excise demanding a sum of Rs. 31,096/- towards excise arrears. The department has also attached the 3 reactors of Nagarjuna Drugs vide its attachment order dated October 21, 2005. In response to this attachment order, Balaji Agro Industries Limited filed a writ petition against this order of attachment at the Andhra Pradesh High Court. The Andhra Pradesh High Court, vide its order dated November 14, 2005, granted interim stay on the matter and also directed that Balaji Agro Industries Limited shall not alienate the seized assets till further orders. As on date, the writ petition has not been disposed of.

Balaji Agro Industries Limited has issued notices to each of these departments stating that it is not liable for the liability incurred by the previous owner and the company has purchased the same in the bid from APIDC u/section 29. The company has not received any reply till date.

Balaji Agro Industries Limited has sent a notice to APIDC on 8 March, 2004 asking APIDC to settle these dues. This has been followed by reminder letters written by Balaji Agro Industries Limited to APIDC vide letters dated 25 March, 2004 and 12 May, 2004. No reply has been received from APIDC till date.

The promoters, their relatives (as per Companies Act, 1956), the Company, group companies, associate companies are not named as willful defaulters by RBI/ government authorities and there are no violations of securities laws committed by them in the past or pending against them.

**Default or rescheduling of loans etc.:**

There are no defaults made by the Company and there is no rescheduling of payment of loans.

**Penalties:**

There are no penalties levied; show-cause notices issued by the Reserve Bank of India/Income Tax /Pension Authorities/ Sales Tax/Commissioner of Employees Provident Fund/any other regulatory authority on the Company or on its promoters and directors.

## STATUTORY APPROVALS AND LICENSES

Except for pending approvals mentioned under this heading, our Company has received the necessary material consents, licenses, permissions and approvals from the Government/RBI and various Government agencies required for our present business. Further, except for pending approvals as detailed herein, our Company can undertake all our present activities in view of the present approvals and no further material approvals from any statutory body are required by our Company to undertake the present activities. Except as mentioned in this Section, we have not applied for any licenses/ approvals in relation to the Objects of the Issue.

The list of approvals obtained by our Company as on date is detailed below:

### A. GENERAL APPROVALS.

1. Registration no. 01 - 00196 dated 17 April, 1968 by RoC for Certificate of incorporation, CIN No. U99999AP1968PLC001196.
2. PAN - AABCA7302B issued by Income Tax department
3. TAN - HYDA03461D issued by Income Tax department
4. Registration with the Provident Fund Department vide registration no: AP/HY/3562 dated 1 April, 1972
5. Registration no. 28950263259 of Andhra Pradesh VAT.
6. Registration no. SEC/07/1/1318/1969-70 under Central Sales Tax dated 31 March, 1970, valid from 1 August, 1968 till cancelled.
7. Certificate of registration as an Importer / Exporter vide registration number 0989004881 dated 12 December, 1989 and endorsed for Unit II vide their certificate dated 21 October, 2003.
8. Registration no. ML/REG/A1001/2005 dated 1 September, 2005 valid up to 31 August, 2008 for Certificate of registration as an Exporter under Spices Board (Registration of Exporters) Regulations, 1989
9. Registration no. 14/87-88 dated 19 October, 1987 under AP Professional Tax.
10. ISO Registration: ISO 9001: 2000 – original approval date 31 October, 1995. Present one issued on February 8, 2008 valid till February 8, 2011. ISO 14001: 2004 – original approval date 18 September, 2000. Present one issued on 8 March, 2007 valid till 18 January, 2010.
11. Recognition of in house R&D Unit under Sec 35(2AB) of the I.T. Act - The Department of Scientific & Industrial Research, under the Ministry of Science & Technology has granted approval to the in house R&D Unit of the Company till 31 March, 2006. This has been subsequently renewed vide letter of the Ministry, vide letter no: TU / IV-RD/ 2127/2006 dated 11 May, 2006 till 31 March, 2009.
12. Our Company was accorded the status of Export House vide a certificate dated July 3, 2007 by Joint Director of Foreign Trade, Ministry of Commerce & Industry, GoI, in accordance with the provisions of the Foreign Trade Policy, the certificate is valid till March 31, 2009.

### B. APPROVALS – UNIT I

1. Licence no. 43819 dated 10 July, 2000 to work the Factory under the Factories Act, 1948 and valid till duly cancelled.
2. Registration no. APPCB/HYD/KTN/78/RO/2004/A/39 – 1795 dated 31 May, 2004 for Consent Order to operate the industrial plant in the Air Pollution control areas under Section 21 of Air(Prevention & Control of Pollution) Act, 1981 valid up to 31 March, 2011.
3. Registration no. APPCB/HYD/KTN/78/RO/W/2004/39 – 1794 dated 31 May, 2004 for Consent Order to operate the industrial plant to discharge effluent from certain outlets under Section 25/26 of Water(Prevention & Control of Pollution) Act, 1974 valid up to 31 March, 2011.
4. Registration no. APPCB/ZOH/HWM/2003-824 dated 5 June, 2003 for Grant of authorization for occupier or operator handling hazardous wastes under Rule 3(C) &

- 5(5) of The Hazardous Wastes (Management and Handling) Rules, 1989 valid upto 31 March, 2011.
5. Registration no. P/HQ/AP/15/971(P4434) dated 5 January, 2006 for storage of Petroleum Class A, B & C (in bulk) under Petroleum and Explosives Safety Organisation (PESO) – Formerly Department of Explosives – Petroleum Products, valid up to 31 December, 2008.
  6. Registration no. G/SC/AP/06/1538 dated 27 July, 2005 for Approval in storage of gas cylinders under Gas Cylinder Rules, 2004, valid up to 30 September, 2012.
  7. Registration no. AABCA7302BXM001 dated 31/12/2001 to register as a manufacturer under Central Excise Act.
  8. Registration no. AABCA7302BST002 dated 14-06-2005 under Service Tax for Transport of goods by road.
  9. Registration no. 52-0913-34 under the ESI Act.
  10. HT agreement dated 2 September, 2005 for maximum load of 700KVA with Central Power Distribution Company of AP Ltd under Electricity Board.
  11. Registration under Section 7 (2) of the Contract Labour Regulation Act vide registration no: CLR / 80 /91 dated 11 June, 1991.

### **C. APPROVALS – UNIT II**

1. License no. 41859 dated 18 September, 2000 to work the Factory under the Factories Act, 1948.
2. Certificate of registration as an Importer / Exporter vide registration number 0989004881 dated 12 December, 1989 and endorsed vide their certificate dated 21 October, 2003.
3. Registration no. AABCA7302BST001 dated 8 June, 2005 under Service Tax for Transport of goods by road being under 100% EOU.
4. Export House Status granted by DGFT vide certificate No: A002798 dated 3 July, 2007. The said certificate is valid from 1 April, 2007 till 31 March, 2009.
5. Consent Order no. 142-RR-II-/PCB/ZOH/CFO/2007-549 dated 15 June, 2007 to operate the industrial plant in the Air Pollution control areas under Section 21 of Air (Prevention & Control of Pollution) Act, 1981 valid up to 31 March, 2011.
6. Consent Order no. 142-RR-II-/PCB/ZOH/CFO/2007-549 dated 15 June, 2007 to operate the industrial plant to discharge effluent from certain outlets under Section 25/26 of Water(Prevention & Control of Pollution) Act, 1974 valid up to 31 March, 2011.
7. Consent Order no. 142-RR-II-/PCB/ZOH/CFO/2007-549 dated 15 June, 2007 for Grant of authorization for occupier or operator handling hazardous wastes under Rule 3(C) & 5(5) of The Hazardous Wastes (Management and Handling) Rules, 1989 valid up to 31 March, 2011
8. Registration no. P/HQ/AP/15/3314(P20144) dated 30 December, 2004 for storage of Petroleum Class A, B & C (in bulk) under Petroleum and Explosives Safety Organisation (PESO) – Formerly Department of Explosives – Petroleum Products. Validity extended up to 31 December, 2009 vide letter dated 20 July, 2007.
9. Registration no. G/SC/AP/06/1846 dated March 25, 2008 for Approval in storage of gas cylinders under Gas Cylinder Rules, 2004, valid up to September 30, 2012.
10. Registration no. AABCA7302BXM003 dated 22 September, 2004 to Register as a manufacturer under Central Excise Act.
11. Registration no. 52-23964-90 under the ESI Act.
12. HT Agreement dated 7 January, 2006 for max load of 300KVA with Central Power Distribution Company of AP Ltd under Electricity Board.
13. Registration under Section 7 (2) of the Contract Labour Regulation Act vide registration no: A-380 dated 22 December, 2001.

### **For the proposed project of setting up a manufacturing facility for APIs at Jawaharlal Nehru Pharma City, Parwada, Visakhapatnam:**

The Company has made an application dated 31 May, 2007 to the Nodal Agency under the Single Window Scheme for the purpose of arranging site clearance, statutory approvals from Gram Panchayat, Municipality, TC&P, Urban Development Authority, Factories Department,

Alienation of land / acquisition of land, power feasibility / power connection from DISCOM, sanction of water supply. The Company has also received approval from the Directorate of Factories for its factory plans.

The approvals, listed below, are also required by the Company which will be applied and obtained as when required, during the progress of the proposed project.

1. Drugs and Cosmetics Act, 1940.
2. Drugs and Cosmetic Rules, 1945.
3. The Drugs (Prices Control) order, 1995.
4. Licence for storage of solvents from Department of explosives, Nagpur.
5. Approval from the Pollution Control Board.
6. Sales and excise registration.

### **Investment Approvals**

As per notification number bearing FEMA/20/2000-RB dated 03<sup>rd</sup> May 2000, as amended from time to time, under automatic route of the Reserve Bank our Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits. However, the allotment/transfer of the Equity shares to NRIs/FIIs shall be subject to the prevailing RBI Guidelines. Sale proceeds of such investments in equity shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.

Except as stated hereinabove, our Company has received the necessary consents, licenses, permissions and approvals from the Government/RBI and various Government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business activities.

It must however, be distinctly understood that in granting the above consents/licences/permissions/approvals, the Government does not take any responsibility for the financial soundness of our Company or for the correctness of any statements or any commitments made or opinions expressed herein.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

The shareholders of our Company have approved this Issue under section 81 (1A) of the Act by a Special Resolution at our Company's Annual General Meeting held on May 7, 2008.

### Prohibition by SEBI

Our Company, our Directors, our Promoters, the Directors of our Promoter Companies or persons in control of our Promoter Companies, the group companies, companies promoted by or Promoters and companies or entities with which our Company's Directors are associated as directors / promoters / partners have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI. The listing of any securities of our Company has never been refused at anytime by any of the stock exchanges in India. Our Company, our Promoters, their relatives, group companies and associate companies has, not been detained as willful defaulters by RBI/government authorities and there are no violations of securities laws committed by them in the past or pending against them.

### Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI DIP Guidelines as explained under, with the eligibility criteria calculated in accordance with Restated Financial Statements:

- a) Our Company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years, of which not more than 50% are held as monetary assets.

(Rs. In Mn)

Particulars	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
Fixed Assets (Net)	172.5	207.17	260.22	299.59	316.97
Current Assets, Loans & Advances	213.43	209.5	252.93	261.74	347.95
Investments	36.2	15	0	0	0
Less: Current Liabilities & provisions*	172.46	176.97	243.32	242.22	234.51
<b>Net Tangible Assets</b>	<b>249.67</b>	<b>254.7</b>	<b>269.83</b>	<b>319.11</b>	<b>430.41</b>
Monetary Assets	20.52	11.51	1.36	1.3	0.41

Net tangible assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves, if any), trade investments, current assets (excluding deferred tax assets) less current liabilities (including Cash Credit and excluding deferred tax liabilities and secured as well as unsecured long term liabilities). Monetary assets include cash on hand and bank balances.

- b) Our Company has a track record of distributable profits in terms of section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years.

(Rs. In Mn)

Particulars	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
<b>Net Profit after tax, as restated</b>	<b>63.34</b>	<b>47.05</b>	<b>132.99</b>	<b>76.05</b>	<b>79.32</b>

- c) Our Company has a net worth of at least Rs. 1 Crore in each of the preceding 3 full years (of 12 months each).

(Rs. In Mn)

Particulars	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
Equity Share Capital	60.34	60.34	60.34	60.34	69.39
Reserves & Surplus	172.61	175.95	188.55	233.62	271.43
Less: Revaluation Reserves	0	0	0	0	0
Less: Misc. Exp	0	0	0	0	0
Less: P&L A/c Debit balance	0	0	0	0	0
<b>Net Worth</b>	<b>232.95</b>	<b>236.29</b>	<b>248.89</b>	<b>293.96</b>	<b>340.82</b>

- d) Our Company has not changed its name within the last one year.
- e) Our Company shall ensure that the aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. public issue by way of offer document + firm allotment + promoters' contribution through the offer document) does not exceed five (5) times our pre- issue net worth as per the audited balance sheet of the last financial year.

Further, if the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

#### Disclaimer Clauses

##### 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 THIS DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN 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 THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, SAFFRON CAPITAL ADVISORS PRIVATE LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN 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 THIS DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, SAFFRON CAPITAL ADVISORS PRIVATE LIMITED, HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MAY 28, 2008 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THIS DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,

**WE CONFIRM THAT:**

- a) THIS DRAFT RED HERRING PROSPECTUS FORWARDED TO THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THIS ISSUE;
  - b) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE BOARD, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
  - c) THE DISCLOSURES MADE IN THIS 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 SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AND OTHER APPLICABLE LEGAL REQUIREMENTS).
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THIS DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.
  4. WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
  5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THIS DRAFT RED HERRING PROSPECTUS.
  6. WE CERTIFY THAT CLAUSE 4.6 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.
  7. WE CERTIFY THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION UNDER CLAUSE 4.10 ARE NOT APPLICABLE TO THE ISSUER.

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 SECTION 73(3) 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 DRAFT RED HERRING 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 NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTERS, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT IN THE ISSUE.
11. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE ALLOTTED SHARES IN THE DEMAT MODE ONLY.
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.)

THE FILING OF THIS DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BRLM, ANY IRREGULARITIES OR LAPSES IN THIS DRAFT RED HERRING PROSPECTUS.

#### **Disclaimer from the Issuer and the Book Running Lead Manager**

Investors may note that Alkali Metals Limited and Saffron Capital Advisors Private Limited accept no responsibility for statements made other than in this Draft Red Herring Prospectus or in the advertisement or any other material issued by or at the instance of the Issuer Company or Book Running Lead Manager and that any one, placing reliance on any other source of information would do so at their own risk.

The BRLM do not accept any responsibility save to the limited extent as provided in terms of the Memorandum of Understanding entered into between our Company and the BRLM and the Underwriting Agreement to be entered into between our Company and the Underwriters.

All information will be made available by the Book Running Lead Manager, Underwriters, Syndicate members and our Company to the public and investors at large and no selective or additional information would be available for any section of the investors in any manner

whatsoever including at road shows, presentations, in research or sales reports etc. We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

The BRLM accepts no responsibility; save to the limited extent as provided in the Memorandum of Understanding dated May 26, 2008 entered into between the BRLM and our Company and the Underwriting Agreement to be entered into between the Underwriters and our Company.

#### **Disclaimer in respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares) and to NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI. This Draft Red Herring Prospectus does not, however, constitute 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 Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Hyderabad only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been submitted for approval and has been filed with SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

#### **Disclaimer Clause of the Bombay Stock Exchange Limited**

Bombay Stock Exchange Limited (“the Exchange”) has given vide its letter dated [●] 2008 given 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 Draft Red Herring Prospectus; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the BSE; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

And it should not for any reason be deemed or construed to mean 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 BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

#### **Disclaimer Clause of National Stock Exchange of India Limited**

As required, a copy of the Draft Red Herring Prospectus has been submitted to the National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter dated [●] 2008 permission to the Company to use the NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. The NSE has scrutinized the Draft Red Herring Prospectus 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 Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of the Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

### **Filing**

A copy of this Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at SEBI Bhavan, Bandra Kurla Complex, Bandra East, Mumbai – 400 051. A copy of the Red Herring Prospectus along with the documents required to be filed under section 60B of the Companies Act would be delivered for registration to the RoC, Andhra Pradesh, Hyderabad at: 2<sup>nd</sup> Floor, CPWD Building, Kendriya Sadan, Sultan Bazar, Koti, Hyderabad – 500 195. The final Prospectus would be filed with the Corporate Finance Department of SEBI and the ROC at the respective aforesaid addresses upon closure of the issue and on finalization of the issue price.

### **Listing**

Application has been made to the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for permission to deal in and for an official quotation of our Equity Shares. Our existing Equity Shares are not listed on any Stock Exchanges in India.

BSE shall be the Designated Stock Exchange with which the basis of allotment will be finalized for the QIB, Non Institutional and Retail portion.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the stock exchanges, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after we become liable to repay it, i.e., from the date of refusal or within 70 days from the date of Bid/ Issue Closing Date, whichever is earlier, then we and all our directors jointly and severally shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE and NSE are taken within seven working days of finalization of Basis of Allotment for the Issue.

### **Impersonation**

**Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:**

**“Any person who:**

(a) makes in a fictitious name, a Bid to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”

### Consents

Necessary Consents for the issue have been obtained from the following

1. Directors of our Company
2. Promoters of the Company
3. Bankers to our Company
4. Auditors to our Company
5. Book Running Lead Manager to the Issue
6. Legal Advisor to the Issue
7. Registrar to the Issue
8. Company Secretary
9. Compliance Officer
10. Syndicate Members
11. Underwriters
12. Escrow Collection Bankers to the Issue

The said consents would be filed along with a copy of the Red Herring Prospectus with the RoC, Andhra Pradesh, Hyderabad, as required under Sections 60 and 60B of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus, for registration with the RoC, Andhra Pradesh, Hyderabad.

### Expert Opinion

Except as stated otherwise in this Draft Red Herring Prospectus, we have not obtained any expert opinion.

### Public Issue Expenses

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, advertising expenses and listing fees. The estimated Issue expenses are as follows:

Activity	Expenses* (Rs. Lacs)	% of Issue Size	% of Issue expenses
Lead management, underwriting and selling commission	[•]	[•]	[•]
Advertisement and marketing expenses	[•]	[•]	[•]
IPO Grading expenses	[•]	[•]	[•]
Printing and stationery (including expenses on transportation of the material)	[•]	[•]	[•]
Others (Registrar's fees, legal fees, listing fees, etc.)	[•]	[•]	[•]
<b>Total</b>	<b>[•]</b>	<b>[•]</b>	<b>[•]</b>

\* Will be incorporated after finalization of the Issue Price

### Fees Payable to the BRLM

The total fees payable to the BRLM will be as per the Memorandum of Understanding signed between us and the BRLM, Saffron Capital Advisors Private Limited, a copy of which is available for inspection at our Registered Office and forms part of Material Contracts & Documents.

### **Fees Payable to the Registrar to the Issue**

The fees payable to the Registrar to the Issue, Cameo Corporate Services Limited, will be as per the Memorandum of Understanding signed with our Company, a copy of which is available for inspection at our Registered Office and forms part of Material Contracts & Documents.

The Registrar will be reimbursed for all relevant out-of-pocket expenses including such as cost of stationery, postage, stamp duty, communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allocation advice by registered post/ Speed Post. Refund Orders up to Rs. 1,500/- would be send under certificate of posting.

### **Underwriting Commission, Brokerage and Selling Commission**

An underwriting commission not exceeding [●]% of the total amount underwritten is payable to the underwriters on the offer price of the Equity Shares offered through this Draft Red Herring Prospectus to the public for subscription and underwritten in the manner mentioned in this Draft Red Herring Prospectus.

Brokerage for the issue will be upto [●]% of the issue price of the Equity Shares, which would be paid by our Company on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/Agents' codes on the application form, our Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

### **Previous Public or Rights Issues in the last 5 years**

Our Company has not made any public or rights issue of Equity Shares/Debentures in the last 5 years.

### **Previous Issue of Shares otherwise than for Cash**

Our Company has not issued any Equity Shares for consideration other than cash except as detailed in the section entitled 'Capital Structure' beginning on page [●] of this Draft Red Herring Prospectus.

### **Commission or Brokerage on Previous Issues**

Since this is the initial public offering of the Equity Shares, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of our Company since its inception.

### **Details of capital issue made during last three years in regard to the issuer company and other listed companies under the same management within the meaning of section 370(1)(B) of the Companies Act, 1956.**

There have been no capital issues during last 3 years by us. There are no other listed companies under the same management within the meaning of Sec 370(1)(B) of the Act at present or during the last three years.

### **Promise vis-à-vis Performance – Last 3 issues**

Our Company has not made any Public Issue in the past.

### **Listed ventures of Promoters**

There are no listed ventures of our Promoters.

### **Promise vis-à-vis Performance – Last One Issue of Group Companies**

There are no listed ventures of our Promoters.

### **Outstanding debentures or bonds and redeemable preference shares and other instruments issued and outstanding as on the date of the Draft Red Herring Prospectus and terms of Issue**

There are no outstanding debentures or bonds or redeemable preference shares and other instruments outstanding as on the date of filing of this Draft Red Herring Prospectus.

### **Stock Market Data**

This being an initial public offering of our Company, the Equity Shares of our Company are not listed on any stock exchange.

### **Mechanism for redressal of Investor's grievance**

Our Company has constituted a Shareholders Grievance Committee to look into the redressal of shareholder/ investor complaints such as Issue of duplicate/split/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures, complaints for non receipt of dividends etc. For further details on this committee, please refer under the head 'Corporate Governance' on page [●] of this Draft Red Herring Prospectus. To expedite the process of share transfer, our Company has appointed Cameo Corporate Services Limited as the Registrar and Share Transfer Agents of our Company.

### **Disposal of Investors' Grievances and Redressal Mechanism**

We have appointed Cameo Corporate Services Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with our Compliance officer. All grievances relating to the present issue may be addressed to the Registrar with a copy to the Compliance officer, giving full details such as name, address of the applicant, number of equity shares applied for, amount paid on application and bank and Branch. We will monitor the work of the Registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

A fortnightly status report of the complaints received and redressed by the Registrar to the Issue would be forwarded to us. We would also coordinate with the Registrar to the Issue in attending to the investors' grievances.

We assure that any complaints received, shall be disposed off as per the following schedule:

<b>Sr. No</b>	<b>Nature of the Complaint</b>	<b>Time Taken</b>
1.	Non-receipt of the refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address	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 Mr. Vasudeva Rao Devaki as the Compliance Officer who would directly liaise with SEBI with respect to implementation/compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre issue/post issue related problems at the following address:

**Mr. Vasudeva Rao Devaki**  
**Company Secretary & Compliance Officer**  
**Alkali Metals Limited**

B – 5, Block III,  
Industrial Development Area,  
Uppal, Hyderabad – 500 039.  
Tel No: +91-40-2720 2298  
Fax No: +91-40-2720 1454  
E-mail: secretarial@alkalimetals.com  
Website: www.alkalimetals.com

**Changes in Auditors during the last three years and reasons thereof**

There has been no change in our Auditors during the last 3 years.

**Capitalization of Reserves or Profits during last five years**

There has been no capitalization of reserves or profits, since inception.

**Revaluation of Assets during the last five years**

There has not been any revaluation of Assets during the last five years.

## SECTION IX – ISSUE RELATED INFORMATION

### TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, SEBI (DIP) Guidelines, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus, the 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 of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### Authority for the issue

The issue has been authorised by a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, at the Annual General Meeting of the shareholders of our Company held on May 7, 2008

#### Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari-passu* in all respects with the existing Equity Shares including in respect of the rights to receive dividend. The allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by us after the date of Allotment. For further details, please see the section “Main Provisions of the Articles of Association” on page [•] of this Draft Red Herring Prospectus.

#### Mode of Payment of Dividend

**We shall pay dividend to our Shareholders as per the provisions of the Companies Act and our Articles of Association. The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. We shall pay dividends in cash.**

#### Face Value and Issue Price per Share

The Equity Shares having a face value of Rs. 10/- each are being offered in terms of this Draft Red Herring Prospectus at a price of Rs. [•] per Equity Share. The issue price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the equity shares offered by way of book building. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws. The Issue Price is [•] times the face value of the Equity Shares.

#### Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer 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 Limited Company under the Companies Act, the terms of the listing agreements with the Stock Exchange(s) and the Memorandum and Articles of Association our Company.

For a detailed description of the main provisions of the Articles of Association of our Company relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, etc., for further details, please refer to the section titled 'Description of Equity Shares and Terms of Articles of Association' beginning on page [●] of this Draft Red Herring Prospectus.

### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allocation and Allotment through this Issue will be done only in electronic form in multiples of one Equity Shares to the successful Bidders subject to a minimum Allotment of [●] Equity Shares. For details of Allocation and Allotment, please refer to the section titled "Issue Procedure" on page [●] of this Draft Red Herring Prospectus.

### **Nomination Facility to Investor**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares transmitted, 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 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 our Registered Office or to the registrar and 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 moneys payable in respect of the equity shares, until the requirements of the notice have been complied with.

**Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode there is no need to make a separate nomination with our Company. Nominations registered with respective depository participant of the applicant would prevail. If the investor wants to change the nomination, they are requested to inform their respective depository participant.**

### **Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the Net Issue to the Public including devolvement of Underwriters, if any, within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days, we and every director of our Company who is an officer in default, becomes liable to repay the amount with interest as per Section 73 of the Companies Act.

If the number of allottees in the proposed Issue is less than 1,000 allottees, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after we become liable to pay the amount, we shall pay interest at the rate of 15% per annum for the delayed period.

#### **Arrangements for Disposal of Odd Lots**

Since, our Equity Shares will be traded in dematerialized form only; the marketable lot is one (1) Equity Share. Therefore, there is no possibility of any odd lots.

#### **Restrictions, if any on Transfer and Transmission of Equity Shares**

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, please refer sub-heading "Main Provisions of the Articles of Association" appearing on page [●] of this Draft Red Herring Prospectus.

#### **Compliance with SEBI Guidelines**

Our Company shall comply with all requirements of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time. Our Company shall comply with all disclosure norms as specified by SEBI from time to time.

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

Our Company in consultation with the BRLM reserves the right not to proceed with the issue any time after the Bid/Issue opening date but before allotment without assigning any reason thereof.

## ISSUE STRUCTURE

This Issue is being made through a 100% Book Building Process. The present Issue of 2,550,000 Equity Shares of Rs.10/- each at a price of Rs. [●] for cash aggregating Rs. [●] Lacs. The Net Issue would constitute 25.04% of the fully diluted post issue paid up capital of our Company. The details of the issue structure are as follows:

<b>Particulars</b>	<b>QIBs</b>	<b>Non Institutional Bidders</b>	<b>Retail Individual Bidders</b>
<b>Number of Equity Shares*</b>	Not more than 1,275,000 Equity Shares	Not less than 382,500 Equity Shares	Not less than 892,500 Equity Shares
<b>Percentage of Issue Size available for allocation</b>	Not more than 50% of the Net Issue to the public (of which 5% shall be reserved for Mutual Funds) or Net Issue to the public less allocation to Non-Institutional Bidders and Retail Individual Bidders.* Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The Unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	Not less than 15% of the Net issue to the public or Net Issue size less allocation to QIBs and retail individual bidders.*	Not less than 35% of the Net issue to the public or Net Issue size less allocation to QIBs and non institutional bidders.*
<b>Basis of Allocation if respective category is oversubscribed</b>	Proportionate	Proportionate	Proportionate
<b>Minimum Bid</b>	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000/- and in multiples of [●] Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000/- and in multiples of [●] Equity Shares.	[●] Equity Shares and in multiples of [●] Equity Shares.
<b>Maximum Bid</b>	Not exceeding the size of the issue, subject to regulations as applicable to the Bidder	Not exceeding the size of the issue, subject to regulations as applicable to the Bidder	Such number of Equity Shares per retail individual investor so as to ensure that the Bid amount does not exceed Rs. 1,00,000/- which has to be in multiples of [●] Equity Shares.
<b>Mode of Allotment</b>	Dematerialized mode	Dematerialized mode	Dematerialized mode
<b>Trading Lot/Market lot</b>	One (1) Equity Share	One (1) Equity Share	One (1) Equity Share

<b>Who can apply**</b>	1. Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investor 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 the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs, National Investment Fund in accordance with applicable law.	Companies, Corporate Bodies, Scientific Institutions, Societies, Trusts, Resident Indian individuals, HUF (in the name of Karta), and NRIs (applying for an amount exceeding Rs. 1,00,000/-)	Individuals (including NRIs and HUFs in the name of Karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value.
<b>Terms of payment</b>	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application form to the members of the syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application form to the members of the syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application form to the members of the syndicate
<b>Margin Amount</b>	10% of the Bid amount in respect of bids placed by QIB bidder on bidding	Full amount on bidding	Full amount on bidding

\* Subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be allowed to be met with spill over inter-se from any other categories, at the discretion of our Company in consultation with the BRLM subject to applicable provisions of SEBI Guidelines.

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

Note: Equity Shares being offered through this Draft Red Herring Prospectus can be applied for in dematerialized form only.

## ISSUE PROCEDURE

### Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue to the Public shall be available for allocation to Qualified Institutional Buyers on a proportionate basis (of which 5% shall be allocated for Mutual Funds). Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the 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.

Bidders are required to submit their Bids through the Syndicate. We, in consultation with the BRLM, reserve the right to reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons thereof shall be disclosed to the bidders. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds. The primary responsibility of building the book shall be that of the lead book runner.

**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.**

### Illustration of Book Building and Price Discovery Process

*(Investors should note that this illustration is solely for the purpose of illustration and is not specific to the Issue)*

The Bidders can bid at any price within the Price Band. For instance, assume a Price Band of Rs. 60/- to Rs. 72/- per Equity Share, Issue size of 5,400 Equity Shares and receipt of five Bids from the Bidders. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the Bidding/Issue Period. The illustrative book as set forth below shows the demand for the Equity Shares of the Company at various prices and is collated from Bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
1,500	72	1,500	27.78%
3,000	69	4,500	83.33%
4,500	66	9,000	166.67%
6,000	63	15,000	277.78%
7,500	60	22,500	416.67%

The price discovery is a function of demand at various prices. The highest price at which our Company is able to issue the desired quantity of Equity Shares is the price at which the book cuts off, i.e., Rs.66 in the above example. Our Company, in consultation with the BRLM, will finalize the Issue Price at or below such cut off price, i.e., at or below Rs.66. All Bids at or above this Issue Price and cut-off Bids are valid Bids and are considered for allocation in the respective category.

### Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allotment 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 us 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 the 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 Public including QIBs, Non-Institutional Bidders or NRIs applying on a non-repatriation basis	White
Non-residents, NRIs or FIIs applying on a repatriation basis	Blue

#### **Who Can Bid?**

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
2. Indian nationals resident in India who are majors, in single or joint names (not more than three);
3. HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
4. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity shares;
5. Indian mutual funds registered with SEBI;
6. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);
7. Venture capital funds registered with SEBI;
8. Foreign venture capital investors registered with SEBI;
9. State Industrial Development Corporations;
10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident funds with minimum corpus of Rs. 25 crores and who are authorized under their constitution to invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 25 crores and who are authorized under their constitution to invest in Equity Shares;
13. Multilateral and bilateral development financial institutions;
14. 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;
15. Eligible Non-residents including NRIs and FIIs on a repatriation/non- repatriation basis subject to applicable local laws; and
16. Scientific and/or industrial research organizations authorized under their constitution to invest in equity shares.
17. As per existing regulations promulgated under FEMA, Overseas Corporate Bodies (OCBs) cannot bid/participate in this issue.

**Note: The BRLM and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.**

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, rules, regulations, guidelines and approvals.

#### **Application by Mutual Funds**

In accordance with the current regulations, no mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments by 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.

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.

### **Application by FIIs**

In accordance with the current regulations, the Issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of our Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of our Company in case such sub-account is a foreign corporate or an individual.

### **Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Funds**

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 33.33% of the corpus of the venture capital fund/foreign venture capital investor. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100% of our Company's paid-up equity capital.

### **Application by NRI**

- Individual NRI Bidders can obtain the Bid-cum-Application Forms from our registered office or from members of the Syndicate or the Registrars to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application form meant for Resident Indians (white in colour)

The above information is given for the benefit of the Bidders. The Bidders are advised to make to their own enquiries about the limits applicable to them. Our Company and the BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

### **Maximum and Minimum Bid size**

- a) **For Retail Individual Bidders:** The Bid must be for minimum [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to maximum bid amount of Rs. 1,00,000/. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000/-. In case the Bid Amount is over Rs. 1,00,000/- due to revision in bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allotment under the Non-Institutional Bidders category. The Cut-off option is an option given only to the Retail Individual Bidders indicating their

agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

- b) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 100,000/- and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB margin on submission of 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. 100,000/- for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000/- or less due to a revision in Bids or revision of Price Band, the same would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

### **Information for the Bidders**

1. We will file the Red Herring Prospectus with the Registrar of Companies, at least 3 (three) days before the Bid/Issue Opening Date.
2. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors.
3. 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 our registered office or from the BRLM, or from a member of the Syndicate.
4. Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bid.
5. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

### **Method and Process of bidding**

- a) We, with the BRLM, shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and the Price Band after the filing of the Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in English, Hindi and a regional newspaper). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- b) Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
- c) The Bidding Period shall be a minimum of 3 working (three) days and not exceed 7 working (seven) days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchanges and published in two national newspapers (one each in English and Hindi) and one regional newspaper and the Bidding Period may be extended, if required, by an additional 3 working (three) days, subject to the total Bidding Period not exceeding 10 working (ten) days.

- d) 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.
- e) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details please refer to the section titled “Bids at Different Price Levels” beginning on page [●]) 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.
- f) 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, please refer to the section titled ‘Build up of the Book and Revision of Bids’ beginning on page [●] of this Draft Red Herring Prospectus.
- g) The members of the Syndicate will enter each 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 TRS’s for each Bid cum application Form. **It is the responsibility of the bidder to obtain the TRS from the Syndicate Member.**
- h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled “Terms of Payment and Payment into the Escrow Collection Account” beginning on page [●] of this Draft Red Herring Prospectus.

#### **Bids at Different Price Levels**

- a) The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs. 10 each, Rs. [●] being the Floor Price and Rs. [●] being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1. The minimum application size should be in the range of Rs. 5,000/- to Rs. 7,000/-
- b) In accordance with SEBI Guidelines, our Company in consultation with the BRLM in accordance with this clause, without the prior approval of, or intimation, to the Bidders, can revise the Price Band. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band. In case of a revision in the Price Band, the Issue will be kept open for a further period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days.
- c) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall be suitably revised, if necessary such that the minimum application is in the range of Rs. 5,000/- to Rs. 7,000/-.
- d) Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by informing the Stock Exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper, and also indicating the change on the relevant websites of the BRLM and the terminals of the members of the Syndicate.

- e) We, in consultation with the BRLM, can finalize the Issue Price within the Price Band without the prior approval of, or intimation to, the Bidders.
- f) The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders applying for a maximum bid in any of the bidding options not exceeding Rs. 100,000/- may bid at 'Cut-off'. However, bidding at 'Cut-off' is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**
- g) Retail Individual Bidders, who bid at the 'Cut-Off' agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at 'cut-off' shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Refund Account.
- h) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at 'Cut-off' Price could either
- I. revise their Bid
  - II. make additional payment based on the cap of the revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000/-, the Bid will be considered for allocation under the Non Institutional category in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off
  - III. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Refund Account.

### **Option to Subscribe**

Equity Shares being offered through this Draft Red Herring Prospectus can be applied for in dematerialized form only.

### **Escrow Mechanism**

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 the 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 an amount equivalent to Issue proceeds (Final Issue price multiplied by the number of Equity Shares allotted through this issue) from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with our Company and the balance amount shall be transferred to the Refund Account, from where payment of refund to the Bidders shall be made.

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**

In case of Non-institutional Bidders and Retail Individual Bidders, each Bidder shall, with the submission of the Bid-cum- Application Form draw 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) (For further details, please refer to the section titled 'Issue Procedure-Payment Instructions' beginning on page [●] of this Draft Red Herring Prospectus and submit the same to the members of the Syndicate to whom the Bid is being submitted. In case of QIB Bidders, the Margin Amount has to be submitted along with the Bid to the members of the Syndicate. Bid-cum-Application Forms accompanied by cash and stock invests 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.

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 from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account and Refund Account. Not later than 15 days from the Bid / Issue Closing Date, our Company will instruct the Refund Banker to refund all amount payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders, failing which our Company shall pay interest @15% per annum for any delay beyond the period mentioned above.

Each category of Bidders i.e. QIBs, Non-Institutional Bidders and Retail Individual Bidders, would be required to pay their Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section titled 'Issue Structure' beginning on page [●] of this Draft Red Herring prospectus and shall be uniform across all the bidders in the same category. 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 days from the date of communication of the allocation list to the members of the Syndicate by the Registrar to the Issue. 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.

### **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 BSE / NSE on-line connectivity to each city where a Stock Exchange is located in India and the Bids are accepted.
- b) 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. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the BSE and NSE.
- c) BSE and NSE will aggregate demand and price for Bids registered on their electronic facilities on a regular basis and display graphically the consolidated demand at various price levels. This information can be assessed on BSE's website at [www.bseindia.com](http://www.bseindia.com) or on NSE's website at [www.nseindia.com](http://www.nseindia.com). The online, real-time graphical display of

demand and bid prices at the bidding terminals shall be made. The BRLM shall ensure the availability of adequate infrastructure for data entry of the bids on a real time basis. At the end of each day of the bidding period the demand shall be shown graphically on the terminals for information of the syndicate members as well as the investors.

- 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 investor (Investors should ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depository Account is held. In case the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.)
  - Investor Category – Individual, Corporate, NRI, FII, Mutual Fund, etc
  - Numbers of Equity Shares bid for
  - Bid price
  - Bid Amount
  - Bid-cum-Application Form number
  - Whether payment is made upon submission of Bid-cum-Application Form
  - Margin Amount 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) Consequently, all or any of the members of the Syndicate may reject QIB Bids provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the Bidder at the time of such rejection. In case of Non-Institutional Bidders, Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed beginning on page [●] of this Draft Red Herring Prospectus.
- h) It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or BRLM are cleared or approved by BSE and NSE; 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, its promoters, its management or any scheme or project of our Company.
- i) It is also to be distinctly understood that the approval given by BSE and NSE for the use of their online IPO system should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

#### **Build Up of the Book and Revision of Bids**

- a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
- b) The book gets build up at various price levels. This information will be available with the BRLM on a regular basis.

- c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- d) Revisions can be made in both the desired numbers of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIBs, the members of the Syndicate shall collect the payments 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 the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
- h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/allotment. In case of discrepancy of data between NSE or BSE and members of the Syndicate, the decision of the BRLM based on the physical records of Bid cum Application forms shall be final and binding to all concerned.

#### **Price Discovery and Allocation**

- a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.
- b) Our Company, in consultation with the BRLM shall finalise the 'Issue Price', the number of Equity Shares to be allotted in each category of Bidders.
- c) The allocation for QIBs for not more than 50% of the Net Issue to the Public, of which 5% shall be reserved for Mutual Funds, would be on a proportionate basis, subject to valid bids being received at or above the Issue Price in the manner as described in the section titled 'Basis of Allotment'. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Net Issue to the Public, respectively, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- d) Under subscription, if any, in QIBs, Non-Institutional and Retail categories would be allowed to be met with spill over from any of the other categories at the discretion of our Company and the BRLM. However, if the aggregate demand by Mutual Funds is less than 63,750 Equity Shares, the balance Equity Shares from the portion specifically

available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

- e) Under-subscription, if any, in the Employees Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of our Company, and BRLM.
- f) Allocation to NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for Issue/Allocation of Equity Shares to them.
- g) The BRLM, in consultation with us, 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.
- h) Our Company in consultation with the BRLM, reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allocation, without assigning reasons whatsoever.
- i) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after Bid/Issue closing date.
- j) The allotment details shall be uploaded on the website of the Registrar to the Issue.

#### **Signing of Underwriting Agreement and RoC Filing**

1. Our Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
2. After signing the Underwriting Agreement, we 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 the RoC**

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC, Andhra Pradesh, Hyderabad. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration to the RoC, Andhra Pradesh, Hyderabad.

#### **Announcement of Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on the Draft Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English national daily with wide circulation, one Hindi National newspaper, and a regional language newspaper.

#### **Advertisement regarding Issue Price and Prospectus**

We will issue a statutory advertisement at the time of/after filing of Prospectus with 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 Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **Issuance of Intimation Note and Confirmation of Allocation Note to bidders, other than QIBs**

The Registrar to the Issue shall send Confirmation of Allocation Note/Allotment Advice-cum-Refund Orders to all the Bidders intimating the number of shares allotted and the amount refunded.

#### **Issuance of Intimation Note and Confirmation of Allocation Note to QIB bidders**

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, if so required, QIBs may be sent an Intimation Note, indicating the number of Equity Shares that may be allocated to them and the additional margin required which shall be payable by the QIBs within the pay-in date specified therein. This Intimation Note is subject to the Basis of Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciled book and basis of allotment as approved by the Designated Stock Exchange. In addition, there are foreign investment limitations applicable to our Company, which may result in a change (including a potential decrease) in the number of Equity Shares being finally allotted to non-resident investors (including FIIs). As a result, a CAN may be sent to QIBs and the allocation of Equity Shares in such CAN, may be different from that specified in the earlier Intimation Note. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract for the QIB for all the Equity Shares allocated to such QIB

#### **Designated Date and Transfer of Funds to Public Issue Account**

- a) 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 on the Designated Date, we would allot the Equity Shares to the allottees and would ensure the credit to the successful Bidders depository account within two working days from the date of finalization of the basis of allotment with the Designated Stock Exchange. In case, our Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.
- b) In accordance with the SEBI DIP Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialized form to the allottees. Allottees will have the option to re-materialize the Equity Shares, 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;
- b) Complete the bid-cum-application form after reading all the instructions carefully;
- c) Ensure that the details about Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only;
- d) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.
- e) Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of the Syndicate Member;

- 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) 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, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.
- j) Ensure that Permanent Account Number (PAN) is mentioned in the Bid-cum-Application Form.
- k) If you have mentioned 'Applied For' or 'Not Applicable' in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.
- l) Ensure that the Demographic details as registered with your Depository participant are updated, true and correct at 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, through stock invest, by money order or by postal order.
- f) Do not provide your GIR number instead of PAN number;
- g) Do not Bid at cut off price (for QIB Bidders and Non-Institutional Bidders for whom the Bid Amount exceeds Rs. 100,000/-);
- h) Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable law.
- i) Do not send Bid cum Application Form by post; instead submit the same to a member of the Syndicate only.
- j) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by a QIB.

**Instructions for completing the Bid-Cum-Application Form**

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from our registered/corporate office, or from the Syndicate Members or from the BRLM.

## **Bids and Revisions of Bids**

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or foreign venture capital fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained therein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum of Rs. 100,000/-.
- (d) For non-institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid amount exceeds Rs. 100,000/- and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws or regulations.
- (e) In single name or in joint names (not more than three and in the same order as their Depository Participant details).
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

## **Bidder's Bank Account Details**

Bidders should note that on the basis of name of the Bidders, Depository Participants Name, Depository Participants Identification Number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository, the Bidder's bank account details. These bank account details would be printed on the Refund Orders/Refund Advices, if any, to be sent to the Bidders and for giving refund through any of the mode namely ECS or Direct Credit or RTGS or NEFT. 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 credit of refunds to Bidders at the Bidder's sole risk and neither the BRLM nor our Company shall have any responsibility and undertake any liability for the same.

## **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, occupation, bank account details for printing on refund orders / refund advices or and for giving refund through any of the mode namely ECS or Direct Credit or RTGS or NEFT (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/ refund advice / ECS credit for refunds/ Direct Credit of refund/CANs/Allocation Advice and printing of Bank particulars on the refund order / refund advice, and the Registrar would not use the Demographic Details given by Bidders in the Bid-cum-Application Form for these purposes.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic details as available on its records.

Refund Advice / Refund Orders/ Allocation Advice/ CANs would be mailed at address of the first Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ refund advice/ 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.

In case no corresponding record is available with the Depositories that match 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. Investors should note that the refund cheques/allocation advice/refund advice would be overprinted with details of bank account as per the details received from the depository.

#### **Bids under Power of Attorney or by Limited Companies, Corporate Bodies or Registered Societies**

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 & 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 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.

#### **Bid by Mutual Funds**

In case of Bids made by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investor registered with SEBI, 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.

#### **Bids by Insurance Companies**

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance

Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part.

#### **Bids by Provident Funds**

In case of Bids made by provident fund with the minimum corpus of Rs. 2500 Lacs and pension fund with the minimum corpus of Rs. 2500 Lacs, 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.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions as our Company/BRLM may deem fit.

#### **Bids by NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis**

NRI, FIIs and Foreign Venture Capital funds Bidders to comply with the following:

- Individual NRI Bidders can obtain the Bid-cum-Application Forms from our registered office or from members of the Syndicate or the Registrars to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application form meant for Resident Indians (white in colour).

#### **Bids and Revision to Bids must be made:**

- On the Bid cum Application Form or Revision Form, as applicable and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three)
- **By NRIs:** For a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid amount of Rs. 100,000/- for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs. 100,000/- would be considered under Non Institutional Category for the purposes of allocation. For further details please refer to the section titled "Maximum and Minimum Bid Size" beginning on page [●] of this Draft Red Herring Prospectus
- **By FIIs:** For a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter so that the Bid Amount exceeds Rs. 100,000/-. For further details please refer to the section titled "Maximum and Minimum Bid Size" beginning on page [●] of this Draft Red Herring Prospectus.
- In the names of individuals, or in the names of FIIs 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/speed 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. We 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.**

### **Payment Instructions**

We along with BRLM and Syndicate Member(s) shall open an Escrow Account of our Company with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

### **Payment into Escrow Account to the Issue**

1. The applicable Margin Amount for Non Institutional Bidders and Retail Individual Bidders is equal to 100% whereas for QIBs it is 10% and while submitting the Bid cum Application Form, shall be drawn as a payment instrument for the Bid Amount in favour of the Escrow Account and submitted to the members of the Syndicate.
2. 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 Intimation Note/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.
3. The payment instruments for payment into the Escrow Account of our Company should be drawn in favour of:

i.	In case of Resident Bidders	:	<b>Escrow Account – Alkali Public Issue</b>
ii.	In case of Non Resident Bidders	:	<b>Escrow Account – Alkali Public Issue – NR</b>
iii.	In case of Resident QIB Bidders	:	<b>Escrow Account – Alkali Public Issue – QIB – R</b>
iv.	In case of Non Resident QIB Bidders	:	<b>Escrow Account – Alkali Public Issue – QIB – NR</b>

4. 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 authorized 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 (NRO) 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.
5. Payment will not be accepted out of a Non Resident Ordinary (NRO) Account of a Non Resident bidder bidding on a repatriation basis.
6. In case of Bids by FIIs, 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.

7. Where a Bidder has been allocated a lesser number of Equity Shares than what the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account of our Company.
8. The monies deposited in the Escrow Account of our Company will be held for the benefit of the Bidders till the Designated Date.
9. 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 and Refund Account with the Refund Bankers.
10. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Refund Banker shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

**Payments should be made by cheque, or demand drafts drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre 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.**

#### **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 05, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest will not be accepted.

#### **Submission of Bid-cum-Application Form**

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form. However, for QIB Bidders, the members of the Syndicate member shall collect the Margin Amount.

**No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application 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**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ('First Bidder'). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

##### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

- i. 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.
- ii. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
- iii. The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
- iv. The addresses of all the applications 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 address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.
- v. The applications will be scrutinized for 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.
- vi. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. The applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

We reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

#### **Permanent Account Number (PAN)**

The Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act, 1961. 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.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention 'Not Applicable' and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention 'Applied for' in the Bid cum Application Form. Further, where the Bidder(s) has mentioned 'Applied for' or 'Not Applicable', the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has

agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration.

**It may be noted that Form 60 and Form 61 have been amended vide a notification issued on 01<sup>st</sup> December 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

#### **Unique Identification Number – MAPIN**

SEBI has, with effect from July 2, 2007 declared that the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. Thus the use of UIN has been discontinued.

#### **Right to Reject Bids**

Our Company, in consultation with the BRLM, reserves the right to reject any Bid procured from QIBs, by any or all members of the Syndicate for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons thereof shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders our Company would have a right to reject the Bids only on technical grounds. Consequent refunds shall be made by Cheque/Pay Order/Demand Draft/ECS/Direct Credit/RTGS/NEFT, as the case may be, and will be sent to the bidder's address at the bidder's risk.

#### **Grounds for Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:-

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. Bank account details for Bidders not given;
4. In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
5. Bids by Non Residents, if not in compliance with the appropriate foreign and Indian laws;
6. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons
7. PAN not mentioned in the Bid-cum-Application form
8. GIR Number given instead of PAN Number;
9. Bids for lower number of Equity Shares than specified for that category of investors;
10. Bids at a price less than the lower end of the Price Band;
11. Bids at a price more than the higher end of the Price Band;
12. Bids at cut-off price by Non-Institutional and QIB Bidders;
13. Bids for number of Equity Shares, which are not in multiples of [•];
14. Category not ticked;
15. Multiple bids as defined in this Draft Red Herring Prospectus;
16. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
17. Bids accompanied by Stockinvest/money order/ postal order/ cash;
18. Bids not duly signed by the sole /joint Bidders;
19. Bid-cum-Application Form does not have the stamp of the BRLM/Syndicate Member;
20. Bid-cum-Application Form does not have Bidder's depository account details;

21. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Form; or
22. 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;
23. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
24. Bid in respect of which Bid cum Application form do not reach the Registrar prior to the finalization of the basis of allotment;
25. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
26. Bids by OCBs;
27. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the Securities Act;
28. Bids by any person outside India if not in compliance with applicable foreign and Indian laws;
29. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
30. Bids not uploaded in the Book would be rejected; and
31. Bids by NRIs not disclosing their residential status;
32. Any other reason which the BRLM or our Company deem necessary.

#### **Equity Shares in Dematerialized Form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among our Company, the Depositories and the Registrar:

- 1) An Agreement dated November 7, 2007 among NSDL, our Company and Registrar.
- 2) An Agreement dated October 3, 2007 among CDSL, our Company and Registrar.

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected. All 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 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 of the Bidder(s).
- 5) Non-transferable allocation advice or refund orders will be directly sent to the Bidder by the Registrar to the Issue.
- 6) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

- 7) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his/her Depository Participant.
- 8) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. BSE and NSE, where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
- 9) The trading of our Equity Shares would only be in dematerialized form for all investors in the demat segment of BSE and NSE.
- 10) Investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them, pursuant 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, Bidders Depository account details, number of Equity Shares applied for, date of Bid-cum-Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Our Company has appointed Mr. Vasudeva Rao Devki as the Compliance Officer for the purposes of this IPO and he may be contacted at the registered office of our Company at: B-5, Block III, Industrial Development Area, Uppal, Hyderabad – 500 039. Investors may contact him in case of any Pre-Issue or Post-Issue problems.

**The investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-issue or post-issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders, etc.**

### **Disposal of Applications and Application Money**

We shall ensure dispatch of allotment advice and/or refund orders/refund advice (in case refunds made through ECS/ Direct Credit, RTGS, NEFT) as the case may be giving credit to the Beneficiary Account of the bidders with their respective Depository Participant and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares.

The payment of refund, if any, would be done through various modes as given hereunder:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following sixty eight centres:

1. Ahmedabad	2. Nashik	3. Sholapur	4. Gorakhpur
5. Bangalore	6. Panaji	7. Ranchi	8. Jammu
9. Bhubaneshwar	10. Surat	11. Tirupati (non-MICR)	12. Indore
13. Kolkata	14. Trichy	15. Dhanbad(non-MICR)	16. Pune
17. Chandigarh	18. Trichur	19. Nellore (non- MICR)	20. Salem
21. Chennai	22. Jodhpur	23. Kakinada(non-MICR)	24. Jamshedpur
25. Guwahati	26. Gwalior	27. Agra	28. Visakhapatnam
29. Hyderabad	30. Jabalpur	31. Allahabad	32. Mangalore

33. Jaipur	34. Raipur	35. Jalandhar	36. Coimbatore
37. Kanpur	38. Calicut	39. Lucknow	40. Rajkot
41. Mumbai	42. Siliguri (non- MICR)	43. Ludhiana	44. Kochi/Ernakulam
45. Nagpur	46. Pondicherry	47. Varanasi	48. Bhopal
49. New Delhi	50. Hubli	51. Kolhapur	52. Madurai
53. Patna	54. Shimla (non- MICR)	55. Aurangabad	56. Amritsar
57. Thiruvananthapuram	58. Tirupur	59. Mysore	60. Haldia (non- MICR)
61. Baroda	62. Burdwan (non-MICR)	63. Erode	64. Vijaywada
65. Dehradun	66. Durgapur (non- MICR)	67. Udaipur	68. Bhilwara

This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned sixty eight centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by Our Company.
3. RTGS – Applicants having a bank account at any of the abovementioned sixty eight centres and whose refund amount exceeds Rs. 1 million, 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 Bank(s) for the same would be borne by Our Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
5. 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.

We shall ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges, where the Equity Shares are proposed to be listed are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, our Company, further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- Our Company shall, within 15 days of the Bid/Issue Closing Date, ensure giving instruction in respect of refunds to the clearing system or dispatch the refund orders as the case may be; and
- Our Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment/transfer is not made, refund orders are not dispatched or refund instructions have not been given to the clearing system in the manner disclosed above and/or demat credits are not made to bidders within the 15 day time prescribed above.

Our Company will provide adequate funds required to the Registrar to the Issue for refunds to unsuccessful applicants or allotment advice. Refunds if, not made by Electronic Clearing Services (ECS), Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) will be made through cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker 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.

Where refunds are made through electronic transfer of funds, a suitable communication will be sent to the bidders within 15 days of closure of the issue, giving details of the Bank where refund will be credited along with amount and expected date of electronic credit of refund.

**The bank account details for ECS/ Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) credit will be directly taken from the depositories' database and hence bidders are required to ensure that bank details including MICR code maintained at the depository level are updated and correct.**

We shall ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, Our Company further undertakes that allotment/ transfer of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/ Offer Closing Date.

**We will provide adequate funds required for dispatch of refund orders, Direct Credit, ECS, RTGS or allotment advice to the Registrar to the Issue.**

Refunds will be made by Direct Credit, ECS, RTGS cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker 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.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the Syndicate Member(s) 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.

#### **Interest on Refund of Excess Bid Amount**

We shall pay interest at the rate of 15% per annum on the excess Bid Amount received by us if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.

F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

## **BASIS OF ALLOTMENT**

### **I. 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 portion. The allocation 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 QIBs 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 aggregate demand in this category is less than or equal to 892,500 Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 892,500 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares (being the minimum bid quantity) or in multiples of one Equity Share. For the method of proportionate basis of allocation, refer below.

### **II. 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 portion. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less allocation to QIBs and Retail Portion 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 aggregate demand in this category is less than or equal to 382,500 Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 382,500 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares (being the minimum bid quantity) or in multiples of one Equity Share. For the method of proportionate basis of allotment refer below.

### **III. 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 QIB Bidders will be made at the issue price.
- The QIB portion shall be available for allocation to QIB bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:

- i. In the event that Mutual Fund Bids exceed 5% of the QIB portion, allocation to Mutual Funds shall be done on a proportionate basis for 5% of the QIB portion.
  - ii. In the event that the aggregate demand for Mutual Funds is less than 5% of the QIB portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
  - iii. Equity shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
- (b) In the second instance allocation to all QIB's shall be determined as follows:
- i. In the event that the oversubscription 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 up to 95% of the QIB portion.
  - ii. Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Share on a proportionate basis along with other QIB Bidders.
  - iii. 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.
- (c) The aggregate allocation to QIB Bidders shall be up to 1,275,000 Equity Shares.

#### **Procedure and Time Schedule for Allotment and Issue of Certificates**

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 [●] and expire on [●]. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM, will determine the issue price, and, in consultation with the BRLM, the basis of allocation and entitlement to allotment based on the bids received and subject to the confirmation by the Stock Exchanges. 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 Registrar of Companies, Andhra Pradesh, at Hyderabad and SEBI, Mumbai. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days from the Bid/Issue Closing Date. 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 traded on BSE and NSE.

#### **Method of Proportionate Allotment**

In the event of the Issue being over-subscribed, the basis of allotment shall be finalised by Our Company in consultation with the Designated Stock Exchange. The Executive Director/Managing Director of the Bombay Stock Exchange (Designated Stock Exchange) along with the post Issue Lead Merchant Banker and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportional basis as explained below:

- (a) Bidders will be categorized according to the number of Equity Shares applied for,
- (b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio, in that category subject to a minimum allotment of [●] Equity Shares. The allotment lot shall be the same as the minimum application lot irrespective of any revisions to the price band.

- (d) In all Bids where the proportionate allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:
- Each successful Bidder shall be allotted a minimum of [●] 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.
- (e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If the decimal is less than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- (f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted 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.

#### **Letters of Allotment or Refund Orders**

We shall give credit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. Applicants residing at 15 centers where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Direct Credit or RTGS or NEFT, or ECS as applicable (subject to availability of all information for crediting through electronic mode). In case of other applicants, the Bank shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500/- by 'Under Certificate of Posting', and shall dispatch refund orders above Rs. 1,500/-, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through the electronic facility. Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue. We shall ensure dispatch of refund orders, if any, by 'Under Certificate of Posting' or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS or NEFT, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the issuer.

In accordance with the Companies Act, the requirements of the Stock Exchange and the SEBI DIP Guidelines, we undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No.F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges and as further modified by SEBI's clarification XXI dated October 27, 1997, with respect to the SEBI DIP Guidelines.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue. Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as a Refund Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the Direct Credit/RTGS/NEFT/ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

### **Dispatch of Refund Orders**

Please refer to the section titled "Disposal of Applications and Application Money" beginning on page [●] of this Draft Red Herring Prospectus.

### **Interest in case of delay in Dispatch of Allotment Letters/Refund Orders or delay in Refund instructions**

Our Company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of issue. Our Company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Issue closing date.

### **Bid/Issue Program**

**Bid/Issue opens on:** \_\_\_\_\_ **Bid/Issue closes on:** \_\_\_\_\_

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded till (i) 5.00 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders where the bid amount is in excess of Rs. 1,00,000 and (ii) till such time as permitted by the BSE and NSE, in case of Bids by Retail Individual Bidders where the Bid amount is upto Rs. 100,000. On the day of closing, extension of time will be granted by Stock Exchanges only for uploading the bids received from Retail Investors after taking into account the total number of applications received upto the closure of timings for acceptance of application forms as stated in prospectus and reported by BRLM(s) to the Exchange within half an hour of such closure. Bids will only be accepted on working days.

Bids not uploaded in the book, would be rejected. In case of discrepancy in the data entered in the electronic book vis-à-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.

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

We reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price and can move up or down to the extent of 20% of the floor of the price band.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of 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, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers one in English and other in Hindi, and also in

regional newspaper and also by indicating the change on the web sites and at the terminals of the members of the Syndicate.

### **Undertaking by our Company**

We undertake as follows:

1. That the complaints received in respect of the Issue shall be attended to by our Company expeditiously and satisfactorily;
2. That all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the Equity Shares are to be listed are taken within 7 working days of finalization of the basis of allotment;
3. That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by our Company.
  - a. 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 the issue, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
4. that refund orders to the non-resident Indians shall be dispatched within specified time.
5. that no further issue of securities shall be made till the securities offered through this Draft Red Herring Prospectus are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.

### **Utilization of Issue Proceeds**

The Board of Directors of our Company certifies that:

- a. All monies received out of this issue of shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Act;
- b. Details of all monies utilized out of the issue referred to in sub-item (a) shall be disclosed under an appropriate separate head in the Balance Sheet of our Company indicating the purpose for which such monies had been utilized;
- c. Details of all unutilized monies out of the issue of shares, if any, referred to in sub-item (a) shall be disclosed under an appropriate separate head in the Balance Sheet of our Company indicating the form in which such unutilized monies have been invested;
- d. The utilization of monies received from reservations shall be disclosed under an appropriate head in the Balance Sheet of our Company indicating the purpose for which such monies have been utilized; and
- e. The details of all unutilized monies, out of the funds received from reservations, shall be disclosed under a separate head in the Balance Sheet of our Company indicating the manner in which such unutilized monies have been invested.

## **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy 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, 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. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of Government of India (FIPB) and the RBI. As per current foreign investment policies, foreign direct investment in the sector in which our Company operates (Civil Construction) is allowed upto 100% under the automatic route.

RBI, vide its circular A.P (DIR Series) Circular No. 53 dated December 17, 2003, permitted FIIs to subscribe to shares of an Indian Company in the public issue without prior approval of RBI, so long as the price of equity shares to be issued is not less than the price at which the equity shares are issued to residents.

### **Investment by Non-Resident Indians**

A variety of special facilities for making investments in India in shares of Indian Companies are available to individuals of Indian nationality or origin residing outside India ("NRIs"). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell equity shares of our Company through a registered broker on the stock exchanges. NRIs collectively should not own more than 10% of the post-issue paid up capital of our Company. No single NRI may own more than 5% of the post- issue paid up capital of our Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non repatriable.

### **Investment by Foreign Institutional Investors**

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

### **Ownership restrictions of FIIs**

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of our Company. However, the limit of 24% can be raised up to the permitted sectoral cap for that Company after approval of the board of directors and shareholders of our Company. The issue of equity shares to a single FII should not exceed 10% of the post-issue paid-up capital of our Company. In respect of an FII investing in equity shares of a Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that Company.

### **Registration of Equity Shares under US Laws**

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended 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 of the U.S. Securities Act, 1933), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to 'qualified institutional buyers', as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

**The above information is given for the benefit of the Bidders and neither our Company nor the BRLM are liable for any changes in the regulations after the date of this Draft Red Herring Prospectus.**

## **SECTION X - DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION**

Pursuant to the provisions of Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and other main provisions are as detailed below. Each provision herein below is numbered as per the corresponding article number in the Articles of Association and capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company.

### **MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF OUR COMPANY SHARE CAPITAL**

3. The Authorised Share Capital of the company shall be as specified in clause V of the Memorandum of Association of the Company.
4. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.
5. Any application signed by or on behalf of an applicant for shares in the Company, followed by allotment of any shares 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 the Articles, be a member.
6.
  - 1) If at any time the share capital is divided into (Different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act and whether or not the company is being wound up be varied with the consent in writing of the holders of three fourths of the issued shares of that class or with a sanction of a resolution passed at a separate meeting of the holders of the shares of that class.
  - 2) Subject to the provisions of Sections 170 (2) (a) and (b) of the Act, to every such separate meeting, the provisions of these regulations relating to meetings shall mutatis mutandis apply, but so that the necessary quorum shall be five persons at least holding or representing by proxy or one-third of the issued shares of the class in question.
  - 3) 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 then :
    - (a) Such further shares shall be offered to the persons who, at the date of the

offer, are holders of the equity shares of the company, in proportion, as nearly as circumstances admit, to the capital paid-up on those at that date;

- (b) The offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer with in which the offer, if not accepted, will be deemed to have been declined;
  - (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub clause (b) shall contain a statement of this right;
  - (d) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the company.
- 4) Notwithstanding anything contained in sub clause (1) the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
- (a) If a special resolution to that effect is passed by the company in general meeting, or
  - (b) Where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, 50 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.
- 5) Nothing in sub-clause (c ) of (1) hereof shall be deemed
- (a) To extend the time within which the offer should be accepted; or
  - (b) To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- 6) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debentures issued by the company :
- (i) To convert such debentures or loans into shares in the company
  - (ii) To subscribe for shares in the company

The terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (a) Either has been approved by the central Government before the issue of debentures or the raising of the loans or is in conformity with the rules, if any, made by that Government in this behalf; and
- (b) In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the company in General Meeting before the issue of the loans.

- 6A. The Company shall have the power to issue shares with differential voting rights.
7. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking paripassu therewith.
- 8.
- 1) The company may exercise the powers of paying commissions conferred by Sections 76 of the Act, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Section.
  - 2) The rate of commission shall not exceed the rate of 5% (five percent) of the price at which the shares in respect whereof the same is paid are issued or an amount equal to 5% (five percent) of such price, as the case may be and in the case of debentures in respect whereof the same is paid are issued or an amount equal to 2.5% (two and a half percent) of such price, as the case may be.
  - 3) The commission may be satisfied by payment in cash or by allotment of fully or partly paid shares or partly in one way and partly in the other.
  - 4) The Company may also, on any Issue of shares, pay such brokerage as may be lawful.
9. Subject to section 187-C of the Act, no person shall be recognized by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent future or partial interest in any share or any interest in any fractional part of a share or any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.
10. (1) Every member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so determine) to several certificates, each for one or more at such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission, subdivision, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe and approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one or several joint holders shall be a sufficient delivery to all such holder.
- (2) Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid up thereon.
  - (3) In respect of any share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.
11. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender

thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate In lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act,1956 or any other Act, or rules applicable thereof in this behalf.

The provision of this Article shall mutatis mutandis apply to debentures of the company.

12. The Company may issue such fractional certificates as the Board may approve in respect of any of the shares of the Company on such terms as the board thinks fit as to the period within which the fractional certificate are to be converted into share certificates.
13. If any share stands in the names of two or more persons, the person first named in the register of members shall, as regards receipt of dividends, the service of notices and subject to the provisions of these Articles, all or any other matter connected with the Company except the issue of share certificates, voting at meeting and the transfer of the share, be deemed the sole holder thereof.

### **DEMATERIALIZATION OF SECURITIES**

- 13A. For the purpose of this article:

Beneficial owner means a person or persons whose name is recorded as such with a depository.

Depository means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992.

SEBI means Securities and Exchange Board of India.

Security means such security as may be specified by SEBI from time to time.

1. Dematerialization of Securities: Notwithstanding anything contained in these Articles, the company shall be entitled to dematerialize /rematerialize its securities and to offer the securities in the dematerialized form pursuant to Depositories Act, 1996 and the rules framed there under.
2. Option for Investors: Every person subscribing to the securities offered by the company shall have the option to receive security certificate or to hold securities with a depository. Such a person who is the beneficial owner of the securities can, at any time, opt out of a depository, if permitted by Law, in respect of any security in the manner provided by the Depositories Act and the company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities.
3. If a person opts to hold his security with a depository, the company shall intimate such depository the details of allotment of the security and the depository, on

receipt of the information, shall enter in its record the name of the allottee as the beneficial owner of the security.

4. Securities to be in Fungible Form: All securities held by a depository shall be dematerialized and be in a fungible form. Nothing contained in sections 153,153A, 153B, 187A, 187B, 187C and 372 of the Act shall apply to a depository in respect securities held by it on behalf of the beneficial owners.
5. Rights of Depositories and Beneficial Owners: Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of securities on behalf of the beneficial owner.
6. Save as otherwise provided above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of securities held by it.
7. Every Person holding securities of the company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of these securities which are held by a depository.
8. Service of Documents: Notwithstanding anything to the contrary contained in the Act or these Articles, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic mode or by delivery of floppies or discs.
9. Transfer of Securities: Nothing contained in section 108 of the Act or these Articles shall apply to a transfer of securities affected by a transferor or transferee both of whom are entered as beneficial owners in the records of the depository.
10. Allotment of Securities dealt with in a Depository: Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a depository, the company shall intimate the details thereof to the depository immediately on allotment of securities.
11. Distinctive number of Securities held in a Depository: Notwithstanding anything contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the company shall apply to the securities held with a depository.
12. Register and Index of Beneficial Owner: The register and index of beneficial owners maintained by a depository under the Depositories Act,1956,shall be deemed to be the Register and Index of members and Security holders for the purpose of these Articles

#### **LIEN**

14. (1) The company shall have a first and paramount lien upon all the shares/debentures (other than fully paid up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of the sale thereof for all monies (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any shares shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures unless otherwise agreed the registration of transfer of shares/debentures shall operate as a waiver of the company's lien if any, on such shares/debentures. The directors may at any time declare any shares/debentures wholly or in part exempt from the provisions of this clause.

- (2) The Company's lien, if any, on a share shall extend to all dividends payable thereon, subject to section 205A of the Act.
15. The Company may sell, in such manner as the Board thinks fit, any share on which the Company has a lien provided that no sale shall be made
  - (a) unless a sum in respect of which the lien exists is presently payable; or
  - (b) until the expiration of thirty days after a notice in writing demanding payment of such part of the amount, in respect of which the lien exists as is presently payable, have been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency and stating that amount so demanded if not paid within the period specified at the Registered Office of the Company, the said shares shall be sold.
16.
  - (1) To give effect to any such sale, the Board may authorize some person to transfer the shares sold to the purchaser thereof.
  - (2) The purchaser shall be registered as the shareholder of the shares comprised in any such transfer.
  - (3) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the sale.
17.
  - (1) The proceeds of the sale shall be received by the Company and applied in payment of the whole or a part of the amount in respect of which the lien exist as is presently payable.
  - (2) The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares at the date of sale, be paid to the person entitled to the shares at the date of the sale.
  - (3) The fully paid shares shall be free from all lien and that in case of partly paid shares the issuer's lien shall be restricted to moneys called payable at a fixed time in respect of such shares;

### **CALLS ON SHARES**

18.
  - (1) The Board of Directors may, from time to time, make calls upon the members in respect of money unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the condition of allotment thereof made payable at fixed times.
  - (2) Each member shall, subject to receiving at least thirty days notice specifying the time or times and place of payment of the call money pay to the Company at the time or times and place so specified, the amount called on his shares.
  - (3) A call may be revoked or postponed at the discretion of the Board.
19. A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed. Call money may be required to be paid by instalments.
20. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

21. (1) If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at such rate of interest as the Board may determine.

(2) The Board shall be at liberty to waive payment of any such interest wholly or in part.

22. In case of non-payment of such sum, all the relevant provisions of these regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

23. Subject to the provisions of Section 92 and 292 of the Act, the Board:-

a. may, if it thinks fit, receive from any member willing to advance all or any part of the money uncalled and unpaid upon any shares held by him; and

b. if it thinks fit, may pay interest upon all or any of the moneys advanced on uncalled and unpaid shares (until the same would but for such advance become presently payable) at such rate not exceeding, unless the Company in general meeting shall otherwise direct, 9% (nine percent) per annum as may be agreed upon between the Board and the members paying the sums or advances. Money so paid in advance shall not confer a right to dividend or to participate in profits or any voting rights in this regard.

23A. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

**23B PAYMENT IN ANTICIPATION OF CALL MAY CARRY INTEREST:**

The directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same or whole or any part of the money due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the director agreed upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividends. The directors may at any time repay the amount advanced.

The members shall not be entitled to any voting rights in respect of the monies so paid by him until the same would but for such payment, become presently payable.

The provisions of the Articles shall mutatis mutandis apply to the calls on debentures of the Company.

**23C. TERM OF ISSUE OF DEBENTURE:**

Any debenture, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of directors and otherwise debentures with the right to conversion into or allotment of shares shall be issued only with the consent

of the Company in the General Meeting by a Special Resolution.

24. On the trial or hearing of any suit or proceedings brought by the Company against any member or his representative to recover any debt or money claimed to be due to the Company in respect of his share, it shall be sufficient to prove that the name of the defendant is or was, when the claim arose, on the Register of members of the Company as a holder or one of the holders of the number of shares in respect of which such claim is made and that the amount claimed is not entered as paid in the books of the Company and it shall not be necessary to prove the appointment of Directors who resolved to make any call, not that a quorum of Directors was present at the Board Meeting at which any call was resolved to be made, nor that the meeting at which any call was resolved to be made was duly convened or constituted nor any other matter, but the proof of the matters aforesaid shall be conclusive evidence of the debt.
25. Neither the receipt by the Company of a portion of any money which shall, from time to time, be due from any member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall, preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

#### **TRANSFER AND TRANSMISSION OF SHARES**

26. The company shall keep a "Register of Transfers", and therein shall fairly and distinctly enter particulars of every transfer or transmission of any share.
27. (1) The instrument of transfer of any share in the Company shall be executed by or on behalf of both the transferor and the transferee.  
  
(2) The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.
28. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Companies Act, 1956 and of any modification thereof for the time being shall be complied with in respect of all transfers of shares and registration thereof.
29. Unless the Directors decide otherwise, when an instrument of transfer is tendered by the transferee, before registering any such transfer, the Directors shall give notice by letter sent by registered acknowledgment due post to the registered holder that such transfer has been lodged and that unless objection is taken the transfer will be registered. If such registered holder fails to lodge an objection in writing at the office within ten days from the posting of such notice of him, he shall be deemed to have admitted the validity of the said transfer. Where no notice is received by the registered holder, the Directors shall be deemed to have decided not to give notice and in any event the non-receipt by the registered holder of any notice shall not entitle him to make any claim of any kind against the Company or the Directors in respect of such non-receipt.
- 29A. The Company shall use a common form for share transfer;
30. The Board of Directors may, subject to the right of appeal conferred by Section 111 of the Companies Act, 1956, decline to register:-
  - (a) The transfer of a share not being a fully paid up share, to a person of whom they do not approve; or
  - (b) Any transfer of the share on which the Company has a lien, provided that the registration of transfer shall not be refused on the ground of transferor being either

alone or jointly with any person or persons indebted to the Company on any account except a lien.

- (c) Notice of refusal to transfer shares to transferor or transferee shall be sent within 30 days.

31. The Board may also decline to recognise any instrument of transfer unless:

- (a) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
- (b) The instrument is in respect of only one class of shares.

32. All instruments of transfer which shall be registered shall be retained by the Company, but may be destroyed upon the expiration of such period as the Board may from time to time determine. Any instrument of transfer which the Board declines to register shall (except in any case of fraud) be returned to the person depositing the same.

**32A. DIRECTORS MAY REFUSE TO REGISTER TRANSFER**

Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.

**32B. INSTRUMENT OF TRANSFER:**

The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

**32C. NO FEES ON TRANSFER OR TRANSMISSION**

No fees shall be charged for registration of transfer, transmission, probate, Succession certificate and letters of administration, Certificate of death or Marriage, Power of attorney or similar other document.

33. (a) the registration of transfers may be suspended at such times and for such periods as the Board may, from time to time, determine:

provided that such registration shall not be suspended for more than forty-five days in the aggregate in any year or for more than thirty days at any one time.

(b) There shall be no charge for:

- (a) registration of shares or debentures;
- (b) sub-division and /or consolidation of shares and debenture certificates and subdivision on Letters of Allotment and split consolidation, renewal and pucca transfer receipts into denominations corresponding to the market unit of trading;
- (c) sub-division of renounceable Letters of Right;
- (d) issue of new certificates in replacement of those which are decrepit or worn out or where the cages on the reverse for recording transfers have been fully utilized;

- (e) registration of any Powers of Attorney, Letter or Administration and similar other documents.
  - (c) No transfer shall be made to a minor or a person of unsound mind.
  - (d) Notwithstanding anything in the Articles elsewhere, every holder of shares in, or holder of the debentures of, the company may, at any time, nominate, in the manner prescribed by section 109A & 109B of the Companies Act, 1956 as amended, a person to whom his shares in, or debentures of, the company shall vest in the event of his death.
  - (e) The registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person indebted to the issuer on any account whatsoever;
34. (1) On the death of a member, the survivor or survivors where the member was a joint holder and his legal representative where he was a sole holder shall be the only person recognized by the Company as having any title to his interest in the shares.
- (2) Nothing in clause (1) shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.
35. (1) Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either:
- (a) to be registered himself as holder of the share; or
  - (b) to make such transfer of the shares as the deceased or insolvent member could have made.
- (2) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member had himself transferred the share before his death or insolvency.
36. (1) If the person so becoming entitled, shall elect to be registered as holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
- (2) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.
- (3) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of share shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice of transfer were a transfer signed by that member.
37. On the transfer of the share being registered in his name a person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he was the registered holder of the share and that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company;

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within 90 (ninety) days, the Board may thereafter withhold payment of all dividends, bonus or other moneys payable in respect of the share, until the requirements of the notice have been complied with.

38. Where the Company has knowledge through any of its principal officers within the meaning of Section 2 of the Estate Duty Act, 1953 of the death of any member or debenture holder in the Company, it shall furnish to the Controller within the meaning of such section, the prescribed particulars in accordance with that Act and the rules made there under and it shall not be lawful for the Company to register the transfer of any shares or debentures standing in the name of the deceased, unless the transferor has acquired such shares for valuable consideration or a certificate from the Controller is produced before the Company to the effect that the Estate Duty in respect of such shares or debentures has been paid or will be paid or that none is due, as the case may be.
39. The Company shall incur liability whatever in consequence of its registering or giving effect, to any transfer of share made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the register of members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice or referred thereto, in any book of the Company, and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company but the Company though not bound so to do, shall be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

#### **FORFEITURE OF SHARES**

40. If a member fails to pay any call or installment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid together with any interest which may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.
41. The notice aforesaid shall:-
  - (a) name a further day not earlier than the expiry of 30 (thirty) days from the date of service of notice) on or before which the payment required by the notice is to be made; and
  - (b) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made, will liable to be forfeited.
42. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time, thereafter before the payment required by the notice has been made, be forfeited by a resolution of the Board of that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the date of forfeiture, which shall be the date on which the resolution of the Board is passed forfeiting the shares.
43. (1) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.  
(2) At any time before a sale or disposal, as aforesaid, the Board may annul the forfeiture on such terms as it thinks fit.

44. (1) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at date of forfeiture, were presently payable by him to the Company in respect of the shares together with interest thereon from the time of forfeiture until payment at the rate of 9% (nine percent) per annum.
- (2) The liability of such person shall cease if and when the Company shall have received payments in full of all such money in respect of the shares.
45. (1) A duly verified declaration in writing that the declarant is a director or the secretary of the Company and that a share in the company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts stated therein stated as against all persons claiming to be entitled to the share.
- (2) The Company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.
- (3) The transferee shall thereupon be registered as the holder of the share.
- (4) Transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
46. The provisions of these regulations as to forfeiture shall apply, in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.
47. The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share, and all other rights incidental thereto except only such of those rights as by these Articles are expressly saved.
48. Upon any sale, after forfeiture or for enforcing a lien in purported exercise of powers herein before 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 proceeding 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.
49. Upon any sale, re-allotment or other disposal under the provisions of these Articles relating to lien or to forfeiture, 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. When any shares, under the powers in that behalf herein contained are sold by the Board and the certificate in respect thereof has not been delivered up to the Company by the former holder of such shares, the Board may issue a new certificate for such shares distinguishing it in such manner as it may think fit, from the certificate not so delivered.

50. The directors may, subject to the provisions of the Act, accept from any member on such terms and conditions as shall be agreed, a surrender of his shares or stock or any part thereof.

#### **CONVERSION OF SHARES INTO STOCK**

51. The company may, by an ordinary resolution:
- (a) convert any paid-up shares into stock; and
  - (b) re-convert any stock into paid-up shares of any denomination authorised by these regulations.
52. The holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the shares from which the stock arose might before the conversion have been transferred or as near thereto as circumstances admit:

Provided the Board may, from time to time, fix the minimum amount to Stock transferable, so, however, that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

53. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regard dividends voting and meeting of the Company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.
54. Such of the regulations of the Company (other than those relating to share warrants), as are applicable to paid-up shares shall apply to stock and the words 'share' and 'shareholders' in those regulations shall include 'stock' and 'stockholders' respectively.

#### **SHARE WARRANTS**

55. The Company may issue share warrant, subject to and in accordance with, the provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion, with respect to any share which is fully paid up, on application in writing signed by the person registered as holder of the share and authenticated by such evidence (if any) as the Board may, from time to time, require as to the identity of the person signing the application and on receiving the certificate (if any) of the share: and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.
56. (1) The bearer or of a share warrant may at any time deposit the warrant at the office of the Company and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company and of attending and voting and exercising, the other privileges of a member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the register of members as the holder of the shares included in the deposited warrant.
- (2) Not more than one person shall be recognized as depositor of the share warrant.
- (3) The company shall, on two days written notice, return the deposited share warrant to the depositor.

57. (1) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling meeting of the Company or attend or vote or exercise any other privilege of a member at a meeting of the Company or be entitled to receive any notice from the Company.

(2) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he was named in the register of member as the holder of the shares included in the warrant and he shall be deemed to be a member of the Company in respect thereof.

58. The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction of the original.

#### **ALTERATION OF CAPITAL**

59. The Company may, from time to time, by ordinary resolution increase its share capital by such sum, to be divided into shares of such amount, as the resolution shall specify

60. The Company may, by ordinary resolution in general meeting

(a) consolidate and divide all or any of its capital into shares of larger amounts than its existing shares:

(b) sub-divide its shares or any of them, into shares of smaller amounts than is fixed by the Memorandum of Association, so however, than in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived:

(c) cancel any share which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

61. The Company may, from time to time, by special resolution and on compliance with the provisions of Section 100 to 105 of the Act, reduce its share capital and any capital reserve fund or share premium account.

62. The Company shall have power to establish Branch Offices, subject to the provisions of Section 8 of the Act or any statutory modifications thereof.

63. The Company shall have power to pay interest out of its capital on so much of shares which were issued for the purpose of raising money to defray the expenses of the construction of any work or building or the provisions of any plant for the Company in accordance with the provisions of Section 208 of the Act.

64. The Company, if authorised by a special resolution passed at a General Meeting may amalgamate or cause itself to be amalgamated with any other person, or body corporate, subject however, to the provisions of Section 391 to 394 of the Act.

64A. Notwithstanding anything contained in the Articles of Association, the company shall have the power to buy back its shares or other securities in accordance with the provisions of section 77A, 77AA and 77B and other provisions of the Companies Act, 1956 from its existing shareholders or the holders of other securities on a proportionate basis or by purchase of the shares or securities issued to the employees of the company pursuant to a scheme of stock options or sweat equity.

## SECTION XI - OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this DRHP) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this DRHP, delivered to the RoC, Hyderabad for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of the Company situated at B-5, Block III, Industrial Development Area, Uppal, Hyderabad 500 039, India from 10.00 a.m. to 4.00 p.m. on any working day, excluding Saturday and Sunday from the date of this Draft Red Herring Prospectus until the Bid/Offer Closing Date.

#### MATERIAL CONTRACTS

1. Memorandum of Understanding dated May 26, 2008 between the Company and Saffron Capital Advisors Private Limited, appointing them as the Book Running Lead Manager to the Issue.
2. Memorandum of Understanding dated May 24, 2008 between the Company and Cameo Corporate Services Limited appointing them as the Registrar to the Issue.
3. Tripartite Agreement dated November 7, 2007 among our Company, NSDL and Cameo Corporate Services Limited.
4. Tripartite Agreement dated October 3, 2007 among our Company, CDSL and Cameo Corporate Services Limited.
5. Escrow agreement dated [●] between our Company, the BRLM, Escrow Collection Banks, and the Registrar to the Issue.
6. Syndicate Agreement dated [●] between our Company, BRLM and Syndicate Members.
7. Underwriting Agreement dated [●] between our Company, BRLM and Syndicate Members.

#### Material Documents

1. Memorandum and Articles of Association of our Company, as amended from time to time.
2. All the Certificates of incorporation issued by RoC till date.
3. Resolution passed by the shareholders of our Company at the Annual General Meeting held on May 7, 2008 pursuant to Section 81(1A) of the Companies Act, 1956.
4. Resolution appointing Mr. Y. S. R. Venkata Rao as the Managing Director of our Company at the EGM held on May 29, 2004 for a period of five years with effect from 1 May, 2004.
5. Copy of the TEV Report given by APITCO, dated May 2008.
6. Copy of the technology transfer agreement entered into by our Company with Dr. Y. V. S. Murty, the promoter, dated March 30, 2000, for the payment of royalty.

7. Due Diligence Certificate dated May 28, 2008 to SEBI from Saffron Capital Advisors Private Limited.
8. Consent from the Directors, Compliance Officer, Company Secretary, Auditor, APITCO, Book Running Lead Manager, Registrar to the Issue, Bankers to the Issue, Bankers to our Company, Underwriters. Legal Advisor to act in their respective capacities.
9. Consent of the IPO Grading Agency for inclusion of their report dated [●] in the form and context in which they appear in the Red Herring Prospectus and Prospectus.
10. Copy of the Certificate from the statutory auditors, Avadhani & Co., Chartered Accountants, dated May 21, 2008 regarding the sources and deployment of funds as on May 15, 2008.
11. Certificate dated May 21, 2008, 2008 from the Statutory Auditors, Avdhani & Co. Chartered Accountants, detailing the tax benefits.
12. Copies of Annual reports of the Company for the financial years ended 31 March, 2008, 2007, 2006, 2005 and 2004.
13. Copy of the report of the Auditors on the restated financial information, dated May 21, 2008.
14. Copy of the NoC to the issue obtained from SBI, Bankers to the Company.
15. Copies of the Initial Listing Application made to Bombay Stock Exchange and National Stock Exchange.
16. Copy of in-principal approval received from the Bombay stock Exchange Limited and National Stock Exchange of India Limited dated [●] and [●] respectively.
17. SEBI Observation letter No. [●] dated [●].
18. Reply by BRLM dated [●] for the above SEBI observation letter.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the Shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statute.

## **SECTION XII - DECLARATION**

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or the guidelines issued, as the case may be. The Company further certifies that all the statements in this Draft Red Herring Prospectus are true and correct.

### **SIGNED BY ALL THE DIRECTORS**

Mrs. Y.V.Lalitha Devi

Dr. Y.V.S.Murty

Mr. Y.S.R.Venkata Rao

Mr. Ch.S.Prasad

Mr. P.C.Patnaik

Mr. G.Jayaraman

Dr. J.S. Yadav

### **SIGNED BY ALL THE COMPANY SECRETARY AND COMPLIANCE OFFICER**

Mr. Vasudeva Rao Devaki

Place: Hyderabad

Date: May 28, 2008