Draft Red Herring Prospectus
Dated [•]
(The Draft Red Herring Prospectus will be updated upon filing with the RoC)
100% Book Building Issue

NECTAR LIFESCIENCES LIMITED

Registered Office: Village Saidpura, Tehsil Derabassi, Dist. Patiala (Punjab);
Corporate Office: 110, Industrial Area, Phase-1, Chandigarh – 160 002;
Tel: + 91 172 2658317; Fax: +91 172 2655377;
Contact person: Mr. Sunder Lal, Company Secretary; E-mail: ipo@neclife.com; Website: http://www.neclife.com
(We were incorporated as Surya Medicare Limited, a public limited company under the Companies Act, 1956 on June 27, 1995. On March 26, 2004, our name was changed to Nectar Lifesciences Limited.)

PUBLIC ISSUE OF UP TO 3,870,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE AGGREGATING RS. [•] MILLION BY NECTAR LIFESCIENCES LIMITED ("THE COMPANY" OR "ISSUER") (THE "ISSUE"). THE ISSUE WOULD CONSTITUTE 26% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND: Rs. [•] TO Rs. [•] PER EQUITY SHARE OF FACE VALUE Rs. 10
The Floor Price is Rs. [•] per Equity Share

The Issue is being made through the 100% book building process where up to 50% of the Issue Size shall be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). Further, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% 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.

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. **The face value of the shares is Rs. 10 and the Floor Price is [•] times of the face value and the Cap Price is [•] times of the face value**. The Price Band (as determined by the Company in consultation with the Book Running Lead Manager ("BRLM") on the basis of assessment of market demand for the Equity Shares by way of book building) 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 or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to the 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 Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the National Stock Exchange and the Stock Exchange, Mumbai. We have received in-principle approval from the [•] and the [•] for the listing of the Equity Shares pursuant to letters dated [•] and [•], respectively.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
ICICI SECURITIES LIMITED ICICI Centre H.T. Parekh Marg, Churchgate, Mumbai 400 020 Tel: (91 22) 2288 2460 Fax: (91 22) 2282 6580 E-mail: nectar_ipo@isecltd.com Website: www.iseconline.com	**KARVY COMPUTERSHARE PRIVATE LIMITED** Karvy House, 46, Avenue 4, Street no. 1, Banjara Hills, Hyderabad 500 034. Tel: (91 40) 2331 2454. Fax: (91 40) 2331 1968. Email: nectar_ipo@karvy.com Website: www.karvy.com

ISSUE PROGRAMME			
BID / ISSUE OPENS ON		**BID / ISSUE CLOSES ON**	
DATE OF EARLIEST CLOSING			

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ABBREVIATIONS

Term	Description
The "Company" or "our Company" or "Nectar" or "Nectar Lifesciences Limited" or "we" or "our" or "us"	Unless the context otherwise requires refers to Nectar Lifesciences Limited, a company incorporated under the Companies Act and carrying on the business of manufacturing Bulk Drugs – semi-synthetic penicillin and Cephalosporins.
"Chempharma" or "CPL"	Chempharma (Private) Limited, a wholly owned subsidiary of our Company established under the laws of Sri Lanka

ISSUE RELATED TERMS

Term	Description
Allotment	Issue of Equity Shares pursuant to the Issue to the successful Bidders as the context requires.
Allottee	The successful Bidder to whom the Equity Shares are being/have been issued.
Banker(s) to the Issue	To be appointed.
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form.
Bid Closing Date /Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Punjabi newspaper with wide circulation.
Bid Opening Date/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Punjabi newspaper with wide circulation.
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 issue of the Equity Shares pursuant to the terms of this Draft Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus and the Bid cum Application Form.
Bidding Period / Issue Period	The period between the Bid Opening Date/Issue Opening Date and the Bid Closing Date/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 Guidelines, in terms of which the Issue is made.
BRLM/Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being ICICI Securities Limited.
CAN/Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Cut-off Price	Any price within the Price Band finalised by us in consultation with the BRLM. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Issue Account after the Prospectus is filed with the RoC, following which the Board shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	To be appointed.
Draft Red Herring Prospectus	This Draft Red Herring Prospectus proposed to be filed with the SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue.

Term	Description
Equity Shares	Equity shares of our Company 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.
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker(s) to the Issue, at which the Escrow Account will be opened.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
IBSL	ICICI Brokerage Services Limited.
IDBI	Industrial Development Bank of India.
IPO	Initial Public Offering.
I-Sec	ICICI Securities Limited.
Issue	Public issue of 38,70,000 Equity Shares at the Issue Price pursuant to the Red Herring Prospectus and the Prospectus.
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Date.
Issue Price	The final price at which Equity Shares will be allotted in terms of the Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 0% to 100% of the Bid Amount.
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 50,000.
Non-Institutional Portion	The portion of the Issue being 9,67,500 Equity Shares of Rs. 10 each available for allocation to Non Institutional Bidders.
PNB	Punjab National Bank.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid 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 Opening Date and extending up to the date specified in the CAN.
Price Band	The price band with a minimum price (Floor Price) of Rs. [•] and the maximum price (Cap Price) of Rs. [•], including any revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLM finalizes the Issue Price.
Promoter Group Companies	Unless the context otherwise requires, refers to those companies mentioned in the section titled "Promoter Group" on page 100 of this Draft Red Herring Prospectus.
Promoters	Mr. Sanjiv Goyal and Mrs. Raman Goyal.
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
QIB Portion	The portion of the Issue to public and up to 1,935,000 Equity Shares of Rs. 10 each at the Issue Price, available for allocation to QIBs.
Qualified Institutional Buyers or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, 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 a minimum corpus of Rs. 250 million, pension funds with a minimum corpus of Rs. 250 million, and multilateral and bilateral development financial institutions.
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited.

Term	Description
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 50,000, in any of the bidding options in the Issue.
Retail Portion	The portion of the Net Issue to the public and being a minimum of 9,67,500 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).
RHP or Red Herring Prospectus	Means the document issued in accordance with the SEBI Guidelines, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus which will be filed with the RoC at least 3 days before the Bid Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation.
SBI	State Bank of India.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended.
Stock Exchanges	BSE and NSE.
Syndicate	The BRLM and the Syndicate Member.
Syndicate Agreement	The agreement to be entered into between the Company and the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member	ICICI Brokerage Services Limited.
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM and the Syndicate Member.
Underwriting Agreement	The agreement among the members of the Syndicate and the Company to be entered into on or after the Pricing Date.

COMPANY AND INDUSTRY TERMS

Term	Description
API	Active pharmaceutical ingredients.
Auditors	The statutory auditors of the Company, being Bansal Mittal & Co.
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof.
BOI	Board of Investment of Sri Lanka
Bulk Drugs	Being Oral Bulk Drugs and Sterile Bulk Drugs.
CGMP	Current Good Manufacturing Practices
Director(s)	Director(s) of Nectar Lifesciences Limited, unless otherwise specified.
EPCG	Export Promotion Capital Goods
ESIC	Employees's State Insurance Corporation
ETP	Effluent Treatment Plant
FTA	Free Trade Agreement
gm	Gram
HVAC	Heat, Ventiliation and Air Conditioning
ICAI	The Institute of Chartered Accountants of India
mg	Milli gram
MIS	Management Information System
P&M	Plant and Machinery
PPCB	Punjab Pollution Control Board
R&D	Research and Development
Registered Office	The registered office of the Company being Village Saidpura, Tehsil Derabassi, Dist. Patiala (Punjab).
SLR	Sri Lankan Rupee
SSPs	Semi Synthetic Penicillins
Swiss Tech	Swiss Technology Venture Capital Fund Private Limited
TRIPS	Trade Related Aspects of Intellectual Property Rights
UK MHRA	United Kingdom, Medicines and Healthcare products Regulatory Agency
USFDA	United States Food & Drug Administration

Term	Description
WHO-GMP	World Health Organisation – Good Manufacturing Practices
WTO	World Trade Organization

CONVENTIONAL/GENERAL TERMS

Term	Description
“ADPL” or Aster	Aster Drugs & Pharmaceuticals Limited
AGM	Annual General Meeting
Articles/ Articles of Association	The Articles of Association of Nectar Lifesciences Limited.
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
BSE	The Stock Exchange, Mumbai.
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
Companies Act	The Companies Act, 1956, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
EGM	Extraordinary General Meeting
EPS	Earnings per share.
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India.
Financial Year /fiscal year/ FY/ fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
FIPB	Foreign Investment Promotion Board.
Government/ GOI	The Government of India.
HUF	Hindu Undivided Family.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
Indian GAAP	Generally accepted accounting principles in India.
Memorandum/ Memorandum of Association	The Memorandum of Association of Nectar Lifesciences Limited.
MT	Metric tonnes.
NAV	Net asset value.
Non Residents	Non-Resident is a Person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NRE Account	Non Resident External Account.
NRI/Non-Resident Indian	Non-Resident Indian, is a Person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NRO Account	Non Resident Ordinary Account.
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue.
P/E Ratio	Price/Earnings Ratio.

Term	Description
PAN	Permanent Account Number.
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000.
RBI	The Reserve Bank of India.
Reserve Bank of India Act/ RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
RoC	The Registrar of Companies, Punjab, Himachal Pradesh and Haryana at Jalandhar.
SEBI	The Securities and Exchange Board of India constituted under the SEBIAct, 1992.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time.
U.S. GAAP	Generally accepted accounting principles in the United States of America.

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in this Draft Red Herring Prospectus. Our current fiscal year commenced on April 1, 2004 and ends on March 31, 2005. 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 practices. 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, please see the section titled "Definitions and Abbreviations" starting on page i of this Draft Red Herring Prospectus.

Unless stated otherwise, industry data used throughout this Draft Red Herring Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified.

FORWARD-LOOKING STATEMENTS

We have included statements in this Draft Red Herring Prospectus, that contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions that are "forward-looking statements". However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this RHP regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Draft Red Herring Prospectus (whether made by us or any third party) involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

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

- general economic and business conditions in India and other countries;
- our ability to successfully implement our strategy, growth and expansion plans and technological initiatives;
- our ability to successfully roll out our suite of products;
- changes in laws and regulations that apply to pharmaceutical industries, including laws that impact our ability to enforce our collateral;
- changes in political conditions in India; and
- changes in the foreign exchange control regulations in India.

For further discussion of factors that could cause our actual results to differ, see the section titled "Risk Factors" on page viii of this Draft Red Herring Prospectus. By their nature, certain 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. our Company, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Draft Red Herring Prospectus before making any investment decision relating to our Equity Shares. The occurrence of any of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of our Equity Shares to fall significantly and you may lose all or part of your investment.

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Draft Red Herring Prospectus, including the restated consolidated financial statements included in this Draft Red Herring Prospectus beginning on page 73. Unless stated otherwise, the financial data in this section is as per our restated consolidated financial statements prepared in accordance with Indian GAAP.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

INTERNAL RISK FACTORS

Our products currently consist of active pharmaceutical ingredients, or APIs, whose prices can fluctuate dramatically.

Prices of our APIs can fluctuate dramatically, depending on, among other factors, the number of producers and their production volumes and changes in demand in the principal drug markets. Because APIs have become the most significant component of our consolidated total income and may continue to grow as a percentage of our consolidated total income, our revenue is significantly and increasingly dependent upon factors affecting API prices which are factors that we cannot control. A substantial portion of our revenues is derived from the sales in the generic active pharmaceutical ingredients segment; any decline in the overall sales of this segment would reduce our profitability.

We have significant planned capital expenditures; our capital expenditure plans may not yield the benefits intended.

Our operations require significant capital expenditures to increase capacity. We have commenced Rs850 million capital expenditure plan aimed at significantly increasing our production capacities to meet the growing demand for our portfolio of Bulk Drugs. We also have other planned capital expenditures. For more details on our planed capital expenditure please refer to the section entitled "Objects of the Issue" beginning on page 16 of this Draft Red Herring Prospectus. The figures in our capital expenditure plans are based on management estimates and have not been appraised by any bank, financial institution or other independent organisation. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals; availability of financing on acceptable terms; and changes in management's views of the desirability of current plans, among others. In view of the reasons stated above, we cannot assure you that we will be able to execute our capital expenditure plans as contemplated. If we experience significant delays or mishaps in the implementation of our capital expenditure plans or if there are significant cost overruns, then the overall benefit of such plans to our revenues and profitability may decline. To the extent that completed capital expenditure does not produce anticipated or desired revenue or cost-reduction outcomes, our profitability and financial condition will be negatively affected.

We have not entered into any definitive agreements to utilise the proceeds of the Issue.

We intend to use the net proceeds of the Issue for the capital expenditures described in section "Objects of the Issue" beginning on page 16 of this Draft Red Herring Prospectus. Except for the appointment of certain consultants, we have not entered into any definitive agreements to utilise such net proceeds. We have not yet placed orders for major items of plant and machinery for the projects described in "Objects of the Issue" on page 16 of this Draft Red Herring Prospectus. Pending any use of the net proceeds of the Issue we intend to invest the funds in liquid instruments. We intend to rely on our internal systems and controls to monitor the use of such proceeds. Some of the equipment we intend to deploy is expected to be imported and must be paid for in foreign currency. Changes in foreign exchange rates adversely affecting the value of the Rupee may adversely affect the cost of the project.

A substantial portion of our consolidated profits are derived from Chempharma Private Limited, our Sri Lankan subsidiary

For the period ended December 31, 2004, 66% of our consolidated adjusted profit after tax was derived from Chempharma which is a wholly owned subsidiary of our Company. Chempharma sells majority of its current production to our Company and we further process the same to make value added products for the domestic market. In addition to economic benefits of outsourcing the production of Cephalosporin bulk drugs from Sri Lanka, Chempharma is also eligible for a tax holiday under the BOI guidelines. Our Sri Lankan operations are exposed to economical, political and foreign currency risks. Any significant adverse changes in these elements would affect our consolidated profitability. For details of tax benefits available to Chempharma, please refer to the section entitled "Financial Information of Group Companies" on page 97 of this Draft Red Herring Prospectus.

We have not received the required licenses for drugs to be manufactured in our proposed expansion facility.

For the expansion of our proposed project, we have not received the license to manufacture drugs from the Drugs Controlling Authority, the approval for commencement of commercial production from the Director of Industries and the no objection certificate from the Punjab Pollution Control Board. Failure to obtain these approvals would adversely affect our business and may result in significant cost over runs and delays in our expansion plans.

Our inability to fulfill export obligations under the Advance Licence and Export Promotion Capital Goods Scheme could result in potential custom duty liability.

We have sixty (60) advance licenses under the Advance Licence and Export Promotion Capital Goods Scheme aggregating an outstanding export obligation of approximately Rs. 92 million as on August 31, 2004. Out of the 60 advance licences, seven advance licences aggregating export obligation of Rs. 8 million have expired for which we are in the process of applying for extension of time. We also have eight (8) Export Promotion Capital Goods licences which were issued during FY03 and FY04 with an outstanding export obligation of Rs 30 million to be fulfilled by FY11 and FY12. Our inability to fulfill these export obligations could result in potential custom duty liability.

Our inability to collect and deposit sales tax concession forms with the sales tax authorities could result in potential sales tax liability

We have made sales aggregating Rs 2,073 million for the period from FY01 to FY04 under sales tax concession forms. The extant provisions of the Punjab General Sales Tax Act, 1948 prescribe a time limit of three (3) years from the end of the relevant financial year during which these concession forms can be collected from the customers and deposited with the authorities. We are in the process of collecting these concession forms from the customers. In the event that we are unable to collect and deposit the sales tax concession forms before the expiry of the prescribed period, we would be exposed to additional sales tax liability aggregating Rs. 137 million in addition to interest and penalty that may be levied by the sales tax authorities.

Our Promoter and Managing Director is a first generation entrepreneur with no technical qualifications in the pharmaceutical industry. Further, we depend on our senior management team, and the loss of team members may adversely affect our business.

Our Promoter and Managing Director Mr. Sanjiv Goyal is a first generation entrepreneur with no technical qualifications in the pharmaceutical industry. We rely on Mr. Sanjiv Goyal for the management of our day to day operations including our business strategy and growth plans. Our future performance will be affected if Mr.Sanjiv Goyal discontinues service. Further, if one or more members of our senior management team were unable or unwilling to continue in their present positions, those persons could be difficult to replace and our business could be adversely affected. If some of our key employees were to join a competitor or to form a competing company, some of our customers or clients might choose to do business with that competitor or new company. Furthermore, customers, clients or other companies seeking to develop in-house capabilities may hire away some of our senior management or key employees.

We face growing and new competition that may adversely affect our competitive position and our profitability.

We operate in a highly competitive environment. Our revenue growth is the result of growth in the sales of Cephalosporin based drugs in India. Significant additional competition in the markets where we sell our Cephalosporin based drugs and other APIs will likely erode our market shares and result in reduced prices and thereby negatively affect our revenues and profitability. Competitors from countries such as China may enjoy many of the same advantages that we do and may even have lower cost structures, enabling them to compete vigorously on the basis of price.

In most of our export markets, global producers are significantly larger than us and have significantly stronger market positions, production capacities and greater financial resources than we do. We also face significant competition from Indian players. These market participants include other small, limited-service providers and a number of full-service global companies. The larger competitors have a much broader portfolio of business, greater resources and more experience than smaller companies. While we have historically been able to provide our products in our principal markets at competitive prices and on a cost-efficient basis, there can be no assurance that we will be able to do so in the future, as our competitors might be able to offer products that are more cost effective than ours.

We may be unable to cope with technical and regulatory developments in the industry.

We may be unable to adapt to new trends in the pharmaceutical industry. Our failure to adopt new chemical and process technologies may adversely affect our cost competitiveness and ability to develop newer generation products. Further, we may be unable to adjust to regulatory changes in the pharmaceutical industry in relation to manufacturing and marketing of our products. In such an event our business and profitability may be affected.

We have issued a corporate guarantee in favour of the lenders to our subsidiary Chempharma (Private) Limited.

Our Company has given a corporate guarantee of US$ 4.9 million for the financing facilities availed of from the State Bank of India, Colombo, by its subsidiary Chempharma. In this regard, we may be required to make a payment under the guarantee if the security of fixed assets and current assets given by Chempharma are not enough to meet the principle repayment and defaulted amount. As of date Chempharma has not defaulted on any payments to State Bank of India under the loan agreement. We can not assure you that Chempharma would continue to meet its payment obligations and that the lenders would not seek to payment under the guarantee from us.

We have incurred and shall continue to incur substantial capital investments in research and development activities. However no assurance of returns on these investments can be given.

Research and development activities are very critical to our business. We have made substantial expenditure in the past (2.53% of our sales in FY 2004) and shall continue to do so in the future to strengthen our existing activities and add new activities. There is no assurance that such expenditure on research and development activities will fructify into returns for the Company.

Revenues from sales outside India may reduce on account of a change in our strategy and such decreasing sales may adversely affect revenues from sales outside India.

Revenues from sales outside India accounted for 26%, 26%, 37%, 35% and 20%, of our total revenues for fiscal 2001, 2002, 2003, 2004 and for first nine months of fiscal 2005, respectively. As a result of slowdown in international demand of semi synthetic penicillin in the export market, we have changed our strategy which has reduced our exports. Depending on demand from within India, we may choose to reduce our exports and revenues from such sales outside India may be adversely affected.

Much of our raw materials which are basic chemicals and our fuel costs may fluctuate as they are linked to global commodity prices, which are outside our control.

Raw material costs are dependent on global commodity prices which are outside our control. Our fuel costs relate principally to the purchase of diesel, which are used in our power generators. Our fuel costs are linked to global oil prices. As global oil prices increase, our fuel costs increase. Further adverse movements in global commodity prices or oil prices would further increase our raw materials and/or fuel costs, which may have a material adverse effect on our profitability. The movements of commodity prices are outside our control.

If we fail to comply with environmental laws and regulations or face environmental litigation, our results of operation may be adversely affected.

We may incur substantial costs to comply with requirements of environmental laws and regulations. In addition, we may discover currently unknown environmental problems or conditions. We are subject to significant national and state environmental laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. Environmental laws and regulations in India have been increasing in stringency and it is possible that they will become significantly more stringent in the future.

The Punjab Pollution Control Board, Punjab has directed the company to install a multiple effect evaporator and to upgrade the existing effluent treatment facilities so as to meet with the prescribed standards of Pollution Control Board by December 31, 2003. The Company was directed to submit a feasibility report on installation of an incinerator by the Punjab Pollution Control Board for incineration of high COD streams which was submitted. Additionally, orders have been placed for the purchase of the said plant aggregating Rs 300 million. On installation, the same shall be inspected and the consent provided. If we do not comply with the demands of the Punjab Pollution Control Board, the Punjab State Electricity Board will disconnect the electricity supply of the Company on the directions of the Punjab Pollution Control Board.

If any of our plants or the operations of such plants are shut down, we will continue to incur costs in complying with regulations, appealing any decision to close our facilities, maintaining production at our existing facilities and continuing to pay labour and other costs which continue even if the facility is closed. As a result, our overall operating expenses will increase and our profits will decrease.

We may be unable to attract and retain skilled professionals.

Our ability to sustain our growth depends, in large part, on our ability to attract, train, motivate and retain highly skilled personnel, particularly for research and development activities. We believe that there is significant demand for personnel who possess the skills needed to perform the services we offer. Our inability to hire and retain additional qualified personnel will impair our ability to continue to expand our business. An increase in the rate of attrition for our experienced employees, would adversely affect our growth strategy. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of technical personnel with the requisite skills to replace those technical personnel who leave. Further, we cannot assure you that we will be able to re-deploy and re-train our technical personnel to keep pace with continuing changes in our business. While we have never experienced a work stoppage as a result of labour disagreements or otherwise and we believe our relationship with our employees and their union is generally good, we cannot guarantee that we will not experience any strike, work stoppage or other industrial action in the future.

We rely on import of raw materials and accordingly face exchange rate risks.

A significant portion of our expenses are incurred on import of raw materials in U.S. Dollars and other foreign currencies. While depreciation of the Rupee against the U.S. Dollar and other foreign currencies increases the Rupee value of such imports and an appreciation of the Rupee, particularly with respect to the U.S. Dollar, decreases the Rupee value of such imports. An adverse change in currency exchange rates will increase the cost of our imports.

We are involved in certain legal proceedings and claims against us.

About 42 cases have been filed against our Company in relation to civil matters and labour disputes. Of these cases, 39 cases are filed by ex-employees for reinstatement of employment and payment of back wages. The aggregate amount claimed in cases against our Company, other than the 39 cases stated above, is Rs. 0.6 million. The single largest claim is for Rs. 0.5 million by an employee for compensation for injuries sustained in the course of employment.

In addition the Department of Income Tax (the "Department") for the assessment year 2001-2002 has demanded a penalty of Rs.13.7 million from the Company. The Company filed an appeal before the Commissioner of Income Tax (Appeals) – XII, New Delhi. The same was partially allowed. The revised penalty payable is Rs.3.5million out of which the Company has paid Rs. 1.5 million and filed an appeal before the Income Tax Appellate Tribunal.

Certain companies promoted by our Promoters have incurred losses

Certain companies and firms promoted by our Promoters have incurred losses (as per their standalone financial statements) in recent years, as set forth in the tables below:

Rs. In Millions

Name of the entity	Year ended March 31			
	2001	2002	2003	2004
Surya Narrow Fabrics	(1.12)	0.21	(0.13)	na
Kala Elastics	NA	-*	0.15	-*

*less than Rs 10,000
na = Not Available
NA = Not Applicable

We have a number of contingent liabilities under Indian GAAP, and our profitability could be adversely affected if any of these contingent liabilities materializes.

Our contingent liabilities as of December 31, 2004 include:

Rs. In Millions

S.No.	Particulars	Amount
1	Letter of Credit (Foreign / Inland)	77
2	Bank Guarantees	2
3	Bills Discounted	37
4	Electricity Matters	0

If any of these contingent liabilities materializes, our profitability could be adversely affected. For more detailed descriptions of our contingent liabilities, see "Unconsolidated Financial Statements" starting on page 85 of this Draft Red Herring Prospectus.

We will be controlled by our Promoters as long as they own a majority of our Equity Shares, and our other shareholders will be unable to affect the outcome of shareholder voting during such time.

After the completion of the Issue, the Promoters will own approximately 65% of our issued Equity Share Capital. So long as the Promoters own a majority of our Equity Shares, they will be able to elect our entire board of directors and remove any director, by way of a resolution approved by a simple majority of shareholders in a general meeting. The Promoters will be able to control most matters affecting us, including the appointment and removal of our officers; our business strategy and policies; any determinations with respect to mergers, business combinations and acquisitions or dispositions of assets; our dividend payout; and our capital structure and financing. Further, the extent of the Promoters shareholding in us may result in delay or prevention of a change of management or control of our company, even if such a transaction may be beneficial to our other shareholders.

We are dependant on our Promoters for the use of our corporate offices.

Our corporate office is on rent from Surya Narrow Fabrics, which is a proprietorship concern of Mr. Sanjiv Goyal, our Promoter and also our Managing Director. We pay Surya Narrow Fabrics a monthly rent of Rs. 0.1 million.

One of our Directors is the Managing Director on the Board of other pharmaceutical companies that compete with us or may compete with us in the future.

Mr. Vijay Shah, one of our Directors, is the Managing Director of Stallion Laboratories Pvt. Limited and also of Endurance Healthcare Limited, which are companies engaged in businesses similar to ours, and these companies may compete with us for clients and our offerings/products in various markets. As a result there may be conflicts between us and Stallion Laboratories Pvt. Limited and us and Endurance Healthcare Limited in addressing business opportunities and strategies. These overlapping directorships could create conflicts of interest between us and Stallion Laboratories Pvt. Limited and us and Endurance Healthcare Limited.

There are restrictive covenants under our Loan Agreements

We have entered into agreements with Punjab National Bank, State Bank of India, Yes Bank and Vijaya Bank ("Banks") for short-term loans and long-term borrowings. These agreements contain certain restrictive covenants. We require the prior permission of the Banks, for the declaration of dividends, alteration of our capital structure, undertaking of any new project or making investments or taking assets on lease, creation of any encumbrance on the assets given as security, change in the key personnel and any change in the constitutional documents of our Company.

Further, the Working Capital Loan Agreement we have entered into with PNB restricts us from opening a current account in any bank other than State Bank of India without its prior approval. All sale proceeds necessarily have to be routed through the accounts with PNB or State Bank of India.

An adverse finding in the transfer pricing study being undertaken in respect of our transactions with Chempharma may lead to certain financial liabilities

Our transactions with Chempharma may be regarded as "international transactions" with an "associated enterprise" as per the transfer pricing regulations in India under the Income-tax Act, 1961. As a matter of abundant caution we in the process of conducting the transfer pricing study and shall obtain the transfer pricing report if required under the Transfer Pricing Regulations.

The trademark for our logo may not be registered in the name of our Company.

We have applied for the registration of our logo in the name of our Managing Director, Mr. Sanjiv Goyal, trading as Nectar Lifesciences Limited. We cannot assure you that the registration of the trademark of our logo will be issued in the name of our Company and that our company will be the registered owners of the same.

EXTERNAL RISK FACTORS

Increasing employee compensation in India may erode some of our competitive advantage and may reduce our profit margins.

Employee compensation in India has historically been significantly lower than employee compensation in the United States and Western Europe for comparably skilled professionals, which has been one of our competitive strengths. However, compensation increases in India may erode some of this competitive advantage and may negatively affect our profit margins. Employee compensation in India is increasing at a faster rate than in the United States and Western Europe, which could result in increased costs relating to scientists and engineers, managers and other mid-level professionals. We may need to continue to increase the levels of our employee compensation to remain competitive and manage attrition. Compensation increases may have a material adverse effect on our business, results of operation and financial condition.

Our profitability would decrease if the Government of India or the State of Punjab reduced or withdrew tax benefits and other incentives it currently provides to us.

The statutory corporate income tax rate inclusive of surcharge in India is currently 35.9%. The Finance Bill, 2005, proposes to reduce this to 33.06%, inclusive of surcharge. We cannot assure you that the tax rate will not be increased in the future. We currently take advantage of various income tax exemptions and deductions, which are applicable to companies engaged in export and Research & Development activities. Specifically, we avail of benefits under Section 10B and Section 35(2AB) of the Income Tax Act, 1961. For details, please refer to the section entitled "Statement of Tax Benefits" on page 25 of this Draft Red Herring Prospectus. Accordingly, our effective tax rates (provision for taxation/profit before tax, extraordinary items and adjustments on a consolidated basis) for fiscal 2004 and first nine months of 2005 were 37.5 % and 14.4%, respectively. The loss or unavailability of these benefits would likely increase our income tax obligations and have a material adverse effect on our profits and cash flow.

We are also entitled to certain other benefits and concessions in relation to customs duty from the Government of India and also to certain sales tax benefits from the State of Punjab. The State of Punjab has exempted us from the payment of sales tax until our sales tax liability exceeds Rs.319 million or August 8, 2011 whichever is earlier. As of December 31, 2004, we had availed of sales tax liability aggregating to Rs. 198 million. For details of the sales exemption, please refer to the section entitled "Statement of Tax Benefits" on page 25 of this Draft Red Herring Prospectus. Any reduction in the availability or amount of these tax benefits could have a material adverse effect on our profits and cash flow.

Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, results of operations and financial condition.

Terrorist attacks and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.

South Asia has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, such as between India and Pakistan. In recent years there have been military confrontations along the India-Pakistan border. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel and transportation more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares and on the market for our services.

Our performance is linked to the stability of policies and the political situation in India.

The role of the Indian central and state governments in the Indian economy on producers, consumers and regulators has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. The most recent Government of India, which was formed in June 2004, has continued policies and taken initiatives that support the continued economic liberalization policies that had been pursued by the previous governments. We cannot assure you that these liberalization policies will continue in the future. Protests against privatisation could slowdown the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India and thereby affect our business.

Disruptions or lack of basic infrastructure such as our electricity supply from Punjab State Electricity Board could result in an increase of manufacturing costs.

In addition to supply from the Punjab State Electricity Board, whilst we have parallel diesel generator sets to meet out present requirements, any disruption in basic infrastructure, such as supply of electricity from Punjab State Electricity Board could substantially increase our manufacturing costs. We do not maintain business interruption insurance and may not be covered for any claims or damages if the supply of power is disrupted. Any disruption of the existing power or failure to obtain additional power as required by us may result in additional costs on us and have an adverse effect on our business, results of operations and financial condition.

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

The prices of our Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- volatility in the Indian and global securities market or in the Rupee's value relative to the U.S. dollar, the Euro or the Yen;
- our results of operations and performance;
- perceptions about our future performance or the performance of Indian pharmaceutical companies generally;
- performance of our competitors in the Indian pharmaceutical industry and the perception in the market about investments in the pharmaceutical sector;
- significant developments in the regulation of pharmaceuticals in our key markets;
- adverse media reports on the Company or the Indian pharmaceuticals industry;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalisation and deregulation policies; and
- significant developments in India's fiscal and environmental regulations.

There has been no public market for our Equity Shares and the prices of our Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue. Our share price is likely to be volatile and may decline.

Changes in trade policies may impact us.

Any change in policies by the countries, in terms of tariff and non-tariff barriers, from which we import raw material and/or countries to which we export our products, may have an impact on our profitability.

Notes to Risk Factors:

- The average cost of acquisition of Equity Shares by our Promoters, is Rs. 21 per Equity Share, respectively, and the book value per Equity Share as of December 31, 2004 was Rs. 58.
- The net worth of the Company on a consolidated basis as of December 31, 2004 was Rs. 639 million as per Indian GAAP.
- Public Issue of 38,70,000 Equity Shares of Rs. 10 each at a price of Rs. [●] for cash aggregating Rs. [●] million (hereinafter referred to as "Issue")
- The Issue is being made through a 100% Book Building Process wherein up to 50% of the Net Issue will be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). Further, at least 25% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 25% of the Net Issue 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.
- The name of the Company was changed from Surya Medicare Limited to Nectar Lifesciences Limited on March 26, 2004 to create an independent corporate identity.

- For related party transactions and transactions with significant shareholders, please refer to the sections entitled “Related Party Transactions” on page 70 of this draft RHP and "Our Promoters" on page 69 of this draft RHP.
- Investors are free to contact the BRLM for any clarification or information relating to the Issue.
- Investors are advised to refer to the paragraph entitled “Basis for Issue Price” on page 22 of this draft RHP.

SUMMARY

Overview

Our Company is one of the few companies in India having facilities to manufacture Oral and Sterile bulk drugs. We are an established manufacturer of SSP and Cepahlosporin range of Oral and Sterile Bulk drugs. Our Company has been awarded recognition as an "Export House" by the Director General of Foreign Trade, Ministry of Commerce, Government of India in the April 2003. We have also received WHO-GMP certificates for some our products like Cefotaxime Sodium (Sterile); Ceftriaxone Sodium (Sterile); Cefazolin Sodium (Sterile); Cefuroxime Sodium (Sterile); Chloramphenicol Sodium Succinate (Sterile); Ceftazidim for Injection (Sterile) and Cefepime for Injection (Sterile).

Our Company has an existing production facility at Derabassi (Unit I) which produces Oral and Sterile forms of SSP's and Cephalosporins. A modernization / expansion project is under way at Derabassi (Unit II), which is close to the existing production facility. In terms of the expansion plan being implemented at Derabassi (Unit II) the construction of Cephalosporin unit and non-antibiotic unit along with ancillary facilities is in progress. We propose to set an additional Sterile Cephalosporin unit at Derabassi (Unit II), a Research & Development and Corporate Quality Control Centre at Derabassi (Unit II) and a formulation unit at Baddi. We have also taken on lease the manufacturing facility of Aster Pharmaceutical which is used to manufacture Bulk Drugs for the Oral Cephalosporins. Our Company has been involved in the manufacture and sale of off-patented drugs and that the TRIPS provisions on product patents which became effective from January 2005 will not have any impact on performance.

The existing and proposed expansion would increase our presence in the Cephalosporins segment, enable us to enter into non-antibiotic and formulations segment along with providing us the ability to cater to the regulated markets. The formulations unit at Baddi is in line with our forward integration strategy whereby we would supply the final product, as a one step further value added, to our customers instead of supplying products only up to the API stage. The formulation unit at Baddi would be eligible for various fiscal incentives.

Our Competitive Strenghts

We believe that the following are our primary competitive strengths

- We are among the leading players in the Sterile SSP and Sterile Cephalosporins in India

- We have a strong management team and motivated work force

- We are an existing profit making Company in operations for almost 8 years in the India pharmaceutical industry having an integrated manufacturing facility to produce intermediates, Oral and Sterile Bulk Drugs and Drugs in Dosage forms like Capsules and injectibles.

- Our current expansion plan underway would enable to increase our presence in the Cephalosporin segment and enter the Non-Antibiotic segment.

- We have a multi product capability and proven Research & Development capabilities

- We believe that with our good technical base, lower overheads, international manufacturing facilities and effective marketing network have shown consistent growth in revenues and profits.

Our Strategy

Our Corporate vision is "to be one of the leading pharmaceutical companies in India" The following are our strategies to achieve this vision.

- *Expand our installed capacity to manufacture Cephlasporin*: After the completion of the modernization / expansion plan our capacity to produce Cephalosporin would increase significantly. We have also initiated the work on setting up an additional Sterile Cephalosporin unit at Derabassi (Unit II). We will become one of the largest manufacturers of Cephalosporin drugs after all the proposed capital expenditure is completed.

- *Enter into the Non-Antibiotic segment and forward integration into formulations:* We are setting up a Non-Antibiotic plant at Derabassi (Unit II) to diversify our product portfolio. The formulations unit at Baddi is in line with our forward integration strategy whereby we would supply the final product, as a one step further value added, to our clients instead of supplying products only up to the API stage. The formulation unit at Baddi would be eligible for various fiscal incentives.

- *Increase in our Research & Development Focus:* The main thrust of our company is on Cephalosporin based drugs in keeping pace with the international trend. We are focusing on development of newer variants of Cephalosporin's and Non-Antibiotics. We are also undertaking extensive research in the field of non-antibiotics like Cardiovascular, Anti-Histamines and others. Our research & development effort revolves around developing patent non-infringing processes, achieving process improvements, achieving production cost efficiencies, optimizing raw material sourcing, produce new products, innovate other manufacturing techniques and continually expand our general scientific and engineering capabilities. Our research & development focus enables us to deliver newer products to our customers in a cost effective and timely manner.

- *Expand our International operations:* Our manufacturing facility at Sri Lanka places us in a unique position to manufacture drug intermediates in a cost effective manner. We shall expand our Sri Lankan operations as opportunities arise. We understand that the Sri Lankan Government is negotiating FTA's with some of the other countries like Pakistan, China, US, European nations, which will make Sri Lanka an attractive destination to import and export raw materials. We are also increasing our presence in the export segment.

- *Entry into regulated markets:* The new manufacturing facilities at Derabassi (Unit II) and the formulations unit at Baddi would be US FDA, UK MHRA approvable. We shall apply for US FDA, UK MHRA certification once the production from these facilities stabilizes. The new manufacturing facilities would provide us the ability to sell our products in regulated markets.

The Issue

Equity Shares issued by the Company.........................	38,70,000 Equity Shares
of which:	
QIB Portion	19,35,000 Equity Shares (allocation on discretionary basis)
Non-Institutional Portion..............................	9,67,500 Equity Shares (allocation on proportionate basis)
Retail Portion	9,67,500Equity Shares (allocation on proportionate basis)
Equity Shares outstanding prior to the Issue	1,10,16,667 Equity Shares
Equity Shares outstanding after the Issue....................	1,48,86,667 Equity Shares
Use of proceeds by the Company……………………	See the section titled "Objects of the Issue" on page 16 of this Draft Red Herring Prospectus.

Summary Consolidated Financial, Operating And Other Data

The tables sets forth selected financial information of our Company derived from its audited financial statements as as at December 31,2004, March 31,2004, March 31,2003, March 31,2002 March 31,2001 March 31,2000 all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines and as described in the Auditor's report of M/s Bansal Mittal and Co., Chartered Accountants included in the section titled " Consolidated Financial Statements" on page 73 of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto. For further discussion on our financial statements, please see "Management Discussion and Analysis of Financial Condition and Results of Operations" on page 105 and "Our Business" on page 36 of this Draft Red Herring Prospectus.

Statement of Restated Assets and Liabilities

Rs. In Million

Particulars	**As at March 31,**					**As at**
	2000	**2001**	**2002**	**2003**	**2004**	**31.12.2004**
A. Fixed Assets						
Gross block	325	369	480	598	800	973
Less Depreciation	49	76	108	149	199	250
Net Block	276	293	372	449	601	723
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after adjustment for Revaluation Reserve	**276**	**293**	**372**	**449**	**601**	**723**
B. Investments	**-**	**1**	**1**	**1**	**0**	**0**
C. Current Assets, Loans and Advances						
Inventories	174	284	315	395	473	683
Sundry Debtors	182	156	268	278	397	479
Cash and Bank Balances	37	42	63	69	99	134
Loans and Advances	58	101	102	80	120	208
	451	**583**	**749**	**823**	**1,088**	**1,505**
D. Liabilities and Provisions:						
Secured Loans	325	335	399	378	534	1,087
Unsecured Loans	6	6	6	0	-	-
Current Liabilities and Provisions	182	182	287	392	526	380
Deferred Tax Liability	-	-	-	79	108	122
	514	**524**	**692**	**849**	**1,168**	**1,588**
E. Net Worth	**213**	**353**	**429**	**424**	**521**	**639**
F. Represented by						
Share Capital *	142	206	110	110	110	110
Reserves	72	148	323	322	417	542
Less Revaluation Reserve		-	-	-	-	-
Reserves(Net of Revaluation Reserves)	72	148	323	322	417	542
Total	**214**	**355**	**434**	**433**	**527**	**652**
G. Misc. Expenditure to the extent not written off or adjusted	1	2	5	9	6	13
H. Net Worth (F-G)	**213**	**353**	**429**	**424**	**521**	**639**

* includes share application money pending allotment

Statement of Restated Profit and Loss Account

Rs. In Million

Particulars	Year Ended March 31					Period Ended
	2000	2001	2002	2003	2004	Dec 31, 2004
Sales:						
Of Products manufactured by the Company	1,118	1,246	1,261	1,667	2,134	1,600
Of Products traded in by the Company	-	-	-	-	-	-
Other Income	8	5	5	6	6	6
Increase(Decrease in Inventories)	36	24	(52)	5	12	45
	1,162	**1,276**	**1,214**	**1,678**	**2,152**	**1,650**
Expenditure						
Raw Materials Consumed	821	867	791	1,153	1,437	1,008
Staff Costs	10	15	20	28	36	39
Other Manufacturing Expenses	179	172	180	235	300	258
Administration Expenses	8	9	11	15	25	24
Selling & Distribution Expenses	27	38	29	42	62	35
	1,046	**1,101**	**1,032**	**1,472**	**1,859**	**1,363**
Earning Before Depreciation Interest & Tax	**116**	**174**	**182**	**206**	**290**	**287**
Depreciation	20	27	32	41	50	52
Interest	45	63	60	59	69	66
Net Profit before tax and Extraordinary items	**52**	**84**	**90**	**107**	**174**	**169**
Taxation						
Current tax	6	6	11	14	37	10
Deferred tax	-	-	-	14	29	14
Net Profit before Extraordinary Items	**46**	**77**	**80**	**78**	**108**	**145**
Extraordinary items	-	-	-	-	-	-
Net Profit after Extraordinary Items	**46**	**77**	**80**	**78**	**108**	**145**
Adjustments on account of Prior period Expenses	1	1	1	6	4	-
Adjusted Profit	**45**	**77**	**78**	**72**	**105**	**145**

GENERAL INFORMATION

Registered Office of our Company:
Nectar Lifesciences Limited
Village Saidpura
Tehsil Derabassi
Dist. Patiala (Punjab)
Registration No.: 16-16664
Registrar of Companies, Punjab, Himachal Pradesh and Haryana
286 Defence Colony, Jalandhar.

Board of Directors:
- Mr. Sanjiv Goyal, Managing Director
- Mrs. Raman Goyal, Whole-time Director
- Dr. S.P. Singh
- Mr. Rajesh Garg
- Mr. Vijay J. Shah
- Mr. V.D. Aggarwal

For more details regarding our Directors please refer to "Our Management" on page 60 of this Draft Red Herring Prospectus.

Company Secretary and Compliance Officer:
Mr. Sunder Lal
Nectar Lifesciences Limited
110, Industrial Area, Phase I
Chandigarh 160002 (U.T.)
Tel: (91 172) 2658317
Fax: (91 172) 2655377
E-mail: ipo@neclife.com

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

Legal Counsel to the Issue:
Amarchand & Mangaldas & Suresh A. Shroff & Co.
5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013.
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

Book Running Lead Manager:
ICICI Securities Limited
ICICI Centre
H.T. Parekh Marg, Churchgate
Mumbai 400 020.
Tel: (91 22) 2288 2460
Fax: (91 22) 2282 6580
E-mail: nectar_ipo@isecltd.com
Website: www.iseconline.com
Contact Person: Sandeep Agarwal/Amit Nayyar

Syndicate Member:
ICICI Brokerage Services Limited
ICICI Centre
H.T. Parekh Marg, Churchgate
Mumbai 400 020.
Tel: (91 22) 2288 2460

Fax: (91 22) 2282 6580
E-mail: nectar_ipo@isecltd.com
Website: www.iseconline.com
Contact Person: Sandeep Agarwal/Amit Nayyar

Registrar to the Issue
Karvy Computershare Private Limited
Karvy House, 46, Avenue 4,
Street no. 1, Banjara Hills,
Hyderabad 500 034.
Tel: (91 40) 2331 2454.
Fax: (91 40) 2331 1968.
Email: nectar_ipo@karvy.com

Bankers to our Company
Punjab National Bank
Sector 16, Chandigarh.
Tel: (91 172) 2770029
Fax: (91 172) 2770029
E-mail: bo0575@pnb.co.in

State Bank Of India
Specialised Commercial Branch,
Sector 17, Chandigarh.
Tel: (91 172) 2712713
Fax: (91 172) 2703180
E-mail: sbiifbchd@comeconnect.com

Auditors
Bansal Mittal &Co. Chartered Accountants
S.C.O. 2935-36,
1st Floor, Sector 22-C,
Chandigarh.
Tel: (91 172) 2707065
Fax: (91 172)5019550
E-mail: efsl22@yahoo.com

Banker(s) to the Issue and Escrow Collection Bank(s)
To be appointed.

Statement of Inter Se Allocation of Responsibilities for the Issue

The following table sets forth the responsibility of the BRLM:

Particulars		**Responsibility**	**Coordinator**
1.	Capital structuring with the relative components and formalities such as type of instruments etc.	I-Sec	I-Sec
2.	Due diligence of our Company's operations/ management/ business plans/ legal etc. Drafting and design of the Draft Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalization of Prospectus and RoC filing of the same.	I-Sec	I-Sec
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, roadshow	I-Sec	I-Sec

Particulars		Responsibility	Coordinator
	presentations, FAQs, corporate films etc.		
4.	Appointment of other intermediaries viz. Registrar, Printers, Advertising Agency and Bankers to the Issue.	I-Sec	I-Sec
5.	Institutional Marketing of the Issue, which will cover, *inter alia,* Finalize the list and division of investors for one to one meetings; and Finalize roadshow schedule and investor meeting schedules	I-Sec	I-Sec
6.	Non-Institutional and Retail Marketing of the Issue, which will cover, *inter alia,* Formulating marketing strategies, preparation of publicity budget; Finalise Media & PR strategy; Finalise centres for holding conferences for brokers etc.; Finalise collection centres; and Follow-up on distribution of publicity and issue material including form, prospectus and deciding on the quantum of the Issue material.	I-Sec	I-Sec
7.	Deciding pricing and institutional allocation in consultation with the Company	I-Sec	I-Sec
8.	The post bidding activities including management of escrow accounts, coordinate non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc. The post issue activities will involve essential follow up steps, which include the finalisation of listing of instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company.	I-Sec	I-Sec

Credit Rating:
As the Issue is of equity shares, credit rating is not required.

Trustees:
As the Issue is of equity shares, the appointment of Trustees is not required.

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

The principal parties involved in the Book Building Process are:

- The Company;
- Book Running Lead Managers;
- Syndicate Member who is an intermediary registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. Syndicate Member is appointed by the BRLM;
- Escrow Collection Bank(s); and
- Registrar to the Issue.

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein up to 50% of the Issue shall be allocated on a discretionary basis to QIBs. Further, not less than 25% of the Issue shall be available for allotment on a proportionate basis to Non Institutional Bidders and not less than 25% of the Issue shall be available for allotment on a proportionate basis to Retail

Individual Bidders, subject to valid Bids being received at or above the Issue Price. We will comply with the SEBI Guidelines for this Issue. In this regard, we have appointed the BRLM to manage the Issue and to procure subscriptions to the Issue.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid Closing Date/Issue Closing Date and for further details see the section titled "Terms of the Issue" on page 136 of this Draft Red Herring Prospectus.

The process of Book Building under SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

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

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	**Bid Price (Rs.)**	**Cumulative Quantity**	**Subscription**
500	24	500	16.67%
1000	23	1,500	50.00%
1500	22	3,000	100.00%
2000	21	5,000	166.67%
2500	20	7,500	250.00%

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

Steps to be taken for bidding:

- Check eligibility for bidding, see the section titled "Issue Procedure-Who Can Bid?" on page 141 of this Draft Red Herring Prospectus;
- Ensure that the Bidder has a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement:

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
ICICI Securities Limited ICICI Centre H.T. Parekh Marg, Churchgate Mumbai 400 020.	38,69,900	[•]
ICICI Brokerage Services Limited ICICI Centre H.T. Parekh Marg, Churchgate Mumbai 400 020.	100	[•]

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

In the opinion of our Board of Directors (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 Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s).

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement will also be required to procure/subscribe to the extent of the defaulted amount. Allocation to QIB Bidders is discretionary as per the terms of this Draft Red Herring Prospectus and may not be proportionate in any way and the patterns of allocation to the QIB Bidders could be different for the various Underwriters.

CAPITAL STRUCTURE

(Rs. in Million)

	As of December 31, 2004	Aggregate Value at nominal value	Aggregate Value at Issue Price
A)	**AUTHORISED** 2,00,00,000 Equity Shares of Rs. 10 each	200	
B)	**ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARE CAPITAL** 1,10,16,667 Equity Shares of Rs. 10 each	110	
C)	**PRESENT ISSUE IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS** 38,70,000 Equity Shares of Rs. 10 each fully paid up *	39	[•]
D)	**EQUITY CAPITAL AFTER THE ISSUE** 1,48,86,667 Equity Shares of Rs. 10 each fully paid up shares	149	[•]
E)	**SHARE PREMIUM ACCOUNT** Before the Issue	96	
	After the Issue	[•]	

* The Issue in terms of this Draft Red Herring Prospectus has been authorized pursuant to a resolution passed at the general meeting of our shareholders held on March 14, 2005 at Chandigarh.

Notes to Capital Structure

1. Share Capital history of the Company

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for allotment	Cumulative Paid-up Capital (Rs.)	Securities Premium Account (Rs.)
June 27, 1995	7	10	10	Cash	Subscription to Memorandum	70	-
September 19, 1996	67,99,993	10	10	Cash	Allotment to Promoters/friends/ others	6,80,00,000	-
March 27, 1998	2,300,000	10	10	Cash	Allotment to Promoters and others	9,10,00,000	-
June 28, 2001	19,16,667	10	60	Cash	Allotment to Swiss Technology Venture Capital Fund (10,66,667 shares) and to Aglow Finance Limited. (8,50,000 shares) Limited.	11,01,66,670	9,58,33,350

2. Promoters Contributions and Lock-In

The shareholding of the Promoters would be locked-in for a period of three years as under:

Name	Date on which the Equity Shares were allotted / acquired	Nature of payment	Number of Equity Shares	Par value (Rs.)	Consideration (Rs.)	% of post-Issue paid-up equity capital
Sanjiv Goyal	March 15, 2005	Cash	66,667	10	140	0.45
	March 7, 2005	Cash	9,43655	10	46	6.34
	October 9, 2004	Cash	56,345	10	10	0.38
	October 9, 2004	Cash	850,000	10	60	5.71
			19,16,667			**12.88**
Raman Goyal	March 16, 2005	Cash	517,500	10	10	3.48
	July 29, 2003	Cash	543,167	10	16	3.65
			1,060,667			**7.12**
Total			**2,977,334**			**20.00**

The Equity Shares will be locked-in for the periods specified above from the date of allotment of Equity Shares in this Issue. The Equity Shares to be locked-in for a period of three years have been computed as 20% of our equity capital after the Issue.

Locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of clause 4.16 (b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter Group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

Further, in terms of clause 4.16 (a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

Other than as stated above, the entire pre-Issue equity share capital of the Company will be locked-in for the period of one year from the date of allotment of Equity Shares in this Issue.

The following Equity Shares have been sold oracquired by our Promoters, during the period of six months preceding the date on which the Draft Red Herring Prospectus is filed with SEBI.

Transferor	**Transferee**	**Date on which Equity Shares purchased or sold**	**Number of Equity Shares**	**Par value (Rs.)**	**Consideration/Nature of payment**	**Purchase/Sale Price (Rs.)**
Sanjiv Goyal	Denab Robotics U.S.A.	March 7, 2005	943,655	10	Cash	46
Sanjiv Goyal	Swiss Technolgy Venture Capital Fund (Private) Limited	March 15, 2005	10,66,667	10	Cash	140
Raman Goyal	Surya Narrowfabrics Private Limited	March 16, 2005	517,500	10	Cash	10
Sanjiv Goyal	Aglow Finance Limited	October 9, 2004	850,000	10	Cash	60
Sanjiv Goyal	Aglow Finance Limited	October 9, 2004	1,648,090	10	Cash	10
Emerging Capital Advisors Limited	Sanjiv Goyal	March 18, 2005	525,000	10	Cash	140
Him Reality (Private) Limited	Sanjiv Goyal	March 18, 2005	2,25,000	10	Cash	140
Eden Reality (Private) Limited	Sanjiv Goyal	March 18, 2005	1,00,000	10	Cash	140
Bhaskar Hingad	Sanjiv Goyal	March 18, 2005	1,00,000	10	Cash	140
Laxmi Shivanand Mankekar	Sanjiv Goyal	March 18, 2005	50,000	10	Cash	140

The following Directors hold Equity Shares as of the date of filing this Draft Red Herring Prospectus:

Name of Director	**Number of Equity Shares held**
Sanjiv Goyal	75,45,264
Raman Goyal	21,58,400

3. Equity Shares held by top ten shareholders:

Our top ten shareholders and the Equity Shares held by them on the date of filing the Draft Red Herring Prospectus

Sl. No.	Name	Number of Equity Shares held
1.	Sanjiv Goyal	75,45,264
2.	Raman Goyal	21,58,400
3.	Emerging Capital Advisors Limited	5,25,000
4.	Him Reality (Private) Limited	2,25,000
5.	Eden Reality (Private) Limited	1,00,000
6.	Bhaskar Hingad	1,00,000
7.	Suresh Kumar Mehta	1,00,000
8.	Ashwini Kumar Mehta	1,00,000
9.	Sanjiv and sons HUF	57,200
10.	Laxmi Shivanand Mankekar	50,000

Our top ten shareholders and the Equity Shares held by them ten days prior to the date of filing the Draft Red Herring Prospectus with SEBI are as follows:

Sl. No.	Name	Number of Equity Shares held
1.	Sanjiv Goyal	75,45,264
2.	Raman Goyal	21,58,400
3.	Emerging Capital Advisors Limited	5,25,000
4.	Him Reality (Private) Limited	2,25,000
5.	Eden Reality (Private) Limited	1,00,000
6.	Bhaskar Hingad	1,00,000
7.	Suresh Kumar Mehta	1,00,000
8.	Ashwini Kumar Mehta	1,00,000
9.	Sanjiv and sons HUF	57,200
10.	Laxmi Shivanand Mankekar	50,000

Our top ten shareholders and the Equity Shares held by them two years prior to filing of this Draft Red Herring Prospectus:

Sl. No.	Name	No. of Equity Shares
1.	PSIDC	33,30,000
2.	Aglow Finance Limited	24,98,090
3.	Sanjiv Goyal	20,71,851
4.	Swiss Technolgy Venture Capital Fund (Private) Limited	10,66,667
5.	Denad Robotics U.S.A.	9,43,655
6.	Surya Narrowfabrics Private Limited	5,17,500
7.	Raman Goyal	3,10,899
8.	Suresh Kumar Mehta	1,00,000
9.	Ashwini Kumar Mehta	1,00,000
10.	Sanjiv and Sons HUF	25,000

4. There are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.

5. Shareholding pattern as of March 31, 2005

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue

	Equity Shares owned prior to the Issue		Equity Shares owned after the Issue	
Shareholder Category	**Number**	**%**	**Number**	**%**
Promoters				
Sanjiv Goyal	75,45,264	68.49	75,45,264	50.68
Raman Goyal	2,158,400	19.59	2,158,400	14.50
Sub Total (A)	**91,86,164**	**88.08**	**91,86,164**	**65.18**
Promoter Group				
Aryan Goyal	29,000	0.26	29,000	0.19
Saurabh Goyal	24,300	0.22	24,300	0.16
Sanjiv and sons (HUF)	57,200	0.52	57,200	0.38
Sub Total (B)	**110,500**	**1.00**	**110,500**	**0.74**
Total Promoter and Promoter Group holdings (C=A+B)	**98,14,164**	**89.08**	**98,14,164**	**65.93**
Others				
Ashwini Kumar Mehta	1,00,000	0.91	1,00,000	0.67%
Rohit Kalra	1	0.00	1	0.00%
Atma Singh	1	0.00	1	0.00%
S K Vig	1	0.00	1	0.00%
Suresh Kumar Mehta	1,00,000	0.91	1,00,000	0.67%
Pavan Kumar Goyal	2,500	0.02	2,500	0.02%
Emerging Capital Advisors Limited	5,25,000	4.77	5,25,000	3.53%
Bhaskar Hingad	1,00,000	0.91	1,00,000	0.67%
Him Reality (Private) Limited	2,25,000	2.04	2,25,000	1.51%
Eden Reality (Private) Limited	1,00,000	0.91	1,00,000	0.67%
Mrs. Laxmi Shivanand Mankekar	50,000	0.45	50,000	0.34%
Sub Total (D)	**12,02,503**	**10.92**	**12,02,503**	**8.08**
Total pre issue share capital (E=C+D)	**1,10,16,667**	**100.00**	**1,10,16,667**	**74.00**
Public Issue (F)			**38,70,000**	**26.00**
Total post issue share capital (G=E+F)			148,86,667	100.00

7. Buyback and Standby Arrangements:
   Neither we nor our Directors or the Promoters, their respective directors or the BRLM have entered into any buyback and/or standby arrangements for the purchase of our Equity Shares from any person.

8. We have not raised any bridge loan against the proceeds of the Issue. For details on use of proceeds, see the section titled "Objects of the Issue" on page 16 of this Draft Red Herring Prospectus.

9. Up to 50% of the Issue shall be allocated to QIBs on a discretionary basis. Further, not less than 25% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 25% of the Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price. Under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLM.

10. A Bidder cannot make a Bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

11. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off to the nearest multiple of minimum allotment lot while finalizing the basis of allotment.

12. 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 the Draft Red Herring Prospectus with SEBI until the equity shares offered hereby have been listed.

13. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months commencing 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 or securities convertible into Equity Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may constitute an employee stock option plan or issue equity shares or securities linked to equity shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company.

14. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.

15. At any given point of time there shall be only denomination of Equity Shares of our Company and the Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.

16. There will be only one denomination of the Equity Shares of our Company unless otherwise permitted by law and the Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

17. We have sixteen (16) members as of March 31, 2005.

18. The Company has not raised any bridge loan against the proceeds of this Issue.

19. The Promoters Contribution brought by persons defined as promoters under the SEBI Guidelines is not less than the specified minimum lot.

OBJECTS OF THE ISSUE

The objects of the issue are to raise capital for financing the formulations facility at Baddi, a Sterile Cephalosporin US FDA approvable plant at Derabassi (Unit II), a Research & Development and Corporate Quality Control Centre and general corporate purpose including working capital requirements. The objects of the Issue also include creating a public trading market for the Equity Shares of our Company by listing them on the Stock Exchanges. We believe that the listing of our Equity Shares will enhance our visibility and brand name and enable us to use our Equity Shares for future growth opportunities.

The net proceeds of the Issue after deducting underwriting and management fees, selling commissions and all other Issue-related expenses, is estimated at Rs. [•] million. The issue amount will be determined based on the Issue Price discovered through the book- building process.

The fund requirement and deployment are based on internal management estimates and have not been appraised by any bank or financial institution or any independent organisation. Our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals including approvals of drug regulators in our target markets; availability of working capital finance on acceptable terms; and changes in management's views of the desirability of current plans, among others. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with by surplus funds, if any available in the other areas and/or the Company's internal accrual, and/ or the term loans/working capital loans that may be availed from the Banks/ Financial Institutions. The balance proceeds of the Issue in addition to the abovementioned requirements, if any, will be used for general corporate purposes.

It is proposed that the formulation plant at Baddi, Sterile Cephalosporin facility and Research & Development and Quality Control Centre – Unit II, Derabassi would be funded entirely from the proceeds of this public issue. Any shortfalls in the funding would be financed through internal accruals and /or loan funds.

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

<u>Proposed Utilisation of funds being raised through the issue</u>

The Estimated Summary of Proposed Utilisation of funds is as follows:

Rs in Million

Activities	Amount to be raised by way of this issue	Year ended March 31, 2006
Setting up of new facilities		
Formulation Plant at Baddi	300	300
Sterile Cephalosporin facility (Unit II)	300	300
Research & Development facility and Corporate Quality Control Centre (Unit II)	250	250
Issue Expenses	50	50
	900	900

<u>Formulation Plant at Baddi</u>

The formulation project includes setting up of the following manufacturing and their packaging facilities.

- Tablet Section;
- Capsule Section;
- Dry Powder Vial (injectable);
- Dry Syrup Section

Our Company has appointed M/S Doshi Consultants Private Limited as project consultants for the Baddi formulation project. The consultant is responsible for doing work related to all pharmaceutical engineering, civil structural, architectural, electrical, HVAC, Utilities, etc. Consultants scope of work includes developing conceptuals; detail engineering; design criterion pertinent for WHO GMP, US FDA certification; general arrangement drawing, selection of equipments; equipment layout; architectural drawing, utilities; tender and related activities; engineering documents; vendor drawings & specifications, cost estimates and procurement assistance. Considering three hundred (300) working days per year basis and eight (8) hours per shift basis it is proposed to set up the Cephalosporin block which would have the capacity to produce one hundred fifty (150) million tablets per year, one hundred fifty (150) million Capsules per year, thirty six (36) million dry powder injectables, fifteen (15) million units of dry syrup.

Broad Facility concept

- The facility would be independent in nature and suitable for converting the non sterile bulk API into sterile bulk API;
- The facility would be designed to manufacture sterile cephalosporin and will be a fully contained facility;
- Only one cephalosporin shall be manufactured at a time and other cephalosporins can be manufactured on campaign basis after proper cleaning and validation;
- The production scheduling will permit adequate time for equipment and facility cleaning;
- The product transfer will be in closed system and under aseptic condition wherever exposure is not available;
- The facility shall consist of three main areas the solution preparation area, the washing area , the core sterile area;
- Different garment regimes are planned for entering the areas and necessary change rooms will be provided for the purpose;
- Sterilisation and depyrogenation would be carried out insitu for process equipment, autoclaved for components and tools and depyrogenated for containers, etc;
- The solid waste will be send out through a single point from the facility to further process as per the local norms.

The broad break-up of the project cost as estimated by our management is as follows:

Rs. In Million

Particulars	Incurred	Balance	Total
Land & Building #	12	73	85
Engineering & Consultancy Fees		7	7
Plant & Machinery*		207	207
Furniture, Fixture & Computers		3	3
Contingency		10	10
	12	300	312

Source: Company estimates

* includes in-process quality control equipments, electrical, clean room panels and HVAC equipments

We have acquired the land at Baddi, Himachal Pradesh. As per letter dated July 28, 2004 issued on behalf of the Government of Himachal Pradesh, the aforesaid land shall vest in the HP government if the same is not used for industrial purpose within two (2) years from the date of the letter.

The proposed new unit will increase our presence in the formulation segment. The setting up of this plant is in line with our long-term objectives of entering into high value and new generation cephelosporine drug segment, which will enable us to provide a one step further value added product to its clients instead of supplying only the bulk drug. Our Company has already acquired five (5) acres of land at Baddi. We propose to increase our export sales with the implementation of the new project. Our Company would be employing batch type processes for manufacturing the various newly proposed products.

Baddi has emerged to be the preferred investment destination for most of the leading pharmaceutical companies in India and we understand that more than fifteen (15) pharmaceutical projects are under implementation at Baddi. Our proposed facility at Baddi would be eligible for certain tax breaks including:

Particulars	**Remarks**
Income-tax	First five years 100% tax holiday and subsequent five years at 30% under section

	80(IB) of the Income-tax Act, 1961
Excise duty	Ten (10) years Excise Duty exemption
Sales tax	One (1) per cent Central Sales Tax up to 2009

Land & Buildings

The building would be constructed on the land at Baddi to house the formulation facility. We have currently not entered into construction contract with any party. The production building would be based on the USFDA requirement including details on

- Self contained separate blocks for Cephalosporin product i.e a block consist of its own store, production, change rooms, quality control, dining & control critical utilities like water system, HVAC, dust extraction system, waste collection system, etc
- Separate change rooms as per GMP requirement with primary and secondary change room;
- Separate entry for man and material
- Stage wise Quarantine is provided in progress;
- Building finishes to be pharmaceutical friendly to facilitate easily cleaning and maintenance; etc

Engineering and Consultancy Fees

Our Company has appointed M/S Doshi Consultants Private Limited as consultants for this project. In addition to overall coordination of the project their responsibilities would include structuring, negotiating and awarding various sub-contracts packages; ensuring that the plant meets the US FDA requirements, over viewing the working of various sub-contractors, etc

Plant & Machinery

The Plant & Machinery includes formulation plant & machinery of Rs73million, Quality control equipments of Rs12 million, HVAC of Rs91million, clean room panel of Rs19million and electricals of Rs12million. The major formulation plant & machinery proposed to be installed includes a capsule filling, sealing, inspection & polishing line with sorter & sampling unit; a dry syrup injection line complete with vial washing, tunnel (sterlisation), vial, filling, bunging, aluminium capping, swing conveyor, turn table, connecting conveyor; a dry syrup line (powder) complete with air jet cleaning, filling, ROPP capping, inspection, labeling & packing conveyor, etc. The major HVAC equipments proposed to be installed includes Chiller, AHU, ducting, purified water system with storage & distribution, building management system, etc. We are in the process of placing orders for some of the critical Plant & Machinery, whereas ancilliary components which do not have long lead delivery times would be procured at appropriate time. Our Company is also in the process of discussions with various contractors for independent aspects of Plant & Machinery installation like electricals, mechnical engineering and others.

Contingency

We have made a provision of Rs10million to provide for contingency on account of time overruns, cost overruns, changes in asset prices for which agreements have not been entered into and other matters. We do not expect any additional cost to complete the project which has not been budgeted for

Research & Development and Corporate Quality Control Centre

Research & Development

Research & Development forms an integral part of the pharmaceutical industry. Our Company has a small research & development set-up at our existing facility at Derabassi. In view of the various expansion projects undertaken, focus on entering the value added pharmaceutical segment and to compete effectively we are in the process of setting up a modern Research & Development Centre.

Corporate Quality Control Centre

The Quality Control aspect in the Pharmaceutical Company could be bifurcated into “in-process quality control” and “corporate/plant quality control”. In process quality control would comprise of quality control at various manufacturing levels and also quality assurance. The in-process quality control equipments and control are in-build at the production level, where as the corporate /plant quality control focuses on quality control at macro level and documentation of the quality control to comply with regulated markets. The in-process quality control is already built in current and proposed expansion and we are in the process of setting up the Corporate Quality Control Centre. This proposed Quality Control centre will also go a long way in getting the US FDA approval.

The summary of proposed Research & Development facility and Quality Control Centre

Rs. in Million

Particulars	Amount
Building	30
Plant & Machinery	210
Furniture, Fixture & Computers	10
	250

Source: Company estimates

Buildings

The centre would be constructed on the land available at the Derabassi (Unit II) which also houses the second cephalosporin and non-antibiotic facility. Our Company is in the process of finalizing the contractor for the construction of the building. The common building which would have the build area of over 8000 sq ft.

Plant & Machinery

The Plant & Machinery would essentially comprise of clean room & HVAC, electrification, piping & insulation, and equipment cost. The costs of clean room & HVAC is estimated to be Rs 25 million, electrification work is estimated to be Rs 10 million, piping & insulation (for kilo lab & pilot plant) is estimated to be Rs 10 million and the equipment costs being estimated at Rs 165 million. The break-up of the equipment costs amongst the six groups is estimated as Rs 14.5 million for chemical research; Rs 12 million for kilo / pilot; Rs 64 million for analytical research; Rs 6 million for product development research; Rs 0.5 million for packaging development and Rs 3 million for library. It is estimated that the analytical equipments for corporate quality control centre would cost Rs 65 million. Most of these equipments would be imported from reputed established international vendors.

Sterile Cephlosporin

Cephalosporins are relatively new generation broad-spectrum anti-bacterial that are effective mainly against gram-positive bacteria, and in some cases, against gram negative bacterial as well. Cephalosporins act by disrupting the bacterial cell wall, and being new-generation drugs, are highly powerful and effective. As per the CRIS INFAC Pharmaceuticals Annual Review: January 2003 Cephalosporins drug segment is growing at a rapid pace and is one of the the largest selling therapeutic segment in India

The estimates of the cost component are as follows:

Rs.in Million

Particulars	Amount
Building	40
Plant & Machinery	242
Engineering & Consultancy Fees	8
Contingency	10
	300

Source: Company estimates

Land & Buildings

The centre would be constructed on the land available at the Derabassi (Unit II) which houses the second cephalosporin and non-antibiotic facility. Our Company is in the process of finalizing the contractor for the construction of the building.

Engineering & Consultancy Fees

Our Company is in the process of appointing an overall project coordinator. In addition to overall coordination of the project its responsibilities would include structuring, negotiating and awarding various sub-contracts packages; ensuring that the plant meets the US FDA requirements, over viewing the working of various sub-contractors, etc.

Plant & Machinery

The Plant & Machinery includes equipment & machinery of Rs130million, Clean room & HVAC of Rs70million and Utilities of Rs42million. These estimates are based on the internal workings and have not been assessed by an independent third party agency. The major plant & machinery would include agitated nutsche filter dryer; siever mixer; water for injection and others. We have placed orders for some of the critical Plant & Machinery, whereas ancilliary components which do not have long lead delivery times would be procured at appropriate time. Our Company is also in the process of discussions with various contractors for independent aspects of Plant & Machinery installation like electricals, mechnical engineering and others.

Contingency

We have made a provision of Rs 10 million to provide contingency on account of time overruns, cost overruns, changes in asset prices for which contracts have not been entered into and other matters. We do not expect any additional cost to complete the project which has not been budgeted for.

General corporate purpose

Our management in accordance with the policies set up by our Board will have flexibility in applying the balance proceeds of this Issue, for general corporate purposes. We seek to further enhance our position as a pharmaceutical Company. In addition to continued investments in expansion of our production facilities, investments in research & development, we intend to enhance our capabilities and address gaps, enhance our technical expertise, further develop and expand our IT infrastructure and rationalize manpower. Surplus funds if any may also be deployed for to finance the working capital requirement. The balance funds will be utilised for this purpose. The interim use of the balance funds is explained in the para titled “Interim use of funds”.

Issue expenses

The expenses of this Issue include, among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Rs in Million

Activity	Amount
Lead Management, underwriting and selling commission*	[●]
Advertisement and Marketing expenses	7 – 12
Printing and stationery	10 – 15
Others (Registrars fee, legal fee, listing fee, etc)	7 – 12
Total estimated Offer expenses	[●]

* will be incorporated after finalisation of Issue Price

All expenses with respect to the Issue would be borne by the Company.

Interim use of funds

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the net proceeds received by us from the Issue. 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. 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.

Monitoring of utilisation of funds

Our Board will monitor the utilization of the proceeds of the Issue.

No part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, key management personnel or companies promoted by our Promoters except in the course of normal business.

BASIS OF ISSUE PRICE

The Issue Price will be determined by us in consultation with BRLM, on the basis of assessment of market demand for the Equity Shares, by way of Book Building Process.

Qualitative Factors:

Our Competitive Strengths include:

- We are among the leading players in the Sterile SSP and Sterile Cephalosporins in India
- We have a strong management team and motivated work force
- We are an existing profit making Company in operations for more than a decade in the India pharmaceutical industry having an integrated manufacturing facility to produce intermediates, Oral and Sterile Bulk Drugs and Drugs in Dosage forms like Capsules and injectibles.
- Our current expansion plan underway would enable to increase our presence in the Cephalosporin segment and enter the Non-Antibiotic segment.
- We have a multi product capability and proven Research & Development capabilities;
- We believe that with good technical base, lower overheads, international manufacturing facilities and effective marketing network have shown consistent growth in revenues and profits.

We believe that our strategy of focussing on Cephalosporins segment along with entry into the value added segment places us in a unique postion to become the leading pharmaceutical Company in India.

Quantitative Factors

1. Adjusted Earnings per share (EPS) of face value of Rs.10

Nectar Lifesciences Limited (Unconsolidated)

Period	Adjusted PAT(Rs.millions)	No. of shares	EPS(Rs.)	Weights
Year ended March 31, 2002	78.4	11.0	7.1	1
Year ended March 31, 2003	72.4	11.0	6.6	2
Year ended March 31, 2004	104.5	11.0	9.5	3
9 months ended December 31, 2004	49.8	11.0	6.0#	4
Weighted Average			**7.3**	

annualized

Nectar Lifesciences Limited (Consolidated)

Period	Adjusted PAT (Rs.millions)	No. of shares	EPS(Rs.)	Weights
Year ended March 31, 2002	78.4	11.0	7.1	1
Year ended March 31, 2003	72.4	11.0	6.6	2
Year ended March 31, 2004*	104.5	11.0	9.5	3
9 months ended December 31, 2004*	145.0	11.0	17.5#	4
Weighted Average			**11.9**	

* Consolidated for Nectar Lifesciences and Chempharma Pvt. Ltd.
# annualized

2. Price/Earnings (P/E)* ratio in relation to Issue Price of Rs.[•]
   a. Based annualised for the period ended December 31, 2004 EPS of Rs.17.5
   b. Based on weighted average EPS of Rs.11.9

*would be calculated after discovery of the Issue Price through Book-building

3. Weighted average return on Networth

Nectar Lifesciences Limited (Unconsolidated)

Period	Adjusted PAT (Rs.millions)	Networth (Rs.millions)	RoNW(%)	Weights
Year ended March 31, 2002	78.4	429	18.3%	1
Year ended March 31, 2003	72.4	424	17.1%	2
Year ended March 31, 2004	104.5	517	20.2%	3
9 months ended December 31, 2004	49.8	556	11.9%#	4
Weighted Average			**16.1%**	

annualized

Nectar Lifesciences Limited (Consolidated)

Period	Adjusted PAT (Rs.millions)	Networth (Rs.millions)	RoNW(%)	Weights
Year ended March 31, 2002	78.4	429	18.3%	1
Year ended March 31, 2003	72.4	424	17.1%	2
Year ended March 31, 2004*	104.5	521	20.0%	3
9 months ended December 31, 2004*	145.0	639	30.2%#	4
Weighted Average			**23.4%**	

* Consolidated for Nectar Lifesciences and Chempharma Pvt. Ltd.
# annualized

4. Minimum Return on increased Networth required to maintain pre issue EPS [•]

5. Net Asset Value per share (NAV) pre issue

Nectar Lifesciences Limited (Unconsolidated)

Period	Networth (Rs.millions)	No. of shares	NAV (Rs)
Year ended March 31, 2002	429	11.0	38.9
Year ended March 31, 2003	424	11.0	38.4
Year ended March 31, 2004	517	11.0	46.9
9 months ended December 31, 2004	556	11.0	50.5

Nectar Lifesciences Limited (Consolidated)

Period	Networth (Rs.millions)	No. of shares	NAV (Rs)
Year ended March 31, 2002	429	11.0	38.9
Year ended March 31, 2003	424	11.0	38.4
Year ended March 31, 2004	521	11.0	47.3
9 months ended December 31, 2004	639	11.0	58.0

6. Net Asset Value per share (NAV) after the Issue

The NAV per Equity Share after the Issue is [•]

Issue price per Equity share: Rs.[•]
Issue Price per Equity Share will be determined on conclusion of book building process

7. Comparison with Industry Peers*

Particulars	EPS	P/E	RoNW	Book Value (Rs)
Our Company*	17.5	NA	30.2%	58
Aurobindo Pharma	13.3	22	19.7%	149
Lupin Pharmaceuticals	22.2	23.7	35.3%	112
Orchid Chemicals and Pharmaceuticals Limited	7.2	45.6	7.6%	129

* annualised EPS & RoNW and Networth for the period ended / as at December 31, 2004
** For the industry peers, figures for EPS, P/E and Book Value is taken from Capital Market Issue dated Feb 14-17, 2005 and RoNW is for FY2004 taken from Capital Market Issue dated Oct 11-24, 2004

The BRLM believe that the Issue Price of Rs. [•] is justified in view of the above qualitative and quantitative parameters. See the section titled "Risk Factors" on page viii of this Draft Red Herring Prospectus and the financials of our Company including important profitability and return ratios, as set out in the Auditors Report on consolidated financial statements on page 73 of this Draft Red Herring Prospectus to have a more informed view.

STATEMENT OF TAX BENEFITS

The Board of Directors,
Nectar Lifesciences Limited
Vill. Saidpura,
Tehsil Derabassi

Dear Sirs,

We hereby certify that the enclosed annexure states the tax benefits available to **Nectar Lifesciences Limited** (the "Company") and to the Shareholders of the Company under the provisions of the Income Tax Act, 1961 and other direct and indirect tax laws presently in force.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

A shareholder is advised to consider in his/her/its own case, the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

For Bansal Mittal & Co.
Chartered Accountants

(Mukul Bansal)
Partner

Membership No.: 084281

Place: Chandigarh

Date: March 5, 2005

The following tax benefits shall be available to the Company and the prospective shareholders under the Direct & Indirect Tax Laws.

A. **To the Company**

A1. Under the Sales Tax Act

1. Under the Punjab General Sales Tax Act, 1948, the company is exempted from payment of sales tax on its sales. The said benefit is by virtue of exemption granted under the Incentive of Sales Tax Exemption Deferment under Industrial Policy, 1996. As per the eligibility certificate No.DIC/PTA/1240 dated January 30, 2002 read with Exemption Certificate No.EXEMP/30-A/97-98/210 dated September 16, 2002, the said exemption is granted up to the period ending August 8, 2011 subject to a limit of Rs.319 million.

A2. Under the Customs Tariff

2. In terms of Notification No. 43/2002-CUS dated April 19, 2002, materials imported against Advance License for use in the manufacture of export products are exempted from payment of whole of the customs duty, additional duty, safeguard duty and anti-dumping duty.

3. In terms of Notification No. 55/2003-CUS dated April 1, 2003, capital goods and spares imported against EPCG license issued under Export Import policy are exempted from payment of customs duty, subject to fulfillment of export obligation.

B. To the Members of the Company

B1. Under the Income Tax Act, 1961 (IT Act)

Resident Members

4. By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from domestic Company referred to in Section 115O of the IT Act, are exempt from tax in the hands of the shareholders.

5. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity shares in a Company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:

   a) The transaction of sale of such equity share is entered into on or after 10th September, 2004;
   b) The transaction is chargeable to such securities transaction tax as explained below.

6. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a Company through the recognized stock exchange is liable to securities transaction tax at the rate of 0.075% of the value payable by both buyer and seller. The non-delivery based sale transactions are liable to tax @ 0.015% of the value payable by the seller. The finance bill 2005 has proposed that effective from June 1, 2005 the securities transaction tax rate on any delivery based purchase and sale of equity share in a Company through the recognized stock exchange will be increased to 0.1% of the value payable by both buyer and seller. Similarly the finance bill 2005 has also proposed that effective from June 1, 2005 the securities transaction tax rate on non-delivery based sale transactions will be increased to 0.02% of the value payable by the seller.

7. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable

under the head “Profit and gains of business or profession” arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

8. In terms of section 10(23D) of the IT Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the Company.

9. Under section 48 of the Act, if the Company’s shares are sold after being held for more than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.

10. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of six (6) months after the date of such transfer for a period of at least three (3) years in bonds issued by:

    a) National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
    b) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
    c) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
    d) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
    e) Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989

11. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of six (6) months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -

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

12. Under section 54F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

13. Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

14. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of shares in the Company on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge).

Non-Resident Indians/Non Resident Shareholders (Other than FIIs)

Apart from benefits as mentioned in points 4,5,6,7,10,11,12 and 13 above

15. Under section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:-

    a) Under section 115E of the Act, where shares in the Company are acquired or subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months on a recognized stock exchange, shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge) (without indexation benefit but with protection against foreign exchange fluctuation).
    b) Under provisions of section 115F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange (in cases not covered under section 115E of the Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

Foreign Institutional Investors (FIIs)

Apart from benefits as mentioned in points 4,5,6,7,10 and 11 above

16. The income by way of short term capital gain or long term capital gains (not covered under section 10(38) of the Act) realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the Income Tax Act, 1961.

    a) Short term capital gains – 30% (plus applicable surcharge)
    b) Long term capital gains – 10% (without cost indexation plus applicable surcharge).

(shares held in the Company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).

B2. Under the Wealth Tax Act, 1957

17. Shares held in a Company will not be treated as an asset within the meaning of Section 2(ea) of Wealth Tax Act, 1957; hence Wealth Tax Act will not be applicable.

Notes:

All the above benefits are as per the current tax law as amended by the Finance (No.2) Act, 2004. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.

In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.

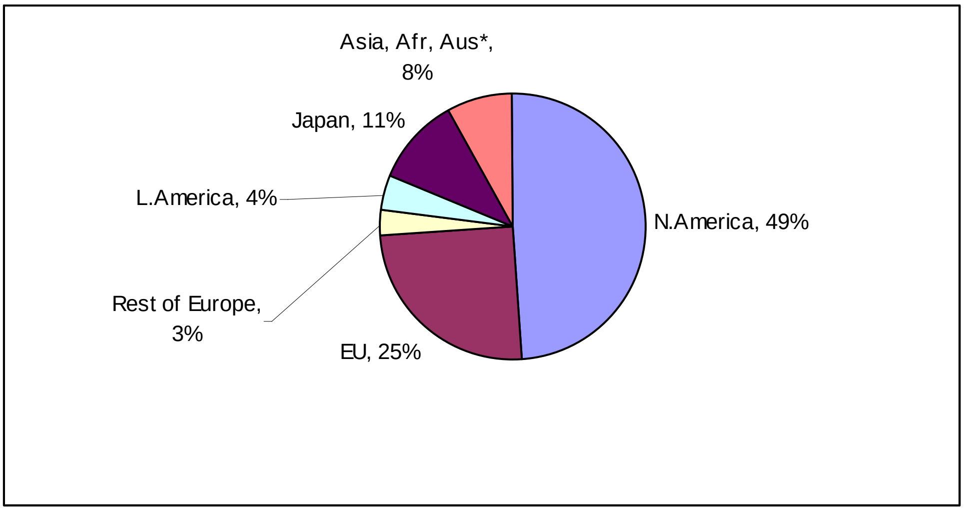
In view of the individual nature of tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

INDIAN PHARMACEUTICAL INDUSTRY

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries and has not been prepared or independently verified by the Issuer or the BRLM.

Global Scenario

The size of the global pharmaceutical industry is estimated at US$466.3 billion and is concentrated in the developed world. Around 85% of the market is accounted for by North America, European Union and Japan. The region-wise break up of the global pharmaceutical market in year 2003 is as follows:



Source: IMS-Health, ICRA
* Asia, Africa and Australia excluding Japan

Indian Pharmaceutical Industry

The size of the Indian market for pharmaceutical products was negligible in the early days of Independence, with the production adding up to a mere Rs. 4 billion in value terms. Till the 1970s, the multinational players dominated the Indian industry with a cumulative market share of about 80%. Subsequently, to promote the development of the domestic pharmaceutical industry, the Government of India introduced regulatory norms favouring process patents (as opposed to product patents). At the same time, domestic drug prices were set at very low levels and high import tariffs imposed. All these measures caused domestic pharmaceutical companies to report healthy growth, and the market share of the multinationals declined gradually.

The Indian pharmaceutical industry is one of the largest among developing countries. It contributes 8% in volume terms but only 1% in value terms to global pharmaceutical sales. Thus, the Indian pharmaceutical industry ranks 4th in terms of volume but 13th in terms of value globally. India’s small share in value terms is attributable to the relatively lower prices of drugs in the country. The size of the domestic market for formulations was estimated at Rs. 195 billion in calendar 2003. The overall production by the domestic pharmaceutical industry in FY2004 stood at Rs. 357.5 billion, of which formulations accounted for 78% and bulk drugs for the balance 22%. Of the total market, the share of Indian companies has increased from around 20% in 1970 to over 70% now.

Pharmaceutical companies in India manufacture bulk drugs in several important therapeutic categories and the industry has facilities to make all dosage forms, namely, capsules, injectibles, tablets, oral, and liquids. Anti-infectives comprise the largest therapeutic segment in India, accounting for about 19% of the market. The size of the therapeutic segments differs across regions because of variations in the income level, demographics, hygiene levels and sanitation, health infrastructure, disease patterns and differences in lifestyles.

India Industry - Product Patent Regime

The industry has entered the product patent era and enhanced drug regulation. As a result, the large players in the domestic market will constantly seize opportunities to achieve critical mass, which will be essential for funding their international forays and R&D pursuits. Under the World Trade Organization agreement, member nations (especially developing countries, including India) were given a transition period, up to 2005, to enforce product patents in their countries (but only for patents registered after January 1995). In the interim, these countries were expected to enact relevant laws and stopgap measures (including the granting of exclusive marketing rights) to ensure a smooth transition to the new patent regime. India has enacted legislation and laws to move from a process patent regime to a product patent regime. After the implementation of the product patent regime in India in 2005, Indian companies will be unable to launch new molecules patented post-1995. Since more than 60 per cent of the growth in the 2000-2003 period came from new product launches, Indian companies operating only in the domestic markets will find it difficult to sustain growth. Also, their margins are expected to be under pressure on account of pricing pressures among the existing portfolio of drugs due to increased competition. Growth in the Indian formulation market is expected to slow down to 5-6 per cent till 2008.

Export in Pharmaceuticals

Pharmaceutical products rank amongst India’s top export items. The country’s exports of pharmaceutical products increased at a CAGR of 22.9% during the period FY1994-2003. While formulations account for over 50% of the pharmaceutical exports, share of bulk drugs has also increased since mid-1990s. The rate of growth in bulk drugs was relatively high at 29.8% (estimated) during FY1994-2003 as against formulations, which increased at the rate of 18.9% in the same period. Various factors that facilitated exports from India include cost competitiveness, established quality, and certification of manufacturing facilities by the United States-Food and Drug Administration (USFDA) and United Kingdom Medicines and Healthcare products Regulatory Agency (UKMHRA).

The share of bulk drugs in pharmaceutical exports increased from 24% of pharmaceutical exports in FY1981 to 45% in FY2000. The Indian industry manufactures around 400 bulk drugs belonging to several therapeutic segments. Factors such as the industry’s cost competitiveness, the established quality of its products and its internationally approved manufacturing facilities have enabled the industry to make a place for itself in the international market.

India has a presence in all the therapeutic segments in the export market. However, antibiotics still form the major part (around 25%) of the total pharmaceutical exports from the country. Drugs for the treatment of respiratory diseases, especially anti-asthmatic drugs, account for 5% of the total pharmaceutical exports. Exports of analgesics and non-steroidal anti-inflammatory drugs (NSAIDs) consist of both bulk drugs and formulations, with drugs based on old molecules (like Ibuprofen and Paracetamol) dominating the export basket from this segment.

Export Destinations

The Indian pharmaceutical industry exports to both the developing and developed countries. The US is the largest market for Indian pharmaceutical exports, followed by Germany, Russia, China and Hong Kong. Although bulk drugs are exported to both the developed as well as developing markets, a large proportion of formulations are exported mainly to the developing countries

North America and Western Europe account for a considerable portion of the exports of pharmaceutical products from India. Moreover, the share of these regions in India’s total pharmaceutical exports is on the rise, while the share of the other regions has been declining.

Imports

Imports of pharmaceutical products into India increased at annualised rate of 20.4% during the period FY1994-2003. The major import items include organic compounds, micro-organism culture, antibiotics, vaccines and vitamins. Bulk drugs account for over 70% of imports of pharmaceutical products into the country. Bulk drugs imports have increased in recent times mainly on account of the price differential. In certain cases, the manufacturing technology for some drugs in India is comparatively inefficient, which has led to higher production costs (and therefore prices). The availability of lower priced bulk drugs in such cases in the international market (from countries like China, Korea) has led to the increase in their imports. Some amount of formulations imports into India is accounted for by multinational companies with a presence here. In certain cases, where the market size for a new product is not sufficient to justify a new facility, imports from affiliates are made. In few cases, multinationals resort to imports from their affiliates in other countries irrespective of the price differential. Additionally, there are drugs that are present both in the export and import list. This is because, quite often, certain Indian companies import bulk drugs to utilise the benefits offered by Government policies. Also, with China and other South Asian countries offering bulk drugs at lower prices, imports of bulk drugs have increased place in the recent past.

Segments of Indian Pharmaceutical Industry

The pharmaceutical industry can be divided on the basis of form and therapeutic application. On the basis of form, the industry can be divided into bulk drugs and formulations, while on the basis of application; it can be divided into various therapeutic segments.

Form-Based Classification

Bulk Drugs

Bulk drugs are the active pharmaceutical ingredients (APIs) with medicinal properties, which are used to manufacture formulations. APIs cannot be administered directly to the patient, and other substances called excipients are added to stabilise the mixture. This end product, which includes the API and the excipient, is referred to as a formulation. Formulations are the pharmaceutical products administered to patients and can take the form of tablets, capsules, syrups, ointments, creams, injectables, etc. The Indian pharmaceutical industry manufactures over 400 bulk drugs belonging to several therapeutic segments. Bulk drug production in the country recorded a CAGR of 19.5% during the period FY1994-2004, which is higher than the growth in the overall production of pharmaceuticals (CAGR of 15.8%) during the same period. Ability of the Indian manufacturers in chemical synthesis and reverse engineering, cost competitiveness of Indian producers, established quality of products, and approval of manufacturing facilities by international regulatory authorities like the USFDA and UKMHRA) have resulted in export orders coming from both developed and developing markets. Besides, low cost of production, flexible manufacturing infrastructure that allows the players to change product mix in response to changes in the customer demand and expertise in scaling up production from lab scale quantities to commercial production also indicate the manufacturing competence of the Indian pharmaceutical companies. Although formulations still account for a large share of the overall pharmaceutical production (in value terms), the proportionate share of bulk drugs has increased, and went up from 16% in FY1991 to 22% in FY2004.

Formulations

Formulations are the end-products of the medicine manufacturing process, and can take the form of tablets, capsules, injectables or syrups, and can be administered directly to patients. The production of formulations in India increased at a CAGR of 15% during the period FY1994-2004. The exports of formulations from India increased at a CAGR of 19% during FY1994-2003. The strong growth in formulation exports during the 1990s can be attributed to exports made to the developing markets and the access gained by Indian players to the generics markets of developed countries. Moreover, with the Indian players strengthening their presence in the generic markets of regulated countries, formulation exports to such countries has increased. Formulations account for over 50% of the total pharmaceutical exports from India.

Application-Based Classification

On the basis of application, the key segments in the pharmaceutical industry are as under.

Anti-infectives: antibiotic (penicillin, sulphonamides, aminoglycosides, tetracyclines, macrolides, cephalosporins, quinolones, etc.), anti-parasitics (anti-protozoa, anti-malarials, anti-fungals, antihelmintic, etc.), and vaccines.
Pain Management: anti pyretics and analgesics, NSAIDs and anti-rheumatics.
Cardiovascular (CVS) Drugs: cardiac therapy, anti-hypertensives and anti-hypotensives.
Central Nervous System (CNS) Drugs: analgesics, anti psychotics, anti-epilepsy, tranquilisers and sedatives, and anti-Parkinson’s disease.
Gastro-intestinals: antacids, anti-ulcerants, anti-helmintics, anti flatulents and anti-diarrhoeals

Corticosteroids: topical corticosteroids, and systemic corticosteroids.
Genito-urinary: gynaecological preparations, sex hormones and stimulants.
Respiratory Drugs: cough and cold preparations, anti-asthmatics, anti-histamines, rubs, and anti-tuberculosis.
Vitamins: plain vitamins and combinations.
Anti-diabetics: insulin, oral anti-diabetics.
Other Drugs: general nutrients, minerals, anti-anaemia, and blood plasma.

Some of the therapeutic segments are overlapping because of multiple applications.

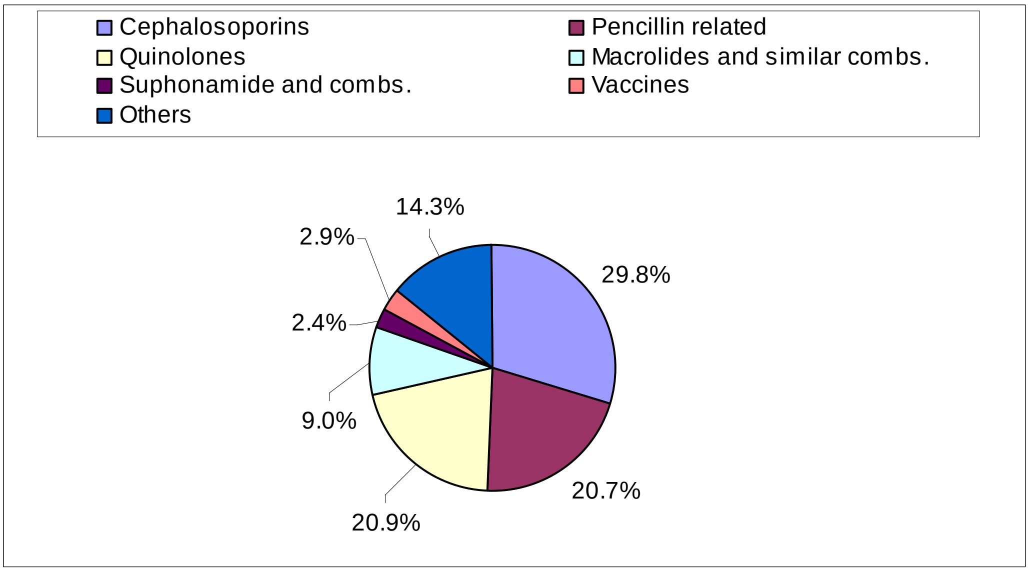
ANTI-INFECTIVES SEGMENT

This is the largest segment of the Indian pharmaceutical industry. It is a mature segment with a high level of competition, especially in antibiotics, which is the largest sub-segment of this group. The disease causing micro-organisms may be classified into four major categories: bacterial, viral, fungal and parasitic. These pathogens are transmitted to the human body either directly or indirectly through air, water, body fluids, and fomites.

Antibiotics

Penicillin was the first antibiotic to be discovered. Gradually, the scope of the term antibiotic was extended beyond its original meaning. Originally, antibiotics referred to medicines created from live organisms, which were used for diseases caused by living organisms such as bacteria, fungi and amoeba. Since then, the definition of the term antibiotics has undergone a change, and now predominantly refer to only anti-bacterials, with the latest generation antibiotics including synthetically developed drugs with complex molecular structures. Various antibiotics can broadly be clubbed into different categories on the basis of their age and application. Further, antibiotics can also be classified into various categories on the basis of their usage over the type of bacteria. Most antibiotics produced by micro-organisms are used to kill or inhibit the growth of bacteria that cause infection. Therefore, such antibiotics are broadly classified as bactericidal (which act by killing the bacteria) and bacteriostatic (which act by slowing or stopping the growth of bacteria). Among the widely prescribed anti-bacterials, penicillins, aminoglycosides, quinolones and cephalosporins are bactericidal, while sulphonamides, macrolides and tetracyclines are bacteriostatic drugs.The size of the Indian antibiotics market in CY2003 was estimated at Rs. 36 billion, and witnessed growth of 1-2% over the previous year.

Domestic Formulations Market for Antibiotics: Size of the Retail Segment: Rs. 36 billion in CY2003



Source: Ingres, ICRA
*Others include Anti-virals, chloremphenic, tetracycline/doxycline combination, topicalantibiotics, other anitbiotics

Cephalosoporins

Cephalosporins are the highest growing category within the anti-infective segment in India with a CAGR of 15 per cent over the last 5 years. Globally too, they figure in the Top 10 drug classes with $7.6 billion in sales. In India, the leading players in the cephalosporins segment are GlaxoSmithkline (15 per cent), Alkem (13 per cent), Ranbaxy (11 per cent), Lupin Labs (8 per cent) and Aristo Pharma (6 per cent), in that order (figures in brackets refer to the market share of each player in the relevant drug class in 2002-03). Cephalosporins treat a wide range of bacterial infections occurring in the body, ear, nose, throat, lungs, sinuses, and skin. Each drug within the family kills a certain type of bacteria. Cephalosporins destroy the bacteria by attacking its bacteria's cell wall. Cephalosporins are close substitutes for natural penicillins and semi-synthetic penicillins (SSPs), and act in a similar manner to penicillins by inhibiting cell wall synthesis. They are grouped into multiple generations, with increasing activity against gram-negative bacteria aerobes (requiring oxygen), and somewhat decreasing gram-positive activity. The table below shows a grouping of bulk drugs based on their generations.

Generation-wise grouping of cephalosporins

Generation	Parenteral	Oral
First	Cephalothin	Cephalexin
	Cefazolin	Cephradine
		Cefadroxil
Second	Cefamandole	Cefaclor
	Cefuroxime	Cefprozil
	Cefoxitin	Cefuroxime
		Loracarbef
Third	Cefotaxime	Cefpodoxime
	Ceftriaxone	Ceftibuten
		Cefixime
Third/Fourth		Ceftazidime
		Cefepime
		Cefpirome

Source: Crisinfac

The first-generation cephalosporins are effective in treating skin and soft-tissue infections, and are used to cure urinary tract infections. Second-generation cephalosporins are useful in treating upper and lower respiratory tract infections, and sinusitis. Third-generation cephalosporins (ceftriaxone and cefotaxime) have excellent activity against the vast majority of the bacterial strains that have intermediate and high level of resistance to penicillin. Third-generation cephalosporins have played a significant role in treating bacterial infections that are not responsive to penicillins or first and second-generation cephalosporins. As a result, we see high growth in third/fourth generation cephalosporins (refer to the table below). Cefepime, a fourth generation cephalosporin, has been able to garner sales of Rs 243 million or 1.8 per cent share of the total market for cephalosporins within the first year of its introduction (2003). The Indian market has seen also high growth for combinations of cefoperazone with sulbactum, as sulbactum attacks the enzyme produced by bacteria to inactivate cephalosporins.

Top drugs and players in the Cephalosoporins segment

Bulk Drug	Market share (%)	CAGR (%)	Year of launch	Top products	
				Products	Players
Ceftriaxone*	16.4	14.1	1990	Monocef	Aristo Pharma#
				Cefaxone	Lupin Labs
				Oframax	Ranbaxy
Cefotaxime*	12.3	-4.1	1987	Taxim	Alkem#
				Omnatax	Nicholas Piramal
				Cefantral	Lupin Labs

Cefixime*	12.0	40.4	1990	Taxim-O	Alkem#
				Fixx	Unichem
				Gramocef-O	Micro Labs
Cefalexin	11.6	-3.2	1977	Sporidex	Ranbaxy
				Phexin	Glaxo Wellcome
				Ceff	Lupin Labs
Cefadroxil	10.1	7.8	1989	Odoxil	Lupin Labs
				Droxyl	Torrent Pharma
				Cefadur	Cipla
Cefuroxime axetil*	8.4	8.6	1990	Ceftum	Glaxo Wellcome
				Cefo	Medley Pharma
Ceftazidime*	4.4	9.7	1989	Fortum	Glaxo Wellcome
				Tazid	Alkem
				Zidime	Nicholas Piramal
Cefpodoxime proxetil*	4.3	53.7	1996	Cepodem	Ranbaxy
				Monocef-O	Aristo Pharma#
				Cefoprox	Cipla
Cefuroxime*	3.3	7.2	1988	Supacef	Glaxo Wellcome
				Cefogen	Cadila Pharma
				Keroxime	Sarabhai Piramal
Cefaclor	2.3	-4.8	1991	Keflor	Ranbaxy
				Vercef	Ranbaxy#
				Halocef	Aristo Pharma
Cefdinir	1.9	232.4	2001	Sefdin	Unichem
				Adcef	Torrent Pharma
				Zefdinir	Zydus
Cefpirome	1.9	47.9	1997	Cefrom	Aventis Pharma
Cefepime*	1.8	-	na	Kefage	Ind Chemie#
Sulbactam and combinations*	3.9	87.1	-	Magnex	Pfizer
				Cefactum	Aurobindo
				Sulbacef	Biochem#

Source: Crisinfac, Company
* refers to the Bulk drugs manufactured by us
\# refers to our Customers for the mentioned formulation products

OUR BUSINESS

Overview

Our Company is one of the few companies in India having facilities to manufacture Oral and Sterile bulk drugs. We are an established manufacturer of SSP and Cepahlosporin range of Oral and Sterile Bulk drugs. Our Company has been awarded recognition as an "Export House" by the Director General of Foreign Trade, Ministry of Commerce, Government of India in the April 2003. We have also received WHO-GMP certificates for some our products like Cefotaxime Sodium (Sterile); Ceftriaxone Sodium (Sterile); Cefazolin Sodium (Sterile); Cefuroxime Sodium (Sterile); Chloramphenicol Sodium Succinate (Sterile); Ceftazidim for Injection (Sterile) and Cefepime for Injection (Sterile).

Our Company has an existing production facility at Derabassi (Unit I) which produces Oral and Sterile forms of SSP's and Cephalosporins. A modernization / expansion project is under way at Derabassi (Unit II), which is close to the existing production facility. In terms of the expansion plan being implemented at Derabassi (Unit II) the construction of Cephalosporin unit and non-antibiotic unit along with ancillary facilities is in progress. We propose to set an additional Sterile Cephalosporin unit at Derabassi (Unit II), a Research & Development and Corporate Quality Control Centre at Derabassi (Unit II) and a formulation unit at Baddi. We have also taken on lease the manufacturing facility of Aster Pharmaceutical which is used to manufacture Bulk Drugs for the Oral Cephalosporins. Our Company has been involved in the manufacture and sale of off-patented drugs and that the TRIPS provisions on product patents which became effective from January 2005 does not have any impact on the performance.

The existing and proposed expansion would increase our presence in the Cephalosporins segment, enable us to enter into non-antibiotic and formulations segment along with providing us the ability to cater to the regulated markets. The formulations unit at Baddi is in line with our forward integration strategy whereby we would supply the final product, as a one step further value added, to our customers. The formulation unit at Baddi would be eligible for various fiscal incentives.

Our Competitive Strengths

We believe that the following are our primary competitive strengths

Among the leading players in the Sterile SSP and Sterile Cephalosporins in the domestic market

We are amongst one of the leading manufacturers of Sterile SSP and Sterile Cephalosporins in India. We have been awarded the WHO-GMP Certification by the State Drugs Controlling Authority, Directorate of Health & Family Welfare, Punjab for some of our products. Our leadership position enables us to leverage our existing in-house skills, relationship with customers and provides potential to increase the products being sold and offer newer products to our customers.

Strong management team and motivated work force

Our Company is managed by a team of experienced and professional managers exclusively focused on different aspects of pharmaceutical industry including research & development, production, marketing, quality control and finance. Our promoters and management have a substantial experience in pharmaceutical industry and its ancillary activities**.** It is essential that the professionals employed by us understand the new developments in the pharmaceutical industry. We believe that our professionals have been able to anticipate the developments in drug discovery and deliver newer products to our customers who have contributed to our growth and success. Our Company's human resource policy revolves around a commitment to create an organisation that nurtures talents and motivate its work force. We have a very low attrition ratio which has provided our business continuity and stability.

Established Business

We are an existing profit making Company in operations for almost eight (8) years in the India pharmaceutical industry, having an integrated manufacturing facility to produce intermediates, Oral and Sterile Bulk Drugs and Drugs in Dosage forms like Capsules and injectibles. We have built a strong market for our products overseas and have been awarded "Export House Status". All our manufacturing facility complies with the prevailing environment regulations. We also undertake contract manufacturing for some of the leading pharmaceutical companies in India which reinforces our positioning. We have successfully raised two round of private / venture capital funding from reputed funds like PSIDC and Swiss Tech Venture Capital which has enabled us to establish high standards of disclosure and corporate governance in addition to providing guidance in implementing the industry best practices.

Expansion Plan

Our current expansion plan underway would enable to increase our presence in the Cephalosporin segment and enter the Non-Antibiotic segment. Further to our current modernization / expansion plan we are also in the process of setting up an additional Sterile Cephalosporin unit at Derabassi (Unit II), a Research & Development and Corporate Quality Control Centre at Derabassi (Unit II) and a formulation unit at Baddi. The formulations unit at Baddi is in line with our forward integration strategy whereby we would supply the final product, as a one step further value added, to our clients instead of supplying products only up to the API stage. Our formulations plant at Baddi would be eligible for various fiscal benefits.

Multi product capability and proven Research & Development capabilities

We are one of the few companies in India having a comprehensive range of Oral and Sterile Cephalosporins. We have versatile manufacturing plants which can produce multiple products using a combination of processes. Our manufacturing facilities have the capabilities to use both Lyopholised and Srystalline process for crystallization. The flexible manufacturing infrastructure helps us to change our product mix in response to changes in customer demand with less new facility investment. We have complete infrastructure of process research labs, scale up, pilot plant and validation block and have been able to develop efficient and cost effective processes at short notice. Our emphasis on research and development has enabled us to devise our own process technologies and expand our scientific and engineering capabilities. We believe that continued focus on research & development will enable us to further develop new processes and products and novel applications for existing products, possibly enter new lines of business and deepen our intellectual property base.

Superior operational performance

Our Company with good technical base, lower overheads, international manufacturing facilities and effective marketing network has shown consistent growth in revenues and profits. We have maintained stringent control over our operating costs. The unique business positioning of our Sri Lankan operations enables us to reduce our cost of production and diversify the drug intermediates manufacturing base. Our revenues are well distributed between domestic and export sales and we have built significant relationships with several large players.

Our Strategy

Our Corporate vision is "to be one of the leading pharmaceutical companies in India" The following are our strategies to achieve this vision.

Expand our installed capacity to manufacture Cephlasporin

After the completion of the modernization and existing expansion plan, our capacity to produce Cephalosporin would increase significantly. We will become one of the largest manufacturers of Cephalosporin drugs after all the proposed capital expenditure is completed.

Enter into the Non-Antibiotic segment and forward integration into formulations

We are setting up a Non-Antibiotic plant at Derabassi (Unit II) to diversify our product portfolio. The formulations unit at Baddi is in line with our forward integration strategy whereby we would supply the final product, as a one step further value added, to our clients instead of supplying products only up to the API stage. The formulation unit at Baddi would be eligible for various fiscal incentives.

Increase our Research & Development Focus

The main thrust of our company is on Cephalosporin based drugs in keeping pace with the international trend. We are focusing on development of newer variants of Cephalosporin's and Non-Antibiotics. We are also undertaking extensive research in the field of non-antibiotics like Cardiovascular, Anti-Histamines and others. Our research & development effort revolves around developing patent non-infringing processes, achieving process improvements, achieving production cost efficiencies, optimizing raw material sourcing, produce new products, innovate and enhance fermentation and other manufacturing techniques and continually expand our general scientific and engineering capabilities. Our research & development focus enables us to deliver newer products to our customers in a cost effective and timely manner.

Expand our International operations

Our manufacturing facility at Sri Lanka places us in a unique position to manufacture drug intermediates in a cost effective manner. We shall expand our Sri Lankan operations as opportunities arise. We understand that the Sri Lankan Government is negotiating FTA's with some of the other countries like Pakistan, China, US, European nations, which will make Sri Lanka an attractive destination to import raw materials from. We are also increasing our presence in the export segment.

Entry into regulated markets

The new manufacturing facilities at Derabassi (Unit II) and the formulations unit at Baddi would be US FDA approvable. We shall apply for US FDA certification once the production from these facilities stabilizes. The new manufacturing facilities would provide us the ability to sell our products in regulated markets.

<u>Operations</u>

Synopsis of year wise various product launches is as follows:

Particulars (FY)	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Oral Bulk Drugs*								
Sterile Bulk Drugs*								
Formulations								
Herbals								
Cephalosporins								

Source: Company
* SSP

An overview of our manufacturing facilities is as follows:

Particulars	Address	Remarks
Existing Facility Integrated Manufacturing Unit # - Oral SSP facility - Oral Cephalosporin facility - Sterile SSP facility* - Sterile Cephalosporin facility* - Formulation unit @	Village Saidpura, Derabassi, Punjab (also referred to as Unit I)	Area of 1,48,000 square meters.
Project Under Implementation $ - Oral Cephalosporin facility ## - Non-antibiotic facility - Ancilliary units**	Village Saidpura, Derabassi, Punjab (also referred to as Unit II)	Plant being set-up as per USFDA/ UK MCAguidelines. 42 acres of land for Derabassi (Unit II)
New Facility$$ - Formulation Plant - Sterile Cephalosprin - Research & Development and Quality Control Centre	 - Baddi, Himachal Pradesh - Derabassi (Unit II) - Derabassi (Unit II)	Five acres of land acquired at Baddi
Corporate Office	110, Industrial Area, Phase I, Chandigarh	Rented office
Marketing - Marketing Office - Marketing Agent	 1st Floor Bhagirath Place, Chandni Chowk, Delhi – 6 Mumbai	 To facilitate marketing, import and export activities Looks after marketing activities

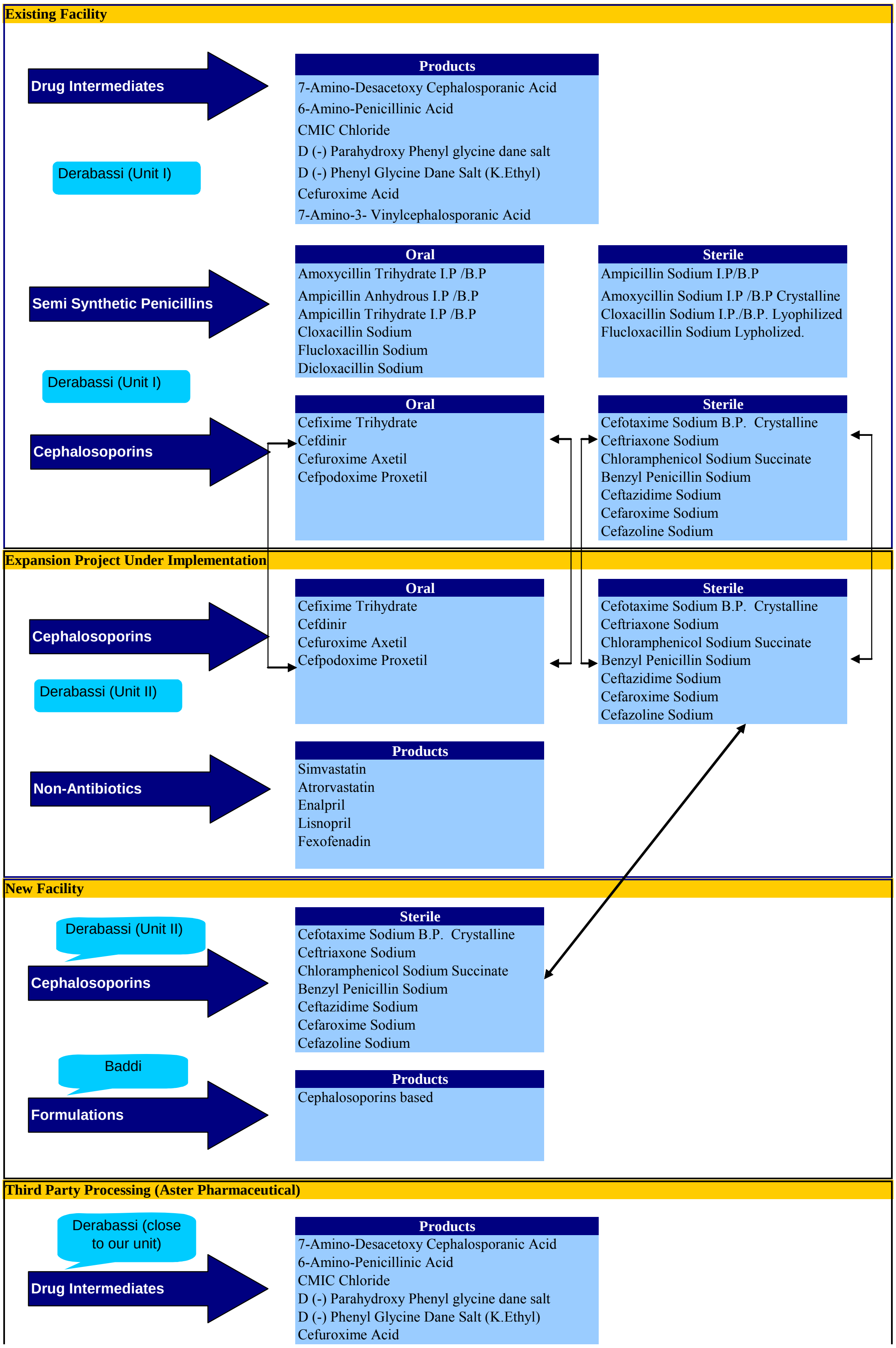
* both Lyopholised and Crystalline
# Drugs in Dosage forms like Capsules and Injectibles
@ vial filling section with a capacity of 50,000 vials fillings per day per shift
** ancilliary units include utilities, solvent recovery unit, effluent treatment plant, etc
part operational since April 2004
$ entire project to be operational by June 2006
$$ new facility is proposed to be operational by April 2006

Business Segments and Products manufactured

Business Segments

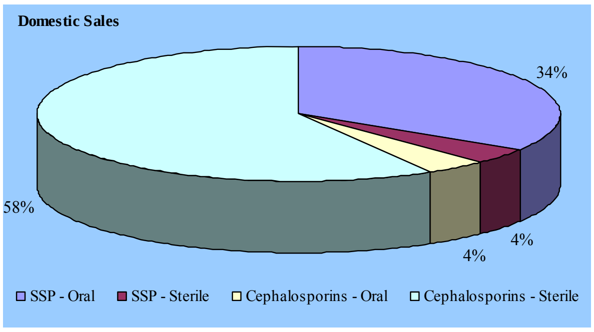
Our existing business operations are primarily concentrated on manufacturing and marketing of SSPs and Cephalosporins. SSPs constituted remaining 50% of our revenues in FY 04, where as Cephalosporins constituted around 50%. We currently manufacture and sell comprehensive range of both Oral and Sterile SSPs and Cephalosporins. We also engage in certain contract manufacturing for major pharmaceutical players. With an objective of diversifying its operations (present purely antibiotics) and expanding its product portfolio we are entering into Non-antibiotics therapeutic segments.

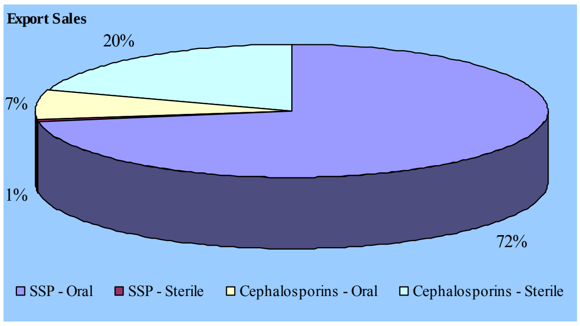
Products Manufactured



The oral bulk drugs manufactured by our Company are semi-synthetic Penicillin, viz, Penicillin G based products, Semi synthetic Cephalosporins, and Cephalosporins. Sterile drugs are also manufactured in bulk form, which are taken in injectible form, viz., Semi synthetic Penicillins and Cephalosporins. The drugs intermediates manufactured are consumed captive to manufacture SSPs and Cephalosporins. The Sterile bulk drugs manufactured by the company are filled in vials/ injections having various dosages such as 250 mg, 500mg, and 1gm. We are also engaged in Capsule formation.

Our Company has achieved net sales (net of excise duty) of Bulk drugs of Rs1,855 million for the financial year ended March 31, 2004. Domestic sales achieved during this period was Rs1,141 million, whereas the export sales achieved was Rs714 million. The summary of category wise break-up of revenues is presented below:





Source: Company

The summary of net revenue of Bulk drugs is as follows:

Rs In Million

Particulars	2001-02	2002-03	2003-04
Oral			
Local Sales			
Semi-Synthetic Penicillins	293	242	386
Cephalosporins Based	194	66	44
	487	309	430
Export Sales			
Semi-Synthetic Penicillins	250	515	517
Cephalosporins Based	10	32	50
	259	547	567
(A)	**746**	**856**	**997**
Sterile			
Local Sales			
Semi-Synthetic Penicillins	94	82	45
Cephalosporins Based	183	441	666
	278	523	711
Export Sales			
Semi-Synthetic Penicillins	19	20	5
Cephalosporins Based	13	34	142
	32	54	147
(B)	**310**	**576**	**858**
(A+B)	**1,056**	**1,432**	**1,855**

Source: Company

Summary of product type wise, geographic wise and material type wise net revenue of bulk drugs is as follows:

Rs In Million

Particulars	2001-02	2002-03	2003-04
Product type wise			
Oral	746	856	997
Sterile	310	576	858
	1,056	1,432	1,855
Geographic wise			
Local Sales	764	831	1,141
Export Sales	291	601	714
	1,056	1,432	1,855
Material type wise			
SSP	656	859	953
Cephalosporins Based	400	573	902
	1,056	1,432	1,855

Source: Company

We have made sales aggregating Rs 2,073 million for the period from FY 01 to FY 04 under sales tax concession forms. The extant provisions of the Punjab General Sales Tax Act, 1948 prescribe a time limit of three (3) years from the end of the financial year during which these concession forms can be collected from the customers. We are in the process of collecting these forms which shall be deposited with the authorities within the specified time frame. In case we are not able to collect of these forms from our customers we may have to deposit sales tax of Rs137million in addition to the interest and penalty to the sales tax authorities.

Depending on the market demand we can produce different products at the same production facility. The summary of product wise quantities sold during the last three years is as follows:

(in MT)

Product	2001-02	2002-03	2003-04
Oral			
Penicillin - G Based Antibiotics	326	454	700
Cephalosporins			
Cefadroxyl Mono Hydrate	25	10	-
Cephradine Monohydrate	1	1	-
Cephalexin Monohydrate	3	2	-
Cefexime Trihydrate	3	2	4
Sterile			
Penicillin - G Based Antibiotics	44	36	17
Cephalosporins			-
Cefatixime Sodium Sterile	9	16	32
Ceftriaxone Sodium Sterile	7	22	46
Chloramphenicol Sodium S.S	9	11	12
Cefazoline Sodium Sterile	0	2	8
Cefuroxime Sodium Sterile	0	0	2
Ceftazidime for Injection			1
Cefipime HCL + Arginine			-
Total	**428**	**556**	**820**

Source: Company

Summary of products manufactured by CPL is as follows:

Particulars	31-Mar-04		31-Dec-04	
	Quantity (Kgs)	Amount (Rsmillion)	Quantity (Kgs)	Amount (Rsmillion)
Cefotaxime Acid	8,078	37	31,475	172
Ceftriaxone Sodium	4,474	25	9,075	57
GVNE	808	13	13,747	187
Mica Acid			8,900	34
Mica Ester			1,610	7
7ACTD			5,400	39
Cefuroxime Acid			5,713	71
T.T.Z			1,950	2
	77,870	75	77,870	569

Source: Company

Summary of the toll manufacturing agreement with Aster Drugs & Pharmaceuticals Limited.

The toll manufacturing agreement was entered between Aster Drugs & Pharmaceuticals Limited and Our Company on August 20, 2003. The main terms of this agreement includes:

- Our Company is desirous of using the manufacturing facility, plant, machinery & equipments and other resources, (existing and future), owned and/or possessed by ADPL at the manufacturing facility located at Derabassi on an exclusive basis for the manufacture of drugs and pharmaceuticals;
- It has been agreed that ADPL shall use the manufacturing facility on an exclusive basis, for the manufacture of the products as may be specified by our Company;
- Our Company shall supply requisite quantity of raw materials and the proprietary inputs to ADPL in time and proper quantity / quality to enable ADPL to fulfill its obligations in terms of this agreement;
- During the subsistence of this agreement, ADPL shall be responsible for obtaining and keep subsisting and valid, all requisite licences, registrations, permissions etc. under law applicable in relation to the manufacture, packaging, sale, supply and delivery of the products from the manufacturing facility;
- Upon ADPL fulfilling its obligations under this agreement, we shall pay ADPL conversion charges. In addition to the payment of conversion charges, we shall reimburse all costs and expenses that are incurred by ADPL, after obtaining our prior written approval;
- The agreement shall be valid for the period of three years from the date of execution hereof and may be reviewed, altered and amended or otherwise renewed in writing.
- The details of conversion charges to be paid by our Company to ADPL is as follows:
  - Salary & Wages: On actual basis
  - Power & Fuel: On actual basis
  - Insurance on inventory: On actual basis
  - Repairs & Maintenance: On actual basis
  - Additional Overhead Charges: Rs. 0.8 million per month

Additional overheads charges has been increased to Rs1 million per month after the expiry of 12 months from the date of the validity of the toll manufacturing agreement dated August 20, 2003.

Manufacturing Process

The manufacturing process of bulk drugs/intermediates involves a series of reaction steps under controlled conditions of temperature and pressure. An API or intermediate can be produced by a number of alternative methods from different starting points and under a variety of controlled operations. Our Company identifies identified several alternative methods of manufacture and chooses the one which is most appropriate for the situation viz., cost, patent non-infringing, achieving a desired quality standard, environment impact etc.

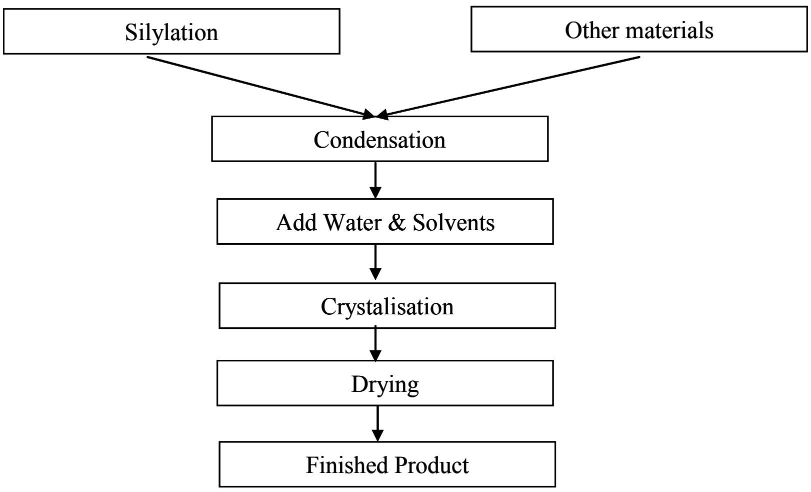
Our Company is one of the few companies having both the Lyophilized and Crystalline facilities. We have the ability to carry out chemical reaction at temperature ranging from minus (-) seventy (70) degrees centigrade to positive (+) two hundred (200) degrees centigrade. More than eighty (80) per cent of the type of reactions which are carried out in a typical pharmaceutical company can be performed at our facility. These reactions typically involve reduction, condensation, sublimation and others. We have a multi-purpose facility with the reactor capacity of more than 100,000 litres (size ranging from 500 litres to 6,000 litres). Our Quality control lab is equipped with instruments which can cover all types of tests required by Indian & International pharmacopoeias.

We have a sanctioned power load of 1995 KVA from the Punjab State Electricity Board. We also D.G. Sets of 1 MW each as back-up measures in case of power failures.

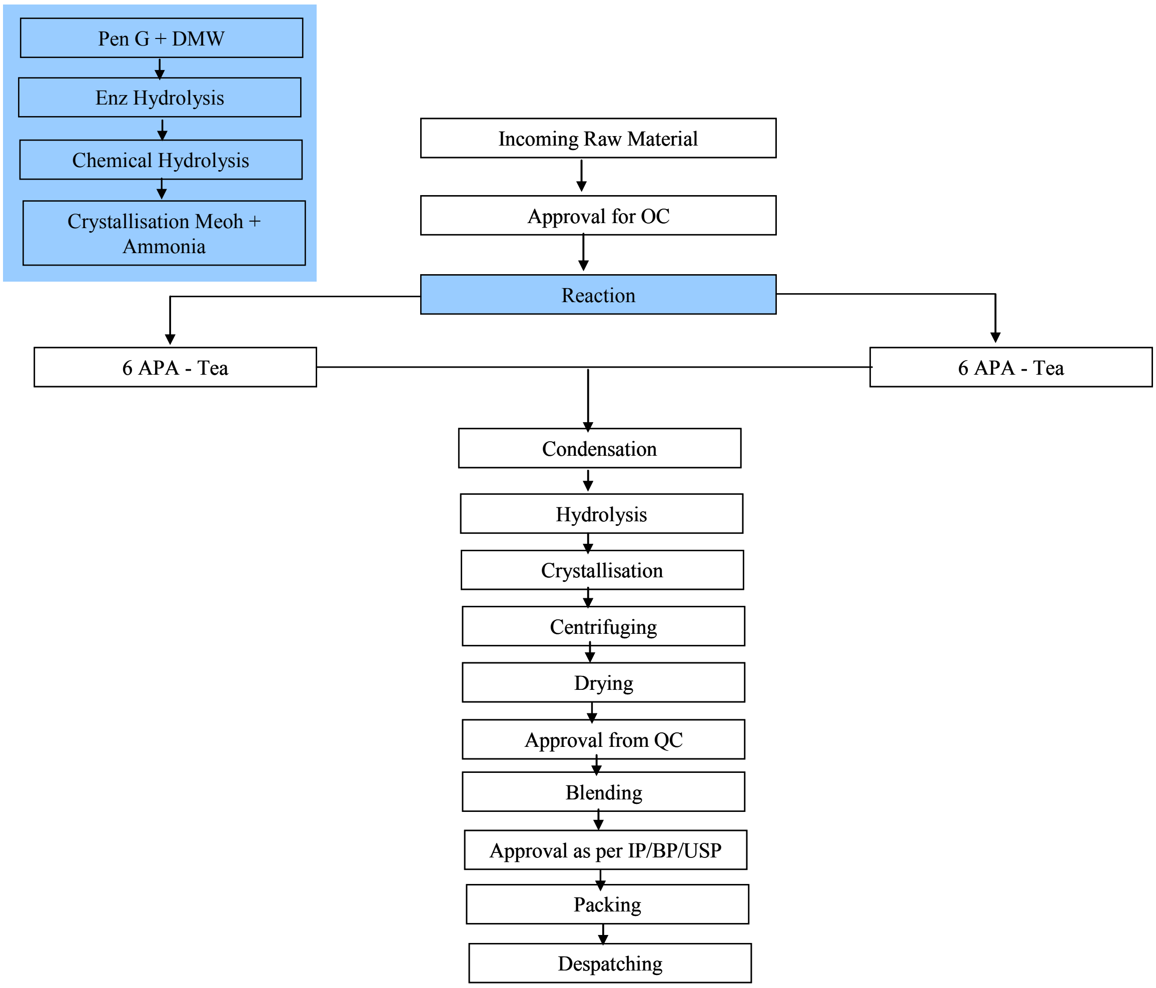
Process Flow:

Our Company would be employing batch typing processes for manufacturing the various newly proposed products.

The general process flow chart for oral Cephalosporins is as follows:



The general process flow chart for oral Semi Synthetic Pencillin (SSP's) is as follows:



WHO-GMP Certification

A few drugs of our Company have been awarded the WHO-GMP Certification. This certification, valid for two years has been awarded to the Company by the State Drugs Controlling Authority, Directorate of Health & Family Welfare, Punjab. Drugs of the Company covered under this certification are: Ampicillin Sodium Sterile (Bulk) and Vials/Capsules of Ampicillin Sodium Sterile; Amoxycillin Sodium Sterile (Bulk) and Vials/Capsules of Amoxycillin Sodium Sterile; Cloxacillin Sodium Sterile (Bulk) and Vials/Capsules of Cloxacillin Sodium Sterile; Cefotaxime Sodium Sterile; Ceftriaxone Sodium Sterile; Cefazolin Sodium Sterile; Cefuroxime Sodium Sterile; Chloramphenicol Sodium Succinate Sterile; Ceftazidime for injection Sterile; Cefepime for injection Sterile

The USFDA Certification

CGMP regulations require validation of manufacturing processes and medical devices. Consequently, unlike that in most of the international or domestic quality certification programmes, the USFDA is granted only after verifying the attributes and the process of manufacturing the specified product. It is granted for a particular product, which is to be produced in a specific production facility using a pre-specified production process and ingredients. The whole process of getting this approval is very stringent, which makes this certification widely acceptable in the international market. The USFDA certification is not a one-time process. Once granted, it requires maintenance of pre-specified norms throughout.

TRIPs Agreement

In accordance with the Trade-related Aspects of Intellectual Property Rights, or TRIPs, agreement, World Trade Organization (WTO)-member states, including India, are expected to recognize pharmaceutical product patents effective January 1, 2005. This is expected to lead to increased worldwide convergence of patent law regarding pharmaceutical products and an erosion of the distinction between regulated markets and unregulated/semi-regulated markets. In addition, as a result of the introduction of pharmaceutical product patents in India, the advantage we and other Indian pharmaceutical companies currently enjoy in developing processes for pharmaceutical products patented in the United States and the European Union will begin to wane, as we will no longer be able to develop and sell, in India or elsewhere, pharmaceutical products under patent protection in the United States or the European Union, if they also have patent protection in India. We have not seen any significant effect of the changes in the patent regime in our operations. However in future we may not be able to sell in India or elsewhere pharmaceuticals whose patents are recognized in India, unless and until these patents expire or are invalidated. If we choose to develop these pharmaceuticals for the generics markets, our development costs in respect of these products will be higher and our time to market will likely be longer. In addition, in 1998 India created a "black box" for patent applications to be filed for recognition beginning 2005, until their normal date of expiration, which under current Indian law is twenty (20) years from filing.

Raw Material Procurement

We use combination of both domestic and imported raw material and the trend is likely to continue in future as well. The ratio of imported and indigenous raw material consumed in value terms was sixty (60) % and forty (40) % respectively for the financial year ended March 31, 2004. The major raw materials consumed by our Company includes Potassium Penicillin G; D (-) Alpha Phenyl Glycine Base; D (-) Para Hydroxyl Phenyl Glycine Methyl Potassium; 7ACA and GCLE. The imported raw material is purchased both under open General License and Advance License Schemes. We had a pending export obligation under the advance licences aggregating to Rs92 million as on August 31, 2004. We had about sixty (60) advance licences, of which eleven (11) licenses have expired which have pending export obligations of about Rs eight (8) million. We have applied for / in the process of applying for extension of time for fulfilling the export obligations. In the event the tax authorities reject our request for extension, we may to be liable for penal consequences which shall not exceed the customs duty foregone on the said import of materials and the interest on the same.

Status of the existing expansion project

Our Company is undertaking an expansion / modernisation project whereby

- Balancing equipments have been installed at the existing plant in Derabassi (unit I).
- A Cephalosporins unit and a non-antibiotic unit is being set-up at a new site at Derabassi (Unit II).

With this new unit, our Company will increase its presence in the Cephalosporins Drug Segment, as well as, foray into the Non-Antibiotics segment. The setting up of this plant is in line with the long term objectives of our Company of entering into high value and new generation drug segment. The Company has set its sight in increasing its presence in the international pharmaceutical market and strives to achieve the same by increasing its focus on products that have greater acceptability internationally. The Derabassi Unit II is being set up keeping in view the US FDA guidelines. Our Company plans to apply for USFDA approval once the unit becomes fully operational. By obtaining this certification, Our Company will be able to tap the highly lucrative US pharmaceutical market.

Our Company has acquired a land measuring 42 acres for the purpose of the expansion. Among the bulk drugs to be manufactured in the Non-antibiotic drug segment, Simvastatin and Atorvastatin are relatively new drugs with good demand in the international market. These drugs belong to the cardiovascular therapeutic segment. Lisinopril is anangiotensin – converting enzyme used to treat high blood pressure and heart failure. Enalpril is also used to treat blood pressure. Fexofenadin belongs to the anti-histamine therapeutic segment and is used for allergy. A section of Cephalosporins plant has already become operational since April 2004.

The estimated cost of this expansion / modernization project, the actual expenditure incurred until February 28, 2005 and means of financing the same is presented below:

Rs In Million

Particulars	Estimated Cost	Incurred until Feb 2005	Balance to be incurred
Land & Site development*	32	27	5
Buildings	75	58	17
Plant & Machinery	415	198@	217
Advances to suppliers	-	75	(75)
Contingencies	23		23
Margin money (working capital)	97	19	78
Pre-operative expenses #	45	34	11
	687	410	276

Sources of funds	Proposed funding	Incurred until Feb 2005	Balance to be funded
Term loan from SBI	250	83	167
Term loan from PNB	250	250	-
Internal accruals	187	77	109
	687	410	276

Source: Company workings
* We have acquired agricultural land and converted the same into industrial land for its current existing and expansion projects
# the same has been reduced by Rs 13.5million on account of deferment of our IPO last year

The break-up cost of Buildings and Plant & Machinery for the expansion / modernization project is as follows:

Rs.In Million

Particulars	Building	P&M	Total
Existing Facility		90	90
New Facility			
Cephalosporins Plant	24	70	94
Non-Antibiotic Plant	24	48	72
Research & Development@	4	15	18
Quality Control	3	16	19
Administration	1	3	4
Utilities	6	45	51
Solvent Recovery Plant	3	15	18
Effluent Treatment Plant	3	31	34
Stores	6	8	14
Security/Canteen	1	-	1
Erection & Commissioning		75	75
	75	415	490

@ R&D equipment would be housed in te research & development and corporate quality control centre being set-up
Our Company has appointed M/s Batra & Associates – Renowned Architect and Industrial Designer in the region for the preparation and finalization of the architectural plans and drawings. Our Company has appointed M/s Sujata Builder as the contractor for the development of the above blocks. Sujata Builders have been retained as contractors to this project by our Company on the basis of its past good experience with the firm.

The new unit will have a full-fledged infrastructure to support its production. The key feature of this infrastructure includes 20,000 kva contacted load; 1,360 kva (four set diesel generator); PSA Nitrogen plant; 300 TR vapor absorption heat pumps; 16 independent air handling system integrated with dry air unit; Steam boilers and Hot Oil Systems. The solvent recovery plant would assist in recovering solvents like Toulene; Methylene Chloride; Ethyl Acetate; Acetone and Cyclohexane. The operationalisation of the solvent recovery plant would result in significant cost savings for our Company. The plant & machinery being installed in the Effluent treatment plant would include Multi Effect Evaporator; Spray Drier and Three Stage ETP. The following utilities requirement is projected for the expansion project for which adequate infrastructure is being installed Chilled Brine (-20^{o}C) – 150 TR; Chilled Brine (-65^{o}C) – 45 TR; Chilled Water – 60 TR; Cooling Tower - 540 M^3 / hr; Nitrogen Gas - 50 Nm^3 / hr; and Compressed Air - 500 CFM.

The estimated operational plan for this expansion / modernization plant is as follows:

Particulars	Start date
Main Division	
Cephalosporins Plant #	
- 1 section (Cefuroxime Axetil)	April 2004
- 2 sections (Cefachlor, Cefpodoxime Proxetil, Cefixime)	June 2005*
Non-Antibiotic Plant	June 2006*
Utilities	
Research & Development	April 2005*
Quality Control	June 2005*
Administration	June 2005*
Utilities	June 2005*
Solvent Recovery Plant	June 2005*
Effluent Treatment Plant	June 2005*
Stores	June 2005*
Security/Canteen	June 2005*

* tentative schedule
# proposed products, new products could be added

Marketing and Distribution arrangements

The efficiency of the marketing and distribution network is a critical success factor for pharmaceutical company. The marketing function involves creating awareness about the Company's product by highlighting the thought leadership and timely delivery of quality products. Our Company follows a three step strategy for expansion of its client base which includes (i) introduction of new drugs on regular basis, with special emphasis on Research and Development; (ii) continuous improvements and value additions to existing drugs with special emphasis on cost reduction and product innovation and (iii) adherence to industry best practices.

Our Company is an existing manufacturer of Penicillin G based Antibiotics, viz Ampicillin Trihydrate, and their Sterile and Cephalosporins range. The expansion project underway will expand our presence in the Cephalosporins segment. We have a healthy mix of domestic and export sales which we shall continue in future. We are suppliers to most of the leading pharmaceutical companies in India and have a fair exposure in the exports segment with presence in more than forty (40) countries. As the new facility being set up would be as per the USFDA regulations our Company would be in a position to tap the US and European markets. All our existing domestic customers for Cephalosporins are being targeted for off take of the new drugs to be manufactured. In the export segment, we have presence in the relatively unregulated markets of South East Asia, Africa, as well as, Europe.

We identify the product segment to be targeted based on the size of the market along with domestic and export market dynamics, our comfort levels with chemistry and processes, acceptability of the product, demand, access to relevant customers, ability to develop new processes, our competitive advantage in terms of pricing & quality along with profile of prospective clients.

We have organized our marketing and distribution teams based on the target markets and product segments. We have made investments in setting up and developing our marketing and distribution network in line with the long term strategy to enter in value added products higher in the value chain. We deploy both direct selling and agents network to sell our products to the pharmaceutical companies. Our Company has an in house team of marketing professionals which is led by our Vice President (Marketing), Mr. Subhash Sharma. We have appointed sales agents on commission basis in important geographic locations like Ahmedabad, Indore, Calcutta, Chennai, Mumbai, etc. The marketing and distribution setup of these agents helps to tap customers established in these cities.

Our marketing and selling network could be bifurcated into the following segments:

- Domestic Sales
    - New Customers - We stay in regular contact with our prospective buyers by sending samples of new / existing drugs manufactured. We also invite interested prospective buyers to visit our manufacturing facilities and provide them comfort on the manufacturing practices being followed;
    - Existing Customers – We are currently catering to around three hundred (300) customers for our existing range of products. To retain its client base, our marketing team regularly interacts with these customers and focuses on gaining an insight of the additional needs of such customers. Samples of new products developed are sent across to these customers for their approval. We lay great importance on timely delivery, quality, and meeting of client specifications.
    - Contract Manufacturing – We have laid great stress on contract manufacturing. Most of the leading pharmaceutical companies in India are our customers.
- Export Sales: Our international marketing team is headed by Mr.Vivek Kaushik.
    - We have been able to establish our presence in the international market and are currently exporting our products to China, Korea, Hong Kong, South East Asia (Singapore, Thailand); Europe (Netherlands, Italy, Spain), as well as certain parts of South America and Africa.
    - Our focus market which would provide the growth impetus includes customers in Asia Pacific, Middle East, East Europe including CIS, Central / Latin America.
    - In addition to creating awareness about our products in the international markets, other initiatives taken by our Company to increase the export orientation includes (i) a customer contact program directly and through agents across fifty (55) countries for SSP and Cephalosporins; (ii) Participation in Exhibitions; (iii) Getting products registered in regulated markets for better realizations, viz. certificate of suitability for the products is being sought in Europe.
- Cardio Vascular and other non-antibiotics: For our proposed products in the Cardio Vascular and other non-antibiotics, we would be tapping major pharmaceutical companies in India. These drugs also carry vast potential in the overseas markets in view of the increasing dependence on life style drugs. Besides having a significant consumption in the regulated markets of North America and Europe, they are increasingly gaining popularity in Central/ Latin America, East Europe, Middle East, and Asia Pacific.

Research and Development

Research and Development plays a critical role in the success of pharmaceutical companies. We are a research-driven company and Research and Development activities have been a key driver to the Company's business model and strategy.

All the technologies for products being produced currently have not only been developed in-house, but have also applied to better previous benchmarks of quality, yield and safety. We believe that research & development will be an on-going growth facilitator for us. Apart from developing new technologies, the research & development efforts are aimed at continuously upgrading existing manufacturing techniques to improve process yields and make world-class quality products. Our research & development activities include:

- Pilot studies for new molecules
- Process optimization & improvement studies
- Research for in-house applications (production of APIs / intermediates & fine chemicals)

To meet Research & Development challenges of this industry, we have Laboratories in our existing manufacturing facility which is well equipped with the latest equipment and manned by a set of qualified professionals. The technology for all the new drugs to be produced by our company in the new plant is self-developed.

It is not possible to directly attribute the benefits that may accrue from the Research and Development activities; we believe that the improvement in efficiency, reduction in cost of production and development of new products/molecules will happen over a period of time. Our Research & Development Department is regularly engaged in research on Synthetic and Semi-synthetic Drugs. The main thrust of our company is on Cephalosporins in keeping pace with the international trend. We are focusing on development of newer variants of Cephalosporins and Non-Antibiotics. We are also undertaking extensive research in the field of non-antibiotics like Cardiovascular, Anti-Histamines and others.

Our research & development effort revolves around developing patent non-infringing processes, achieving process improvements, achieving production cost efficiencies, optimising raw material sourcing, produce new products, innovate other manufacturing techniques and continually expand our general scientific and engineering capabilities to contribute to our success. Our research & development capabilities and ability to develop efficient and cost effective processes at short notice has enabled us to compete effectively.

The process development work is conducted in a systematic manner beginning from literature search followed by laboratory scale synthesis, process optimisation, scale up in pilot plant and validation in validation block as enumerated below:

- Literature search is from in-house and external libraries as well as online databases on websites followed by process design and selection of optimal process;
- Chemists, who initiate the laboratory work, follow the project through every phase of development to the pilot scale when necessary;
- Process development work in the pilot plant once completed is passed on to the prospective production team through an exchange during validation run.
- Design of equipment, plant and machinery required for the product is carried out by the in-house engineering department and suitability certified.

Our Research & Development focus would further enhance with the setting up of the corporate research & development centre. The new Research & Development centre planned would have six distinct groups with identified functions being (i) Active Pharma Ingredients (Apis); (ii) Product Development; (iii) Analytical Development; (iv)Regulatory affairs; (v) Packaging development; and (vi) Library and documentation. The APIs group would have teams focusing on new chemical entity, technology developments and pilot plant having Kilo lab and pilot plant. In the product development group pharmaceutical scientists would be developing various dosage systems viz. Tablets, capsules, Dry-syrup, Dry-injectables etc. In order to meet stringent international quality standards the analytical group would develop and standardize new analytical methods to monitor and to check operations, impurity profiles, quality of intermediates and finished goods. This would help in standardizing the technology to international standards. We propose to enter into regulated markets for which the regulatory affairs group would assist in the preparation of DMF and maintaining the standards desired by various regulatory agencies. The packaging group would focus on evolving economical and attractive packaging for the finished goods. The library and documentation group act as a knowledge centre having access to sophisticated library packed with scientific journal, periodicals and books etc.

Our existing research & development laboratory is equipped with glass equipment's -mechanized and non-mechanised; balancing equipment's like mechanical stirrer, water baths of different size and thermostatically controlled, magnetic stirrer, hot plate, heating mantles of different capacity, vacuum pump, vacuum oven, incubator, rotary evaporator, complete TLC kit including UV cabinet, micro and analytical balances, pH meter, etc. The laboratory is also equipped with the analytical instruments like HPLC, Gas Chromatographs, FTIR, UV Spectrophotometers, Karl Fischer Instruments, Memotilrator, IR Moisture balance.

Quality systems & certifications

Our manufacturing systems are designed and developed in strict accordance with total Quality Management Program and the manufacturing operation are defined by written standard operating procedures. Besides, strict internal controls, the company has not got any certification from ISO or US FDA. However, the plant proposed are designed as per USFDA and the products manufactured / would be manufactured are/would meet the requirement of Indian Pharma Copia (IP), British Pharma Copia (BP) and US Pharma Copia (USP**).**

Competitors

Among the major domestic pharmaceutical companies, Auribondo Pharma Limited, Orchid Chemicals & Pharmaceuticals Limited and Lupin Limited are engaged in the manufacture of the new bulk drugs proposed to be ventured into by our Company:

- Aurobindo Pharma Limited: The Company is a major manufacturer of Semi-synthetic penicillin (SSP) and cephalosporin bulk drugs. Bulk drugs account for around 75% of the company's total sales. The share of the Company in SSP has declined over the years, but APL has still been able to achieve good growth mainly due to the increasing usage and demand of new generation cephalosporins.
- Orchid Chemicals & Pharmaceuticals Limited: The Company commenced operations with cephalexin (a first generation cephalosporin). Later on, it diversified into a range of cephalosporins spanning first, second and third generation molecules. Bulk drugs account for around 95% of the company total sales.
- Lupin Limited: Lupin is a major player in the Indian market with a strong presence in the anti-TB segment and cephalosporins segment. The manufacturing facilities of the Company for cefotaxime, Cephalexin, 7-ACCA, 7-ACCD, and cefachlor are approved by the USFDA. Bulk drugs account for more than half of the company's sales, with cephalosporins accounting for almost a quarter of its total sales.

Source: Company management

Manpower

We are a focused pharmaceutical company and derive a professional lineage from our Promoters and management who are experienced to anticipate industry trends and capitalise on new business opportunities that may emerge. We are in a knowledge-driven industry and we believe that our employees are key contributors to our business success. To achieve this, we focus on attracting and retaining the best people possible. We believe that a combination of our strong brand name, our working environment and competitive compensation programs allow us to attract and retain these talented people.

Our senior management team consists of experienced individuals with diverse skills in manufacturing, research and development, custom research, international business and finance. Our research team works towards a focused objective of manufacturing drugs as per customer requirements keeping the mind importance of quality while working towards completing the process at the least cost and time. Our research team has vast experience in manufacturing quality product, development of newer molecules/drugs and identifying efficient processes making their best efforts to uniquely position our Company that we believe is a critical driver for our business. A majority of our senior management team has been with us since inception which lends stability and continuity to our operations.

Our team is well structured with pre-defined responsibilities. We currently employ more than three hundred (300) skilled and semi-skilled workers in our existing plant. We have a trade union which is registered with the government of Punjab but no union agreement has been executed till date. We are in the process of recruiting employees for the expansion project. While certain senior persons from the existing unit will also oversee the operations of the expansion project during the initial days, we are looking for both skilled and unskilled manpower across various functional areas and ensure their technical / professional competence. While the production facility would require additional manpower, the human resource requirement for the marketing and corporate department will not increase on linear basis and we shall start enjoying the benefits of cross selling and economies of scale. We shall recruit personnel for the new sterile Chephalosproin facility, formulation plant at Baddi and Corporate Research & Development and Quality Control centre closer to the starting of commercial production of these units.

The manpower requirement for the expansion project is anticipated to be around 300 personnel who we are looking at recruiting from Chandigarh and adjoining areas. Our plant being located at Derabassi, which is an established industrial town, we do not foresee any difficulty in the availability of and recruitment of the requisite quality manpower.

Summary of department wise employees as on December 31, 2004 is as follows:

Particulars	No of employees
President	1
Bulk-Drug	90
Solvent Recovery Plant	13
Packing	17
Commercial	18
Utility	31
Environment Treatment	6
Sterile	42
Quality Control	26
Research & Development	10
Personnel & Administrative	23
Purchase	3
Marketing	20
Accounts/Finance	12
Lyophi. & Formulations	15
	326

Source: Company

Summary of grade wise employees as on December 31, 2004 is as follows:

Particulars	No of employees
Assistants	29
Chemist	73
Drivers	5
Engineer	5
General Manager	9
Manager	30
Officer	19
Security Guard	7
Supervisor	1
Workers	148
	326

Source: Company

We place special emphasis on the training of our employees to enable them to develop their skills and to meet changing requirements. We focus on an initial learning programme for our trainees as well as continuous learning programmes for all our employees. For the purpose of training our employees, we organize in-house and external training programmes. We believe that well-trained employees are key enablers for the efficient growth of our operations and our ability to manage large, complex drugs. We are specifically focused on developing research & development and quality control competencies among our employees. Some of our initiatives that have helped us develop good managers include management development programmes whereby our experienced employees provides training on importance of quality control measures, tools employed to achieve quality products and discussions on new molecules being discovered. The training programmes are aimed at ensuring optimum utilization of employees skills.

We seek to adopt a very open culture and a participative management style, to enable us to benefit most from the knowledge and skills of our management and research/technical professionals. We have also linked remuneration to performance, with certain portion of salary of management and research/technical professionals being earned as variable pay. We strive to foster a feeling of well-being in our employees through care and respect. We have several structured processes including employee mentoring, grievance management and corporate ethics programmes which are intended to facilitate a friendly and cohesive organisational culture. We have established a mentoring program that enables us to facilitate and associate ourselves closely with our employees' interests and aspirations.

Secured Loans

Summary of Secured Loans as December 31, 2004 is as follows:

Particulars	Amount	Interest Rates
Our Company		
Term Loans		
Punjab National Bank	171	10%
Vijaya Bank I (Foreign currency)	39	LIBOR + 4%
Vijaya Bank II (Foreign currency)	22	LIBOR + 4%
SBI (Foreign currency)	21	LIBOR + 3%
SBI (Rupee loan)	76	10.75%
Short term loans*	125	7%-8%
Vehicle Loan	2	
Working Capital Loans		
Punjab National Bank	215	
SBI	156	
	828	
CPL		
Term Loans		
SBI (Colombo branch)	33	LIBOR + 2.53%
Working Capital Loans		
SBI (Colombo branch)	1	
SBI (Colombo branch)	226	
Total Working Capital Loans	260	
Total Secured Loans	1,087	

* repaid

Properties

Our manufacturing operations in Punjab are carried out on properties owned by us. We also occupy a property in New Delhi, where marketing operations are carried on by us. We do not own the land, nor do we occupy this land pursuant to rental or lease agreement. We own land in Baddi, Himachal Pradesh where we propose to set up formulation facilities. The property of our corporate office has been leased from M/s Surya Narrowfabrics, a proprietorship concern of our Promoter Mr. Sanjiv Goyal. We also have an office in Mumbai, premises of which is occupied by us, under an informal arrangement, for which we pay no rentals. We have some of the equipments have been imported under the Export Promotion Capital Goods (EPCG) Scheme. As on August 31, 2004 we have export obligations of Rs 30 million in respect of eight (8) licenses outstanding

Insurance

Our immoveable and moveable property and plants are insured against burglary, fire and earthquakes. We have also taken a marine cargo insurance policy. We have taken directors liability insurance policy. These insurance policies have been renewed until May 2005. We have taken a public liability insurance policy which is valid until January 2006.

Legal and Regulatory Proceedings

We are not a party to any proceedings and no proceedings are known by us to be contemplated by governmental authorities or third parties, which, if adversely determined, would have a material adverse effect on our financial condition or results of operations.

Restrictive Covenants under our Loan Agreements

We have entered into agreements with Punjab National Bank, State Bank of India and Vijaya Bank ("Banks") for short term loans and long term borrowings. These agreements contain certain restrictive covenants, some of which require the prior permission of the Banks, inter alia pertain to the declaration of dividends, alteration of the capital structure, undertaking of any new project or making investments or taking assets on lease, creation of any encumbrance on the assets given as security, change in the key personnel and any change in the constitutional documents of Our Company.

Further, the Working Capital Loan Agreement we have entered into with PNB restricts us from opening a current account in any bank other than State Bank of India without its prior approval. All sale proceeds necessarily have to be routed through the accounts with PNB or State Bank of India.

REGULATIONS AND POLICIES

Indian Regulation

Drugs and Cosmetics Act, 1940

In order to sell drugs in India, we are required to comply with the Drugs and Cosmetics Act, 1940 which regulates the import, manufacture, distribution and sale of drugs in India. The legislation provides the procedures for testing and licensing new drugs. These procedures involve obtaining a series of approvals for the different stages at which the drugs are tested, before the Drug Controller General of India grants the final license to allow the drug to be manufactured and marketed. At the first instance, an application is made to the Drug Controller General of India, an authority established under the Drugs and Cosmetics Act. The Drug Controller General of India issues a no objection certificate after looking into the medical data, the chemical data and the toxicity of the drug. This allows the drug to move on to the next stage of testing at the Central Drug Laboratories. At the Central Drug Laboratories the drug is subjected to a series of tests for its chemical integrity and analytical purity and if it meets the standards required by the authority, the authority issues a certificate in that regard.

In the case of active pharmaceutical ingredients, the Drug Controller General of India issues a manufacturing and marketing license. These manufacturing and marketing licenses are submitted by the 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 and rules framed under the legislation abiding by the WHO and CGMP inspection norms. The approvals for licensing are also to be acquired from the Drug Control Administration.

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 which 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, 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 which are scheduled drugs and scheduled formulations.

The NPPA arrives at the recommended prices for the scheduled drugs and formulations after collection and analysis of data on costing which includes data on raw material composition, packing materials, process losses, overhead allocation and apportionment, capacity utilization, technical data on manufacturing work orders and packing work orders.

The government of India has the power under the DPCO to recover the charges charged in excess of the notified price from the company. There are also penal provisions for the violation of any rules and regulations under the Essential Commodities Act. Presently, there are 76 scheduled drugs and formulations under the DPCO.

Indian Patent Regulation

Historically, India granted patent protection only to process, not to products (i.e., only the process to manufacture a drug is protected and not the drug itself). This meant that if a drug company could find an alternative process to produce the same formulation as a competitor, they could sell it in India without fear of patent infringement suits.

In 1995, under the General Agreement on Tariffs and Trade, India became a signatory to the Trade Related Agreement on Intellectual Property Rights. This agreement requires India to recognize product patents as well as process patents, which is all that were granted under the Indian Patent Act, 1970. The new regime provides for:

- Recognition of product patents.
- Patent protection period of twenty (20) years as opposed to the current seven year protection for process.
- Patent protections to be allowed on imported products, which is not the case at present.
- Under certain circumstances the burden of proof in case of infringement of process patents may be transferred to the alleged infringer.

As a developing country, India has been granted a ten-year grace period to comply with product patent laws under the WTO agreement. This means the actual product patent regime will come into force only from 2005. However, during the transition period, India will have to provide a pipeline protection to drugs patents after 1995. It must also provide these products an exclusive marketing right for a period of five years during the transition period. The validity period of patent for these products is calculated from the date of applying for the patent, so once the provisions of product patents are implemented, the patent will be granted for the balance of the 20-year patent term from the date of filing of the application for pipeline protection. However, in terms Patents (Amendment) Bill, 2005 introduced in Parliament on March 17, 2005, every application for the grant of exclusive marketing rights filed before the January 1, 2005, in respect of a claim for a patent shall be deemed to be treated as a request for examination for grant of patent Drugs patented prior to 1995 are not covered by the new patent laws.

Indian Environmental Regulation

The three major statutes in India which 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, or 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 bio-medical 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 which such projects would have on the environment is assessed by the Ministry before granting clearances for the proposed projects.

United States Regulations

In the United States, the USFDA, established under the Department of Health and Human Services, regulates medicines through its Center for Drug Evaluation and Research. For biological products, the Center for Biologics Evaluation and Research, also under the USFDA, is responsible for ensuring the safety and efficacy of such products.

The USFDA has issued guidelines relating to good clinical practice and clinical trials that are to be followed even by manufacturers of APIs outside the US. The USFDA mandates drugs to be manufactured in conformity with the CGMP. The facilities, within or outside US, in which the APIs or drugs are manufactured require USFDA approval. USFDA approval is also required for the manufacture and marketing of new drug compounds, new formulations for existing drug compounds and generic drugs.

To obtain USFDA approval for a new drug to be used in a clinical investigation, an Investigational New Drug Application, or INDA, has to be filed along with data and information relating to pre-clinical laboratory and animal toxicology tests, methods of manufacture of the product, quality control testing, etc. Thereafter, for the sale and marketing of a new pharmaceutical product or new formulations for existing drug compounds in the US, a New Drug Application, or NDA, has to be made.

As regards a generic drug manufacturer, the relevant application for approval is the Abbreviated New Drug Application, or ANDA. This application has its basis in the Hatch-Waxman Act, 1984, which permits generic versions of previously, approved innovator drugs to be approved by submission of bioequivalency data without the need for complete reports of pre-clinical and clinical studies.

An ANDA is required to include certifications of invalidity or non-infringement of any patents relating to certain listed drugs, by the generic drug applied for (paragraph IV certification). The Hatch-Waxman Act provides an incentive of 180 days of market exclusivity to the first generic applicant who challenges a patented drug by filing a paragraph IV certification.

For a bulk supplier of APIs to a US Company, the Drug Master Files, or DMF, assumes importance. The DMF contains confidential, detailed information about facilities, processes, or articles used in the manufacturing, processing, packaging, and storing of the APIs. This DMF supports the INDA, NDA or ANDA, as the case may be, and is submitted by the supplier of the API. Upon submission of an INDA, NDA or ANDA by the US Company for the finished product, the USFDA examines the DMF in the course of reviewing the INDA, NDA or ANDA. Increasingly, the USFDA is adopting the format contained in the Common Technical Document for submission of technical data to regulatory authorities.

OUR HISTORY AND CERTAIN CORPORATE MATTERS

Our History

Nectar Lifesciences Limited was incorporated as Surya Medicare Limited. (SML) on June 27, 1995 as a public limited company pursuant to a financial collaboration agreement dated December 18, 1995 ("Financial Collaboration Agreement") between the Promoters and Punjab State Industrial Development Corporation ("PSIDC"). PSIDC had invested in 33,30,000 Equity Shares of the Company at Rs. 10 per share aggregating Rs. 33 million. In terms of the Financial Collaboration Agreement, the Promoters were required to buy back the shares from PSIDC. The entire shareholding of PSIDC was bought back by the Promoters at a price of Rs. 16.47 per share in April 2003 under the One Time Settlement ("OTS") policy announced by Government of Punjab – Industrial Policy, 2003. Subsequently, we changed our name to Nectar Lifesciences Limited on March 26, 2004.

Our manufacturing facility is located in the 'B' Category zone of Punjab and commenced business with the commercial production of Oral Bulk Drugs in April 1997. In March 1998, the project was fully completed and we also started the production of Sterile Bulk Drugs. During 1999, we added formulation facilities by setting up a vial filing section.

We undertook an expansion in FY 2000. The installed capacity of the plant increased to 810 MTs from 406 MTs. We also installed one Crystalline section of 65 MT per annum in 2001. This new Crystalline section commenced production in October 2001. In FY 02, we undertook another expansion programme increasing the production capacity for Cephalosporin Sterile.

Since FY 04 we have been implementing an expansion programme at a Derabassi (Unit II) to increase its manufacturing facilities in the fields of Cephalosporins, non-antibiotics and modernization of our existing facilities.

Our subsidiary Chempharma was incorporated under the laws of Sri Lanka on October 18, 2002. It is a wholly-owned subsidiary of our Company, set up to manufacture API intermediaries.

We had proposed to make a public issue of 6,400,000 Equity Shares of Rs 10 each for cash at par in 1996. We had filed the offer document with SEBI on June 21, 1996 and received the SEBI acknowledgement card no. 5/1266/96-NRO/2622 on July 15, 1996. This issue was however not launched. We had also planned a public issue of 3,870,000 equity shares of Rs 10 each for cash at a premium of Rs 50 per Equity Share in 2004. We had received the acknowledgement card no. CFD/DIL/UR/4279.2004 dated March 1, 2004; in-principle approval from The Stock Exchange, Mumbai has vide its letter dated November 18, 2003 (ref no. DCS/sg/ak/2003); and in-principle approval from the National Stock Exchange of India Limited has vide its letter dated December 2, 2003 (Ref: NSE/LIST/57045). The public issue was again not launched due to changes in the market condition and funds being organised from alternate sources.

Investment by the Private Equity Investors

We were set up as a financial collaboration unit with PSIDC in 1995. In April 2003, our Promoters acquired the entire shareholding of PSIDC in our Company. In 2001, Swiss Technology Venture Capital Fund (Private) Limited ("Swisstech") invested Rs. 64 million to subscribe to 1,066,667 Equity Shares pursuant to the equity share subscription and shareholders agreement dated February 20, 2001 ("Shareholders Agreement").

On March 15, 2005, our Promoters acquired all the shares held by Swisstech.

Main Objects of the Company

Our main objects as contained in our Memorandum of Association are:

- To manufacture, buy, sell, import, export and deal in drugs, medicines pharmaceuticals, heavy and fine medical, chemicals, oilman stores, hospital medicine, related requisites, sera, vaccines, biological and proprietory medicines and deal in surgical instrument, contraceptives, surgical appliances, equipments, machinery medical gases glasswares electromedical equipments and medical and x-ray equipments, dental goods of all description and optical goods of all descriptions, and to manufacture industrial and technical drugs and related chemical, tinctures, extracts, aromatic chemicals, synthetic, perfumes, soaps, cosmetics, perfumed preparations of hair dyes, essential items of every day use in domestic hygiene.

- To carry on the business as manufacturing of antibiotics, chemotherapeutics, cortison derivatives, vitamins and other such specialities and also vialling, bottling and repacking of these, and processing of capsules, syrups, tablets, ointments, injections, drops and any other such formation related thereto.

- To carry on the business of chemists, druggists and dealers in pharmaceutical, medical, medical related chemical and industrial preparations and articles, compounds, herbs, dyeware and manufacturers of patent and other such medicines, indigenous drugs and makers of all kinds of medical related chemicals.

The present business of our Company is as per the main objects as contained in the Memorandum of Association.

Changes in Memorandum of Association

Date	Changes
December 11, 1995	Increase in authorized capital from Rs. 10 million to Rs. 140 million.
October 9, 2003	Increase in authorized capital from Rs. 140 million to Rs. 200 million.
March 24, 2004	Change of name of our Company from Surya Medicare Limited to Nectar Lifesciences Limited

Key Milestones

Date	Event
1997	We commenced commercial operations in Oral Bulk Drugs.
1998	We commenced manufacturing Lyophilised Sterile Bulk Drugs.
1999	We set up a formulations facility for Crystalline Sterile Bulk Drugs.
2000	We doubled our production of Crystalline Sterile Bulk Drugs.
2002	We set up our subsidiary, Chempharma (Private) Limited in Sri Lanka.
2002	We commenced manufacture of Cephalosporins.
2003	We commenced modernization / expansion plan for increasing our presence in the Cephalosporins segment
2004	A portion of the new Cephalosporins plant started commercial production

OUR MANAGEMENT

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

Board of Directors

S. No.	Name, Designation, Father's Name, Address, Occupation	Age	Date of Appointment and Term	Other Directorships
1.	**Mr. Sanjiv Goyal,** **Managing Director,** S/o Late Mr. B.R.Goyal Add: House No. 105, Sector 6, Panchkula. *Business*	45		1. Chempharma Pvt. Limited.
2.	**Mrs. Raman Goyal,** **Whole-time Director,** W/o Mr. Sanjiv Goyal, Add: House No. 105, Sector 6, Panchkula. *Business*	43		
3.	**Mr. Rajesh Garg,** **Professional Director,** S/o Mr. Amar Nath Garg, Markanda Vanaspati Mills Limited,. Shahabad Markanda (Haryana), District Ambala. *Business*	50		1. Markanda Vanaspati Mills Limited. 2. Mandi Alloys Pvt. Limited.
4.	**Dr. S.P.Singh,** **Professional Director,** S/o Mr. R.B. Singh Flat No. 1443, Block A, Pushpac Complex, Sector 49-B, Chandigarh. *Professor*	62		None
5.	**Mr. V.D. Aggarwal,** **Professional Director,** S/o Mr. RP. Aggarwal Z-12, Model Town, Delhi. *Chartered Accountant*	52		1. Abhipra Capital Limited. 2. Abhipra Commodity Consultants Pvt. Limited. 3. Abhipra Management Services Limited.
6.	**Mr. Vijay. J. Shah,** **Professional Director,** S/o Mr. Jashwant Lal Shah, 14, Rajghat Society, Paldi, Ahmedabad-380 007. *Business*	41		1. Stallion Laboratories Pvt. Limited. 2. Endurance Healthcare Limited.

Mr. Sanjiv Goyal, 45, Managing Director. For more details on Mr. Sanjiv Goyal please refer to "Our Promoters" on page 69 of this Draft Red Herring Prospectus.

Mrs. Raman Goyal, 43, Director. For more details on Mrs. Raman Goyal please refer to "Our Promoters" on page 69 of this Draft Red Herring Prospectus.

Mr. Rajesh Garg, 50, Director, is also the Managing Director of Markanda Vanaspati Mills Limited and Mandi Alloys Pvt. Limited. Mr. Garg has been a Director of our Company since inception.

Dr. S.P. Singh, 62, Director, has an M.A. (Economics) degree and a Ph.D. degree. He was the Chairman of the University Business School, Punjab University. He has 29 years of teaching experience and 32 years of experience in research and consultancy in the areas of management and economics. He has several publications to his name in the areas of management, economics and statistics.

Mr. V.D. Agarwal, 52, Director, is a fellow member of the Institute of Chartered Accountants. He was the President of Chamber of Chartered Accountants. He is currently the editor of tax journals CCA Patrika and Ayakar Samiksha. Mr. Agarwal has experience in project planning, financing monitoring and tax planning, merchant banking, market research and foreign trade and investment.

Mr. Vijay J. Shah, 41, Director, holds a B.Com. degree and a Diploma in Business Administration. He is presently the Managing Director of Stallion Laboratories Pvt. Limited and Endurance Health Care Limited.

Remuneration of Directors

Mr. Sanjiv Goyal

Income Head (per annnum)	**Rs. (per annum)**
Salary	1,440,000
Commission	1,440,000
Perquisites such as medical reimbursement etc.	Upto 200,000
	Upto 3,080,000

Mrs. Raman Goyal

Income Head (per annnum)	**Rs. (per annum)**
Salary	7,80,000
Perquisites such as medical reimbursement etc.	Upto 2,00,000
	Upto 9,80,000

Our Articles permit us to pay our Directors sitting fees of Rs. 1000 for each Board and Committee meeting attended by them. We do not pay any remuneration to our other Directors.

Payment or benefit to officers of Our Company

Except as stated in this Draft Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees.

Corporate Governance

We have established a tradition of best practices in corporate governance. We have complied with the requirements of the applicable regulations, including the listing agreement with Stock Exchanges and the SEBI Guidelines, in respect of corporate governance, including constitution of the Board and Committees thereof. Our corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management and constitution of Board Committees, majority of them comprising of independent directors and chaired by an independent director to oversee critical areas.

We have a broad based Board of Directors constituted in compliance with the Companies Act and listing agreement with Stock Exchanges and in accordance with best practices in corporate governance. The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. Our management provides the Board of Directors detailed reports on its performance on a quarterly basis.

The Board of Directors has 6 Directors of whom 2 are wholetime Directors. The Chairman of the Board of Directors is our Managing Director.

Committees of the Board

Audit Committee

The terms of the Audit Committee comply with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The committee consists of only non-executive Directors, with the majority being independent Directors. The committee currently comprises of three members namely Mr. V.D. Aggarwal, Mr. Rajesh Garg and Dr, S.P. Singh. Mr. V. D. Aggarwal, is a Chartered Accountant and is the Chairman of our Audit Committee.

The principal functions of the committee are to:

- review our Company's financial statements, before submission to, and approval by, the Board;
- review our Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other matters;
- review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- monitor the integrity of our Company's internal financial controls;
- assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks;
- review the internal audit program and ensure that the internal audit function is adequately resourced and has appropriate standing within our Company;
- receive a report on the results of the internal auditor's work on a periodic basis;
- review and monitor management's responsiveness to the internal auditor's findings and recommendations; and
- monitor and assess the role and effectiveness of the internal audit function in the overall context of our Company's risk management system.

Compensation Committee

The Compensation Committee consists of non-executive Directors, with the Chairman being an independent Director. The Committee currently comprises of three members namely Dr. S.P. Singh, Mr. Rajesh Garg and Mr. Vijay J. Shah. Dr. S.P. Singh, is the Chairman of our Compensation Committee The Committee determines the grant of stock option and also reviews the overall compensation structure including managerial remuneration and related policies aimed at attracting, motivating and retaining personnel. The Committee has the authority to determine the compensation packages of executive Directors and senior management and determine the parameters and supervise the operation of the bonus schemes of our Company. The Committee will review recommendations made to it by our Company and others and is authorized to investigate any activity within its terms of reference, seek any information from any employee of our Company and obtain independent professional advice.

Investor Grievances and Share Transfer Committee

The Investor Grievances and Share Transfer Committee comprises of Dr. S.P. Singh, Mr. Sanjiv Goyal and Mrs. Raman Goyal. Dr. S.P. Singh is the Chairman of this committee. The Investor Grievances and Share Transfer Committee looks into redressal of shareholder and investor complaints, issue of duplicate/ consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/ transmission of shares and debentures and reference to statutory and regulatory authorities. The scope and functions of the Investor Grievances and Share Transfer Committee are as per Clause 49 of the Listing Agreement.

Shareholding of the Directors

Our Articles do not require our Directors to hold any qualification shares in our Company. The list of Directors holding Equity Shares and the number of Equity Shares held by each of them as of March 31, 2005 is set forth below:

Sr. No.	Shareholders	No. of Equity Shares held
1.	Sanjiv Goyal	75,45,264
2.	Raman Goyal	21,58,400

Interests of Directors

All Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. Our Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our Company. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Draft Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, members, partners or trustees. Mr. Sanjiv Goyal, our Managing Director and Mrs. Raman Goyal, Wholetime Director are entitled to receive remuneration from us. See the section titled "Statutory and Other Information–Remuneration of Directors" on page 128 of this Draft Red Herring Prospectus.

We have taken on rent our corporate office premises situated at Plot No. 110, Industrial Area, Phase 1, Chandigarh, from M/s Surya Narrowfabrics, a sole proprietorship concern, where Mr. Sanjiv Goyal is the sole proprietor. The terms of the rent provide that it shall begin from March 4, 2004 for a period of 36 months subject to renewal thereafter as per mutual consent of both parties. The monthly rent for such arrangement is Rs.1 million.

Borrowing Powers of our Board

Vide Board resolution dated June 30, 1999, our Board is authorized to take borrowings upto an aggregate amount not exceeding Rs. 1000 million.

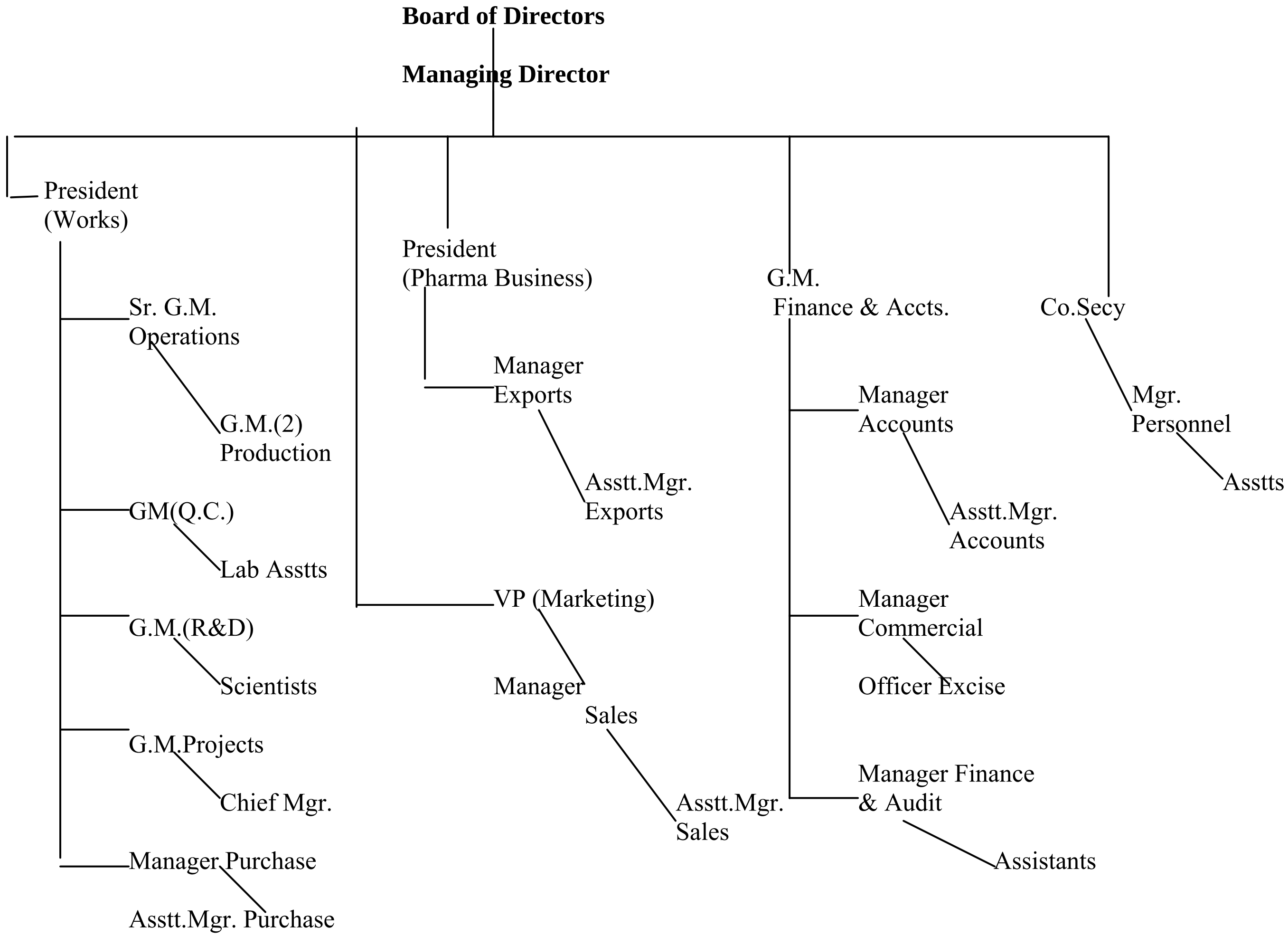
Changes in our Board of Directors in the last 3 years

The following are the changes to our Board of Directors in the last 3 years and no changes thereafter have taken place:

Name	Date of Appointment	Date of Cessation	Reason
Mr. Rakesh Singh	August 14, 2001	March 7, 2002	Nomination by PSIDC withdrawn
Mr. Suresh Kumar	March 7, 2002	May 3, 2002	Nomination by PSIDC withdrawn
Mr. Viswajeet Khanna	May 3, 2002	May 9, 2003	Nomination by PSIDC withdrawn
Mr. Ajay Kumar Mahajan	January 5, 1996	May 9, 2003	Nomination by PSIDC withdrawn
Mr. Yogesh Goel	November 30, 1999	May 9, 2003	Nomination by PSIDC withdrawn
Mr. Yuvraj Sambhay	May 15, 1997	July 30, 2003	Retired by rotation

Name	Date of Appointment	Date of Cessation	Reason
Mr. Rajeev Kumar	December 7, 2001	September 29, 2003	Nomination by IDBI withdrawn
Mrs. Raman Goyal	July 1, 2004	To present	Appointment as whole time director

Management Organisation Chart



Key Managerial Personnel of our Company

Sr. No.	Name	Designation	Qualification	Exp. (Yrs.)	Functional Responsibility
1.	Anil Sharma	President(Works)	M.Sc.	31	Operations – Plant
2.	Vivek Kaushik	President (Pharma Business)	B.E., MBA(IIFT)	17	Exports
3.	Nikhil Shah	G.M. Production	M.Sc. Organics Chemistry, Diploma in Business Management	21	Operations – Plant
4.	Alok Srivastava	GM (Process Development)	M.Sc., M.Phil (Org. Chemistry)	20	Process Development
5.	Arun Kumar Kaura	GM (Q.Control)	M.Sc. (Organic Chemistry)	22	Quality Control Assurance
6.	Rakesh Jain	G.M. Maintenance & Engg	Eng. (Mechanical)	14	Maintenance
7.	Jupinder Singh	Chief Manager (Engineering & Projects)	B.E. (Mech.), Chartered Engineer, MBA and MCSE	18	Project Implementation and Operations (CPL)
8.	Sandeep Gupta	Sr. Research Scientist	Ph.D in Chemistry	9	Research
9.	Subhash Sharma	VP-Mktg.	B.Com	25	Domestic Mktg. – Oral & Sterile
10.	Lalit Kanwar	Manager-Exports	MSc., MBA	10	Exports
11.	Sandeep Goel	GM Finance	LLB, FICWA	16	Finance & Accounts
12.	Sanjeev Garg	MGR Finance & Audit	ACA	10	Auditing / Budgeting / Costing
13.	Sunder Lal	Company Secretary	FCS	25	Secretarial
14.	Kamal Batra	Asstt. Mgr. (Finance)	CA, ICWA	4	Budgeting / Costing

Anil Kumar Sharma
President (Works)
Mr. Anil Kumar, 55, is in charge of the overall operations of the plant. He has done his B.SC (Chemistry Hons.) from Delhi University and M.Sc. in Organic Chemistry from BITS, Pilani. He is also an approved Chemist from the MPFDA. He joined us in March, 2001 and has 31 years of experience in the pharmaceutical industry of which 17 years were spent in Ranbaxy Laboratories Limited. as manager-process development.

Vivek Kaushik
President (Pharma Business)
Vivek Kaushik, 41, is in charge of exports. He has done his B.E. and has an MBA from IIFT. He joined Neclife in November 2004 and has 17 years of experience in the pharmaceutical industry. He has worked with reputed companies like Alembic Limited and Ranbaxy Laboratories Limited.

Nikhil Shah
General Manager (Production)
Nikhil Shah, 46 has done his M.Sc. in organic chemistry and diploma in business management. He has over 21 years of experience in the pharmaceutical industry and has worked with companies like Orchid Chemicals and Concord Pharmaceuticals and joined us in June 2004.

Alok Srivastava
General Manager (Process Development)
Alok Srivastava, 46, is a post graduate in science and has also done his M.Phil (Synthetic Organic Chemistry) from Delhi University. He has approximately 20 years of experience in the field of research and

was a Senior Research Scientist at Ranbaxy Research Centre, New Delhi. Before joining Neclife in January 2001, he worked for The Shripati Singhania R & D Centre, Faridabad as Chief Manager – Process Development from 1992 to 2000.

Arun Kumar Kaura
General Manager (Quality Control)
Arun Kumar Kaura, 48, has done his B.Sc. (Chemistry Hons.) and M.Sc. (Organic Chemistry) from St. Stephen's College, Delhi. He has worked for Ranbaxy Laboratories Limited in different positions in the Research Department. He joined Neclife in January 2001 to supervise quality control assurance functions. Before joining Neclife, he worked for J.K. Drugs & Pharmaceuticals Limited, R &D Centre, Faridabad as a senior manager in the Analytical & Instrumentation Department. He has 22 years of experience.

Rakesh Jain
General Manager (Maintenance and Engineering)
Rakesh Jain 49, a mechanical Engineer, joined Neclife in August 2003. He was earlier working for Ranbaxy Laboratories Limited and Surya Pharmaceutical Limited. He has over 14 years of experience. Before joining Neclife, he worked for Punjab Pesticides as General Manager- Operations.

Jupinder Singh
Chief Manager (Engineering & Projects)
Jupinder Singh, 40, is a Mechanical Engineer and also Chartered Engineer with a management degree. He has approximately 18 years of experience of which approximately 10 years were in the engineering and projects field. He joined Neclife in September 2002 and was working with Montari Industries Limited. as Manager (Engineering and Projects) before joining our Company.

Sandeep Gupta
Senior Research Scientist
Sandeep Gupta 35, a Ph.D in Chemistry, joined Neclife in 2002. He has over 9 years of experience. He had earlier worked for Lupin Laboratories Limited and Food Research Analysis Centre. Before joining Neclife, he worked with Dhanuka Laboratories Limited as a research scientist from December 2001 to October 2002.

Subhash Sharma
Vice President (Domestic Sales)
Subhash Sharma, 49, is a graduate in commerce from Delhi University and has earlier worked for Cepham Laboratories Limited as General Manager – Marketing. He has approximately 25 years of experience in the area of marketing. He joined Neclife in 1997.

Lalit Kanwar
Manager Exports
Lalit Kanwar, 42, has done his B.Sc. (Medical) and M.Sc. (Anthropology) from Punjab University and has done his MBA (Marketing) from Western International University, Greenwich, London (U.K.). He joined Neclife in June 1999 and has experience of over 10 years in the exports division. Before joining Neclife, he worked with Venus Remedies Limited. as Manager Exports from April 1997 to June 1999.

Sandeep Goel
General Manager (Finance)
Sandeep Goel, 40, is a fellow member of the Institute of Cost & Works Accountants of India, Calcutta besides being a law graduate. He is in charge of the Accounts, Finance and Excise Departments. He joined Neclife in 1996 and has over 16 years of experience in finance. Before joining Neclife, he has worked for companies like Dhillon Kool Drinks & Beverages Limited. and Capsugel India Limited.

Sanjeev Kumar Garg
Manager (Finance and Audit)
Sanjeev Kumar Garg, 33, is a Chartered Accountant and has approximately 10 years experience in handling accounts. He joined Neclife in June 2000 after working in various capacities in the accounting field. Before joining Neclife, he worked with Usha Yarns Limited. as Manager – Finance & Accounts from June 1999 to May 2000.

Sunder Lal

Company Secretary
Sunder Lal, 46, joined Neclife in May 1996. He looks after the secretarial department and liaisoning with various statutory licensing authorities. He has over 10 years of experience as a company secretary. Before joining Neclife, he worked with Polo Hotels Limited. and Surya Pharmaceutical Limited. as Company Secretary.

Kamal Batra
Assistant Manager (Finance)
Kamal Batra, 25, joined Neclife in November 2004 and has around 4 years of experience in accounts. Before joining Neclife, he worked with M/s Prem Ravinder & Company, Chandigarh for 3 years with the responsibility of doing audits of various firms and 1 year as a partner.

Shareholding of the Key Managerial Personnel

None of our Key Managerial Employees hold Equity Shares in our Company.

Changes in the Key Managerial Personnel since incorporation

Other than the following there has been no change in the key managerial personnel of our Company:

Name	Age (Yrs.)	Date of Joining	Qualification	Designation
Mr. Sudhir Nagar	45	October 2001	B.Sc. (Chemistry) MMS (Marketing)	V.P. Commercial
Mr. C.M. Sharma	49	June 24, 2002	B. Sc. (Chemistry)	Sr. General Manager Operations

OUR PROMOTERS

Mr. Sanjiv Goyal, 45, Managing Director, is the main promoter of Our Company. He is responsible for the incorporation of our Company. A commerce and law graduate, Mr. Sanjiv Goyal started his career by setting up a proprietary concern by the name of M/S Surya Narrow fabrics in Chandigarh in 1987. Mr. Sanjiv Goyal established Our Company in 1995 and has been the managing director ever since. The company became fully operational in April 1997. Mr. Sanjiv Goyal was conferred with the "Young Innovative Entrepreneur of the Year-2000" Award (an LMA Trident Award) by the Ludhiana Management Association (Affiliation to the All India Management Association).

Permanent Account Number	AANPG 8228P
Voter ID Number	MZH 208 5298
Passport Number	Z028870
Driving License Number	DLF/CH02/060107/2003
Bank Account Number	018624

Mrs. Raman Goyal, 43, is the co-promoter of Nectar Lifesciences Limited. She started her career in 1990 from the partnership concern of M/s Kala Elastic. From 1992 to 1997, she was a Director in Surya Pharmaceutical Limited. Mrs. Goyal has been a director in Neclife since 1999.

Permanent Account Number	AANPG 9677J
Voter ID Number	MZH 208 5306
Driving License Number	3180/P/94
Passport Number	E 2389317
Bank Account Number	018617

RELATED PARTY TRANSACTIONS

Summary of Related Party Transactions For The Last 4 Financial Years & 9months Ended On 31.12.04 is as follows

Rs. in Millions

Name of the Party	Nature of relationship	Nature of transaction	Year ended March 31				Period ended
			2001	2002	2003	2004	Dec 31, 2004
Mr. Sanjiv Goyal	Managing Director	Remuneration including perquisites	1	1	2	2	2
Mrs. Raman Goyal	Wholetime Director	Remuneration	-	-	-	-	0
Chempharma (Pvt.) Ltd.	Subsidiary Companies	Purchases	-	-	-	72	567
Surya Pharmaceutical Ltd.	Company in which key management person is able to exercise significant influence	Purchase of raw-materials	4	55	56	0	-
Surya Pharmaceutical Ltd.	Company in which key management person is able to exercise significant influence	Sale of bulk drugs	7	45	36	0	-
Surya Pharmaceutical Ltd.	Company in which key management person is able to exercise significant influence	Job work charge paid	0	9	1	-	-
Surya Narrow Fabrics	Firm in which key management person is able to exercise significant influence	Rent	0	1	1	1	1
Mr. V.D. Aggarwal	Person in which key management is able to exercise significant influence	Professional Fee	-	-	0	0	-

Mr. V.D. Aggarwal – Director on the Board is a Chartered Accountant, who takes care of the income tax matters of the company. The Company has paid professional fees of Rs.0.1million and Rs.0.11million during FY03 and FY04 to him.

CURRENCY OF PRESENTATION

In this Draft Red Herring Prospectus, all references to "Rupees" "Rs." are to the legal currency of India, all references to "U.S. Dollars", and "US$" are to the legal currency of the United States.

Any percentage amounts, as set forth in "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Draft Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP.

Currency of Presentation

For your convenience, this Draft Red Herring Prospectus contains translations of some Rupee amounts into U.S. Dollars, which should not be construed as a representation that those Rupee or U.S. Dollar amounts could have been, or could be, converted into U.S. Dollars or Rupees, as the case may be, at any particular rate, the rate stated below, or at all. Except as otherwise stated in this Draft Red Herring Prospectus, all translations from Rupees to U.S. Dollars contained in this Draft Red Herring Prospectus have been based on the noon buying rate in the City of New York on March 31, 2004 for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate on February 28, 2005 was Rs. 43.57 per US$1.00.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividend.

The Summary of dividends declared by our Company is as follows:

Period/Year Ended	**31.03.2000**	**31.03.2001**	**31.03.2002**	**31.03.2003**	**31.03.2004**	**31.12.2004**
Face value of Equity Share(Rs.per share)	10.0	10.0	10.0	10.0	10.0	10.0
Dividend (in Rs.million)	-	-	-	11.0	11.0	-
Dividend Tax (in Rs.million)	-	-	-	1.4	1.4	-
Dividend per equity share(Rs.)	-	-	-	1.0	1.0	-
Dividend Rate (%)	0%	0%	0%	10%	10%	0%

CONSOLIDATED FINANCIAL STATEMENTS

INDIAN GAAP CONSOLIDATED FINANCIAL STATEMENTS OF NECTAR LIFESCIENCES LIMITED FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2004 AND FIVE YEARS ENDED MARCH 31, 2004

To,

The Board of Directors,
Nectar Lifesciences Limited,
Village Saidpura
Derabassi, Patiala
Punjab

Re: Initial Public Issue of Nectar Lifesciences Limited

We have examined the consolidated financial information of Nectar Lifesciences Limited ("the Company"), as attached to this report stamped and initially by us for the identification and as approved by the 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 as amended from time to time ("the Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19,2000, in pursuance to Section 11 of the Securities and Exchange Board of India Act,1992 and related clarifications, and in accordance with your instructions dated January 10,2005 requesting us to carry out work in connection with the Offer Document to be issued by the Company in connection with its proposed Initial Public Offering of Equity Shares("the Issue").

1. Financial Information as per the Audited Financial Statements

1.1 We have examined the attached restated consolidated Balance Sheet of the Company as at December 31,2004, March 31,2004, March 31,2003, March 31,2002 March 31,2001 March 31,2000 (Annexure I(b)) and the attached restated consolidated statements of Profit & Loss Account for each of these years / periods ended on those dates(Annexure II(b)) , together referred to as 'summarized statements'. We have also examined and found correct the accounts of the Company for the period April 1, 2004 to December 31, 2004 prepared and approved by the Board of Directors of the Company. The summarized statement have been extracted from the financial statement for the year ended March 31,2004, March 31,2003, March 31,2002, March 31,2001, March 31,2000, audited by us and have been adopted by the Board of Directors and members and for the nine months period ended December 31,2004 and five years ended March 31,2004 audited by us and have been adopted by the Board of Directors.

1.2 We did not audit the financial statements of wholly owned subsidiary Chempharma (Private) Limited, These financial statements and other financial information have been audited by other auditor whose reports have been furnished to us and our opinion in respect thereof is based solely on the report of other auditor. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated financial statements issued by the Institute of Chartered Accountants of India.

1.3 Based on our examination of the above summary statements and on the basis of information and explanation given to us, we report as under:

a) The summarized consolidated financial statements of the Company have been restated with retrospective effect to reflect the material changes made in the accounting policies and estimates presently being followed adopted by the Company.

b) There are no qualifications in the Auditors' report which require adjustment to the summary statements.

2. Other financial Information

2.1 We have examined the following consolidated financial information proposed to be included in the Offer Document/ prospectus of your company, as approved by you and annexed to this report:

a. Statement of Significant Accounting Policies and notes to restated summarized financial statements is enclosed as Annexure III(b)

b. Statement of Significant Notes to Accounts is enclosed as Annexure IV(b)

c. Statement of Cash Flows of the Company for the five years ended March 31, 2004 and for the nine months period ended December 31,2004 is enclosed in Annexure V(b)

d. Statement of accounting ratios based on the adjusted profits relating to earning per share, net asset value and return on net worth is enclosed as Annexure VI(b)

e. Capitalization statement of the Company is enclosed as Annexure VII(b)

f. Statement of Secured Loans as on December 31, 2004 is enclosed as Annexure VIII(b)

g. Statement of Tax Shelters is enclosed as Annexure IX(b)

h. Statement of Loans and Advances and Statement of Sundry Debtors as on December 31, 2004 is enclosed as Annexure X(b)

In our opinion, the financial information of the Company, as Attached to this report as mentioned in paragraph 1 and 2 above, read with respective significant accounting policies after making adjustments as stated in notes to accounts have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the Issue of the Company and is not to be used, referred to or disturbed for any other purpose without our prior written consent.

For Bansal Mittal & Co.
Chartered Accountants

(Mukul Bansal)
Partner
Membership No.: 084281

Place: Chandigarh
Date: March 5, 2005

Annexure I(b)

STATEMENT OF RESTATED ASSETS AND LIABILITIES

Rs. in Million

Particulars		As at March 31,					As at
		2000	2001	2002	2003	2004	31.12.2004
A.	**Fixed Assets**						
	Gross block	325	369	480	598	800	973
	Less Depreciation	49	76	108	149	199	250
	Net Block	276	293	372	449	601	723
	Less: Revaluation Reserve	-	-	-	-	-	
	Net Block after adjustment for Revaluation Reserve	**276**	**293**	**372**	**449**	**601**	**723**
B.	**Investments**	**-**	**1**	**1**	**1**	**0**	**0**
C.	**Current Assets, Loans and Advances**						
	Inventories	174	284	315	395	473	683
	Sundry Debtors	182	156	268	278	397	479
	Cash and Bank Balances	37	42	63	69	99	134
	Loans and Advances	58	101	102	80	120	208
		451	**583**	**749**	**823**	**1,088**	**1,505**
D.	**Liabilities and Provisions:**						
	Secured Loans	325	335	399	378	534	1,087
	Unsecured Loans	6	6	6	0	-	-
	Current Liabilities and Provisions	182	182	287	392	526	380
	Deferred Tax Liability	-	-	-	79	108	122
		514	**524**	**692**	**849**	**1,168**	**1,588**
E.	**Net Worth**	**213**	**353**	**429**	**424**	**521**	**639**
F.	**Represented by**						
	Share Capital *	142	206	110	110	110	110
	Reserves	72	148	323	322	417	542
	Less Revaluation Reserve		-	-	-	-	-
	Reserves(Net of Revaluation Reserves)	72	148	323	322	417	542
	Total	**214**	**355**	**434**	**433**	**527**	**652**
G.	Misc. Expenditure to the extent not written off or adjusted	1	2	5	9	6	13
H.	**Net Worth (F-G)**	**213**	**353**	**429**	**424**	**521**	**639**

* includes share application money pending allotment

Annexure II(b)

STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

Rs. in Million

Particulars	Year Ended March 31					Period Ended
	2000	2001	2002	2003	2004	Dec 31, 2004
Sales:						
Of Products manufactured by the Company	1,118	1,246	1,261	1,667	2,134	1,600
Of Products traded in by the Company	-	-	-	-	-	-
Other Income	8	5	5	6	6	6
Increase(Decrease in Inventories)	36	24	(52)	5	12	45
	1,162	**1,276**	**1,214**	**1,678**	**2,152**	**1,650**
Expenditure						
Raw Materials Consumed	821	867	791	1,153	1,437	1,008
Staff Costs	10	15	20	28	36	39
Other Manufacturing Expenses	179	172	180	235	300	258
Administration Expenses	8	9	11	15	25	24
Selling & Distribution Expenses	27	38	29	42	62	35
	1,046	**1,101**	**1,032**	**1,472**	**1,859**	**1,363**
Earning Before Depreciation Interest & Tax	**116**	**174**	**182**	**206**	**290**	**287**
Depreciation	20	27	32	41	50	52
Interest	45	63	60	59	69	66
Net Profit before tax and Extraordinary items	**52**	**84**	**90**	**107**	**174**	**169**
Taxation						
Current tax	6	6	11	14	37	10
Deferred tax	-	-	-	14	29	14
Net Profit before Extraordinary Items	**46**	**77**	**80**	**78**	**108**	**145**
Extraordinary items	-	-	-	-	-	-
Net Profit after Extraordinary Items	**46**	**77**	**80**	**78**	**108**	**145**
Adjustments on account of Prior period Expenses	1	1	1	6	4	-
Adjusted Profit	**45**	**77**	**78**	**72**	**105**	**145**

Annexure III(b)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements

The financial statements have been prepared under the historical cost conventions in accordance with the Indian Generally Accepted Accounting Principles (GAAP), Accounting Standards as issued by The Institute of Chartered Accountants of India and the provisions of The Companies Act. 1956 and on the basis of going concern.

i) All the Income & Expenditure are recognized on accrual basis.

ii) Figures have been taken nearest to rupee.

iii) Previous year figures have been re-grouped and re-arranged wherever considered necessary

2. Principles of consolidation

The consolidated financial statements include the financial statements of Nectar Lifesciences Ltd. the parent company and its subsidiary company Chempharma (Private) Ltd.

The consolidated financial statements have been combined on a line-by-line basis by adding the book values of the items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profit in full.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

3. Fixed Assets

Fixed Assets have been stated at original cost, inclusive of inward freight, incidental expenses related to acquisition and related pre-operative expenses, less depreciation. State subsidy of Rs. 3million has not been reduced from cost of plant & machinery, while arriving at original cost.

Depreciation has been provided during the period on straight-line method at revised rates, as per Notification No. GSR no.756 E Dated: 16.12.93, as non continuous process on triple shift basis as per schedule XIV to the Companies Act, 1956 before reducing the state capital subsidy except as stated hereunder :

Fixed Assets of M/s Chempharma (Private) Limited are depreciated over the estimated useful lives using the straight line method.

4. Valuation of Inventories

Raw materials have been valued at cost or market price whichever is less, work in progress and other misc. stocks have been valued on estimated basis, finished goods have been valued at cost inclusive of the provision of excise duty thereon, in accordance with the guidance note on accounting treatment for excise duty issued by The Institute of Chartered Accountants of India & other professional pronouncements. However, the same has no effect on the profits for the period.

5. Foreign Exchange Transactions

Monetary liabilities/assets related to foreign currency transactions remaining unsettled at the end of the period are translated at contract rates and / or at accounting period ending rates. The resultant gain/loss, if any, is recognized in the Profit and Loss Account.

Indian Rupee is the reporting currency for the Nectar Lifesciences Ltd. However, the local currency of the overseas subsidiary is different from the reporting currency of the Nectar

Lifesciences Ltd. The translation of local currency in Indian Rupees is performed for assets and liabilities (excluding share capital and fixed assets) use the exchange rate at the balance sheet date, for revenues, costs and expenses using average rate during the reporting period. Fixed assets have been translated at the rate prevailing at the time of acquisition. The resultant currency translation exchange gain/ loss are adjusted in general reserve under reserves and surplus.

6. Revenue Recognition

i) Sales are stated net of returns, inclusive of excise duty & Job Work.

ii) Dividend income is recognized as and when the right to receive its payment is established.

iii) Export benefits are accounted for on accrual basis.

7. Employees Retirement Benefits

i) The Contribution to the Provident Fund, under the defined contribution plans is charged to revenue.

ii) The accruing liability towards gratuity has been calculated on estimated basis.

8. Miscellaneous Expenditure

i) Preliminary expenses are written off over a period of 10 years. The amount written off is provided at the year end.

ii) Deferred Revenue Expenditures are written off over a period of 5 years. The amount written off is provided at the year end.

9. Investments

i) Investments considered long term are stated at cost.

Annexure IV(b)

SIGNIFICANT NOTES TO ACCOUNTS

Contingent Liabilities

Rs. In Millions

S.No.	Particulars	31.12.2004	31.03.2004
i)	Letter of Credit (Foreign / Inland)	77	180
ii)	Bank Guarantees	2	1
iii)	Bills Discounted	37	33
v)	Electricity Matters	0	-

Annexure V(b)

RESTATED CASH FLOW STATEMENT

Rs. In Millions

Particulars	**Year Ended March 31**					**Period Ended Dec 31,2004**
	2000	**2001**	**2002**	**2003**	**2004**	
Cash Flows from Operating Activities						
Net Profit before Taxation	52	84	90	107	174	169
Adjustments for:						
Depreciation	20	27	32	41	50	52
Interest/ Dividend Income	6	5	3	5	4	6
Preliminary expenses Written off	0	1	1	4	8	-
Interest Paid	45	63	60	57	67	66
Exchange Gain	2	1	2	1	(7)	
Operating Profit before Working Capital Changes	**109**	**170**	**179**	**202**	**301**	**282**
Change in Trade and Other Receivables	67	(26)	112	11	119	82
Change in Inventories	79	110	32	80	77	211
Change in Other Current Assets	20	43	1	(22)	40	88
Change in Current Liabilities	53	(0)	100	89	111	(110)
Income-taxes paid	3	6	7	12	22	40
Prior Period Expenditure	-	-	-	-	-	-
Net Cash Flow from Operating Activities	**115**	**134**	**52**	**(9)**	**147**	**531**
Cash Flow from Investing Activities						
Purchase of Fixed Assets	108	44	111	118	202	174
Sale of Fixed Assets		0	0	-	0	-
Investments Purchased	-	1	-	0	(1)	-
Net Cash Flow used in Investing Activities	**108**	**45**	**111**	**118**	**201**	**174**
Cash Flows from Financing Activities						
Changes in Borrowings	140	10	64	(27)	156	553
Proceeds from Issuance of Capital	28	64	-	-	-	-
Increase in Reserves	-	-	-	-	4	(16)
Miscellaneous Exp incurred	1	1	4	8	4	7
Interest Received	6	5	3	5	4	6
Interest Paid	45	63	60	57	67	66
Exchange Gain	2	1	2	1	(7)	-
Dividend Paid					10	11
Net Cash Flow from Financing Activities	**130**	**14**	**4**	**(87)**	**76**	**459**
Net increase in cash and cash equivalents	15	5	21	6	29	36
Cash and Cash Equivalents (Opening Balance)	22	37	42	63	69	99
Cash and Cash Equivalents (Closing Balance)	37	42	63	69	99	134

Annexure VI (b)

STATEMENTS OF ACCOUNTING RATIOS

Particulars	**Year Ended March 31,**					**Period Ended Dec 31, 2004***
	2000	**2001**	**2002**	**2003**	**2004**	
Earnings per share (Rs.)	4.56	6.97	7.11	6.58	9.49	17.55
Net Asset value per share (Rs.)	21.39	32.01	38.96	38.46	47.32	58.02
Return on Net Worth (%)	21.34%	21.79%	18.26%	17.10%	20.05%	30.24%
Weighted average number of equity shares in the period (in Nos.)	9,950,000	11,016,667	11,016,667	11,016,667	11,016,667	11,016,667

* annualized

Formula:

1. Earnings per share(Rs.) = $\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period}}$

2. Net Asset Value per share (Rs.) = $\frac{\text{Net Worth excluding revaluation reserve at the end of the period/year}}{\text{Weighted average number of equity shares outstanding during the period}}$

3. Return on Net Worth (%) = $\frac{\text{Net profit attributable to equity shareholders}}{\text{Net Worth excluding revaluation reserve at the end of the period/year}}$

Annexure VII(b)

CAPITALISATION STATEMENT

Rs. In Millions

PARTICULARS	Pre-Issue as at 31.12.2004	Post Issue*
Borrowings :		
Short-term Debt**	597	
Long-term Debt	490	
Total Debt	**1087**	
Shareholders' funds:		
Share Capital	110	
Reserves	664	
Total Shareholders' Funds	**774**	
Total Capitalization	**1,861**	
Long-term Debt/Equity ratio	**63.32%**	

* Share Capital and reserves and total shareholders' Funds would be calculated on conclusion of the Book Building process

** Short-term Debts are debts maturing within the next one year from the date of above statement.

Annexure VIII(b)

STATEMENT OF SECURED LOANS AS ON DECEMBER 31, 2004

Rs. In Millions

Particulars	Amount	Remarks
Vijaya Bank	61	Term Loan
P N B	171	Term Loan
S B I	98	Term Loan
HDFC Bank	2	Auto Loan
UTI Bank	75	Short Term Loan
State Bank of Indore	50	Short Term Loan
PNB	215	Working Capital Loan
SBI	156	Working Capital Loan
SBI Colombo	33	Term Loan
SBI Colombo	226	Working Capital Loan
	1,087	

Annexure IX(b)

STATEMENT OF TAX SHELTER

Rs. In Millions

Particulars	Year Ended March 31,					Period Ended
	2000	2001	2002	2003	2004	Dec 31, 2004
Tax at Notional Rate	20	33	32	39	62	61
Adjustments:						
Export Profits	3	10	11	10	8	-
Difference between Tax Depreciation and Book Depreciation	19	28	23	12	14	(13)
Other Adjustments	17	8	27	37	57	130*
Net Adjustments	**39**	**46**	**61**	**59**	**79**	**117**
Tax Saving Thereon	15	18	22	22	28	42
Total Taxation	**6**	**15**	**11**	**18**	**34**	**10**
Taxation on extra-ordinary Items	-	-	-	-	0	6
Tax on Profits before extra-ordinary items	**6**	**15**	**11**	**18**	**34**	**5**

* includes exempted profit of Chempharma Private Limited

Annexure X(b)

STATEMENT OF LOANS AND ADVANCES AS ON DECEMBER 31, 2004

Rs.in millions

Particulars	Amount
Advances Recoverable in Cash or in Kind or for the value to be received	
- From Directors	-
- From Others	185
Security Deposits	5
Excise Duty Balances	18
	208

STATEMENT OF SUNDRY DEBTORS AS ON DECEMBER 31, 2004

Rs.in millions

Particulars	Amount
(Unsecured, considered doubtful)	
- Outstanding for a period less than six months	
- Outstanding for a period Exceeding six months	1
(Unsecured, considered good)	
- Outstanding for a period less than six months	449
- Outstanding for a period Exceeding six months	29
	479

UNCONSOLIDATED FINANCIAL STATEMENTS

INDIAN GAAP UNCONSOLIDATED FINANCIAL STATEMENTS OF NECTAR LIFESCIENCES LIMITED FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2004 AND FIVE YEARS ENDED MARCH 31, 2004

To,

The Board of Directors,
Nectar Lifesciences Limited,
Village Saidpura
Derabassi, Patiala
Punjab

Re: Initial Public Issue of Nectar Lifesciences Limited

We have examined the financial information of Nectar Lifesciences Limited ("the Company"), as attached to this report stamped and initially by us for the identification and as approved by the 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 as amended from time to time ("the Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19,2000, in pursuance to Section 11 of the Securities and Exchange Board of India Act,1992 and related clarifications, and in accordance with your instructions dated January 10, 2005 requesting us to carry out work in connection with the Offer Document to be issued by the Company in connection with its proposed Initial Public Offering of Equity Shares("the Issue").

1. Financial Information as per the Audited Financial Statements

1.1 We have examined the attached restated Balance Sheet of the Company as at December 31,2004, March 31,2004, March 31,2003, March 31,2002 March 31,2001 March 31,2000 (Annexure I(a)) and the attached restated statements of Profit & Loss Account for each of these years / periods ended on those dates(Annexure II(a)) , together referred to as 'summarized statements'. We have also examined and found correct the accounts of the Company for the period April 1, 2004 to December 31, 2004 prepared and approved by the Board of Directors of the Company. The summarized statement have been extracted from the financial statement for the year ended March 31,2004, March 31,2003, March 31,2002, March 31,2001, March 31,2000, audited by us and have been adopted by the Board of Directors and members and for the nine months period ended December 31,2004 and five years ended March 31,2004 audited by us and have been adopted by the Board of Directors.

1.2 Based on our examination of the above summary statements and on the basis of information and explanation given to us, we report as under:

a) The summarized financial statements of the Company have been restated with retrospective effect to reflect the material changes made in the accounting policies and estimates presently being followed adopted by the Company.

b) There are no qualifications in the Auditors' report which require adjustment to the summary statements.

2. Other financial Information

2.1 We have examined the following financial information proposed to be included in the Offer Document/ prospectus of your company, as approved by you and annexed to this report:

a) Statement of Significant Accounting Policies and notes to restated summarized financial statements is enclosed as Annexure III(a).

b) Statement of Significant Notes to Accounts is enclosed as Annexure IV(a)

c) Statement of Cash Flows of the Company for the five years ended March 31, 2004 and for the nine months period ended December 31,2004 is enclosed in Annexure V(a)

d) Statement of accounting ratios based on the adjusted profits relating to earning per share, net asset value and return on net worth is enclosed as Annexure VI(a)

e) Capitalization statement of the Company is enclosed as Annexure VII(a)

f) Statement of Secured Loans as on December 31, 2004 is enclosed as Annexure VIII(a)

g) Statement of Tax Shelters is enclosed as Annexure IX(a)

h) Statement of Loans and Advances and Statement of Sundry Debtors as on December 31, 2004 is enclosed as Annexure X(a)

In our opinion, the financial information of the Company, as Attached to this report as mentioned in paragraph 1 and 2 above, read with respective significant accounting policies after making adjustments as stated in notes to accounts have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the Issue of the Company and is not to be used, referred to or disturbed for any other purpose without our prior written consent.

For Bansal Mittal & Co.
Chartered Accountants

(Mukul Bansal)
Partner
Membership No.: 084281

Place: Chandigarh
Date: March 5, 2005

Annexure I(a)

STATEMENT OF RESTATED ASSETS AND LIABILITIES

Rs. in Million

Particulars		As at March 31,					As at
		2000	2001	2002	2003	2004	31.12.2004
A.	**Fixed Assets**						
	Gross block	325	369	480	598	725	894
	Less Depreciation	49	76	108	149	199	242
	Net Block	276	293	372	449	526	652
	Less: Revaluation Reserve	-	-	-	-	-	
	Net Block after adjustment for Revaluation Reserve	**276**	**293**	**372**	**449**	**526**	**652**
B.	**Investments**	**-**	**1**	**1**	**1**	**46**	**46**
C.	**Current Assets, Loans and Advances**						
	Inventories	174	284	315	395	440	640
	Sundry Debtors	182	156	268	278	397	479
	Cash and Bank Balances	37	42	63	69	70	96
	Loans and Advances	58	101	102	80	121	249
		451	**583**	**749**	**823**	**1,029**	**1,463**
D.	**Liabilities and Provisions:**						
	Secured Loans	325	335	399	378	482	828
	Unsecured Loans	6	6	6	0	-	-
	Current Liabilities and Provisions	182	182	287	392	494	655
	Deferred Tax Liability	-	-	-	79	108	122
		514	**524**	**692**	**849**	**1,084**	**1,606**
E.	**Net Worth**	**213**	**353**	**429**	**424**	**517**	**556**
F.	**Represented by**						
	Share Capital *	142	206	110	110	110	110
	Reserves	72	148	323	322	412	458
	Less Revaluation Reserve		-	-	-	-	-
	Reserves(Net of Revaluation Reserves)	72	148	323	322	412	458
	Total	**214**	**355**	**434**	**433**	**523**	**568**
G.	Misc. Expenditure to the extent not written off or adjusted	1	2	5	9	6	13
H.	**Net Worth (F-G)**	**213**	**353**	**429**	**424**	**517**	**556**

* includes share application money pending allotment

Annexure II(a)

STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

Rs. in Million

Particulars	**Year Ended March 31**					**Period Ended**
	2000	**2001**	**2002**	**2003**	**2004**	**Dec 31, 2004**
Sales:						
Of Products manufactured by the Company	1,118	1,246	1,261	1,667	2,134	1,598
Of Products traded in by the Company	-	-	-	-	-	-
Other Income	8	5	5	6	6	45
Increase(Decrease in Inventories)	36	24	(52)	5	12	39
	1,162	**1,276**	**1,214**	**1,678**	**2,152**	**1,682**
Expenditure						
Raw Materials Consumed	821	867	791	1,153	1,448	1,179
Staff Costs	10	15	20	28	35	31
Other Manufacturing Expenses	179	172	180	235	298	254
Administration Expenses	8	9	11	15	19	15
Selling & Distribution Expenses	27	38	29	42	61	32
	1,046	**1,101**	**1,032**	**1,472**	**1,861**	**1,511**
Earning Before Depreciation Interest & Tax	**116**	**174**	**182**	**206**	**290**	**170**
Depreciation	20	27	32	41	50	44
Interest	45	63	60	59	67	53
Net Profit before tax and Extraordinary items	**52**	**84**	**90**	**107**	**173**	**74**
Taxation						
Current tax	6	6	11	14	37	10
Deferred tax	-	-	-	14	29	14
Net Profit before Extraordinary Items	**46**	**77**	**80**	**78**	**108**	**50**
Extraordinary items	-	-	-	-	-	-
Net Profit after Extraordinary Items	**46**	**77**	**80**	**78**	**108**	**50**
Adjustments on account of Prior period Expenses	1	1	1	6	4	-
Adjusted Profit	**45**	**77**	**78**	**72**	**104**	**50**

Annexure III(a)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

10. Basis for preparation of financial statements

i) The financial statements have been prepared under the historical cost conventions in accordance with the Indian Generally Accepted Accounting Principles (GAAP), Accounting Standards as issued by The Institute of Chartered Accountants of India and the provisions of The Companies Act. 1956 and on the basis of going concern.

ii) All the Income & Expenditure are recognized on accrual basis.

iii) Figures have been taken nearest to rupee.

iv) Previous year figures have been re-grouped and re-arranged wherever considered necessary

11. Fixed Assets

i) Fixed Assets have been stated at original cost, inclusive of inward freight, incidental expenses related to acquisition and related pre-operative expenses, less depreciation. State subsidy of Rs.3million has not been reduced from cost of plant & machinery, while arriving at original cost.

ii) Depreciation has been provided during the period on straight-line method at revised rates, as per Notification No. GSR no.756 E Dated: 16.12.93, as non continuous process on triple shift basis as per schedule XIV to the Companies Act, 1956 before reducing the state capital subsidy.

3. Valuation of Inventories

Raw materials have been valued at cost or market price whichever is less, work in progress and other misc. stocks have been valued on estimated basis, finished goods have been valued at cost inclusive of the provision of excise duty thereon, in accordance with the guidance note on accounting treatment for excise duty issued by The Institute of Chartered Accountants of India & other professional pronouncements. However, the same has no effect on the profits for the period.

4. Foreign Exchange Transactions

Monetary liabilities/assets related to foreign currency transactions remaining unsettled at the end of the period are translated at contract rates and / or at accounting period ending rates. The resultant gain/loss, if any, is recognized in the Profit and Loss Account.

5. Revenue Recognition

i) Sales are stated net of returns, inclusive of excise duty and Job Work.

ii) Dividend income is recognized as and when the right to receive its payment is established.

iii) Export benefits are accounted for on accrual basis.

6. Employees Retirement Benefits

iii) The Contribution to the Provident Fund, under the defined contribution plans is charged to revenue.

iv) The accruing liability towards gratuity has been calculated on estimated basis.

7. Miscellaneous Expenditure

iii) Preliminary expenses are written off over a period of 10 years. The amount written off is provided at the year end.

iv) Deferred Revenue Expenditures are written off over a period of 5 years. The amount written off is provided at the year end.

8**. Investments**

i) Investments considered long term are stated at cost.

ii) Investments in Subsidiary Company are stated at cost.

Annexure IV(a)

SIGNIFICANT NOTES TO ACCOUNTS

Contingent Liabilities

Rs. In Millions

S.No.	Particulars	31.12.2004	31.03.2004
i)	Letter of Credit (Foreign / Inland)	77	133
ii)	Bank Guarantees	2	1
iii)	Bills Discounted	37	33
iv)	Corporate Guarantee given to SBI – Colombo against credit facilities availed by M/s Chempharma (P) Ltd., Sri Lanka	217	217
v)	Electricity Matters	0	-

Annexure V(a)

RESTATED CASH FLOW STATEMENT

Rs. In Millions

Particulars	Year Ended March 31					Period Ended Dec 31,2004
	2000	2001	2002	2003	2004	
Cash Flows from Operating Activities						
Net Profit before Taxation	52	84	90	107	173	74
Adjustments for:						
Depreciation	20	27	32	41	50	44
Interest/ Dividend Income	6	5	3	5	6	45
Preliminary expenses Written off	0	1	1	4	4	-
Interest Paid	45	63	60	57	65	53
Exchange Gain	2	1	2	1	(7)	
Operating Profit before Working Capital Changes	**109**	**170**	**179**	**202**	**293**	**125**
Change in Trade and Other Receivables	67	(26)	112	11	119	82
Change in Inventories	79	110	32	80	45	199
Change in Other Current Assets	20	43	1	(22)	41	128
Change in Current Liabilities	53	(0)	100	89	79	188
Income-taxes paid	3	6	7	12	22	40
Prior Period Expenditure	-	-	-	-	-	-
Net Cash Flow from Operating Activities	**115**	**134**	**52**	**(9)**	**148**	**261**
Cash Flow from Investing Activities						
Purchase of Fixed Assets	108	44	111	118	127	170
Sale of Fixed Assets		0	0	-	0	-
Investments Purchased	-	1	-	0	43	-
Net Cash Flow used in Investing Activities	**108**	**45**	**111**	**118**	**170**	**170**
Cash Flows from Financing Activities						
Changes in Borrowings	140	10	64	(27)	104	346
Proceeds from Issuance of Capital	28	64	-	-	*	-
Miscellaneous Exp incurred	1	1	4	8	-	7
Interest Received	6	5	3	5	4	45
Interest Paid	45	63	60	57	65	53
Exchange Gain	2	1	2	1	(7)	-
Dividend Paid					10	-
Net Cash Flow from Financing Activities	**130**	**14**	**4**	**(87)**	**26**	**331**
Net increase in cash and cash equivalents	15	5	21	6	1	26
Cash and Cash Equivalents (Opening Balance)	22	37	42	63	69	70
Cash and Cash Equivalents (Closing Balance)	37	42	63	69	70	96

Annexure VI(a)

STATEMENTS OF ACCOUNTING RATIOS

Particulars	Year Ended March 31,					Period Ended Dec 31, 2004*
	2000	2001	2002	2003	2004	
Earnings per share (Rs.)	4.56	6.97	7.11	6.58	9.48	6.03
Net Asset value per share (Rs.)	21.39	32.01	38.96	38.46	46.93	50.45
Return on Net Worth (%)	21.34%	21.79%	18.26%	17.10%	20.21%	11.95%
Weighted average number of equity shares in the period (in Nos.)	9,950,000	11,016,667	11,016,667	11,016,667	11,016,667	11,016,667

* annualized

Formula:

1. Earnings per share(Rs.) = $\dfrac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period}}$

2. Net Asset Value per share (Rs.) = $\dfrac{\text{Net Worth excluding revaluation reserve at the end of the period/year}}{\text{Weighted average number of equity shares outstanding during the period}}$

3. Return on Net Worth (%) = $\dfrac{\text{Net profit attributable to equity shareholders}}{\text{Net Worth excluding revaluation reserve at the end of the period/year}}$

Annexure VII(a)

CAPITALISATION STATEMENT

Rs. In Millions

PARTICULARS	Pre-Issue as at 31.12.2004	Post Issue*
Borrowings :		
Short-term Debt**	371	
Long-term Debt	457	
Total Debt	**828**	
Shareholders' funds:		
Share Capital	110	
Reserves	458	
Total Shareholders' Funds	**568**	
Total Capitalization	**1,397**	
Long-term Debt/Equity ratio	**80.44%**	

* Share Capital and reserves and total shareholders' Funds would be calculated on conclusion of the Book Building process
** Short-term Debts are debts maturing within the next one year from the date of above statement.

Annexure VIII(a)

STATEMENT OF SECURED LOANS AS ON DECEMBER 31, 2004

Rs. In Millions

Particulars	Amount	Remarks
Vijaya Bank	61	Term Loan
P N B	171	Term Loan
S B I	98	Term Loan
HDFC Bank	2	Auto Loan
UTI Bank	75	Short Term Loan
State Bank of Indore	50	Short Term Loan
PNB	215	Working Capital Loan
SBI	156	Working Capital Loan
	828	

Annexure IX(a)

STATEMENT OF TAX SHELTER

Rs. In Millions

Particulars	Year Ended March 31,					Period Ended
	2000	**2001**	**2002**	**2003**	**2004**	**Dec 31, 2004**
Tax at Notional Rate	20	33	32	39	62	18
Adjustments:						
Export Profits	3	10	11	10	8	-
Difference between Tax Depreciation and Book Depreciation	19	28	23	12	14	(13)
Other Adjustments	17	8	27	37	57	35
Net Adjustments	**39**	**46**	**61**	**59**	**79**	**22**
Tax Saving Thereon	15	18	22	22	28	8
Total Taxation	**6**	**15**	**11**	**18**	**34**	**10**
Taxation on extra-ordinary Items	-	-	-	-	0	6
Tax on Profits before extra-ordinary items	**6**	**15**	**11**	**18**	**34**	**5**

Annexure X(a)

STATEMENT OF LOANS AND ADVANCES AS ON DECEMBER 31, 2004

Rs.in millions

Particulars	Amount
Advances Recoverable in Cash or in Kind or for the value to be received	
- From Directors	-
- From Others	227
Security Deposits	6
Excise Duty Balances	16
	249

STATEMENT OF SUNDRY DEBTORS AS ON DECEMBER 31, 2004

Rs.in millions

Particulars	Amount
(Unsecured, considered doubtful)	
- Outstanding for a period less than six months	
- Outstanding for a period Exceeding six months	1
(Unsecured, considered good)	
- Outstanding for a period less than six months	449
- Outstanding for a period Exceeding six months	29
	479

FINANCIAL INFORMATION OF GROUP COMPANIES

Subsidiary

Chempharma (Private) Limited

<u>*Background*</u>

Our Company has set-up a 100% subsidiary in Sri Lanka by the name CPL due to economic and tax benefits of manufacturing products in Sri Lanka. CPL was incorporated on October 18, 2002 and it started production of drug intermediates from January 2004 onwards. Currently majority of the production of CPL is sold to our Company which is utilized for captive consumption to manufacture products for the Indian domestic pharmaceutical market. Some of the products manufactured by CPL are also produced by our Company in India.

The production facility of CPL is based in the Exports Oriented (tax free) zone in Sri Lanka. In addition to certain economic benefits of manufacturing products in Sri Lanka the project has been conceptualized to take advantage of (i) 'Nil' custom duty on imports of pharmaceutical raw material by CPL under agreement between Board of Investment of Sri Lanka and CPL dated October 18, 2002; (ii) 'Nil' customs duty payable on exports of API intermediates by CPL to India under the Indo-Sri Lankan Free Trade Agreement (FTA) agreement; and (iii) Income-tax exemption for a period of five (5) years from the date of commencement of commercial operations vide BOI letter dated January 1, 2004 (iv)Creation of capacities in order to enable Indian operations to focus on value added products. The arrangement provides our Company the advantage of reducing its cost of production on account of reduction in customs duty payable on imported raw materials consumed for domestic market.

CPL was financed through a combination of equity and debt funds. Our Company has invested US$ one (1) million and provided a corporate guarantee of US$ 4.9 million to SBI, Colombo for availing the term loans and the working capital. CPL had also raised debt funds of US$ one (1) million from SBI, Colombo which is in addition to working capital facilities to the extent by SBI, Colombo of US$ 3.9 million, comprising of US$ 1million fund based facility and US$ 2.9 million non-fund based facility. Our Company has made investments in CPL under Direct Investment Route complying with the RBI's guidelines. Our Company has given the corporate guarantee pursuant to the approval of shareholders in their Extra Ordinary General Meeting held on August 30, 2003.

We have demonstrated our thought leadership by setting up this unique venture in Sri Lanka. We understand that Sri Lankan Government is negotiating FTA's with some of the other countries like Pakistan, China, US, European which considerably increases the scope for CPL operations.

We have been advised that there would be no withholding tax in Sri Lanka on dividend payment made by CPL to our Company, since they would qualify for a tax exemption during the period of tax holiday enjoyed by CPL and for one year thereafter. As per the tax treaty between India and Sri Lanka we would also be eligible for a tax sparing credit, subject to satisfaction of certain conditions to the extent of 10% dividend tax which would have been payable but for the specific exemption as per the Sri Lankan domestic law. The dividend tax working is hypothetically explained as below:

Particulars	Amount
Dividend received by NLL from CPL (say)	100.0
Provision for tax for NLL (A)	35.9
Dividend tax payable by CPL	-
Tax sparing credit (for 10% dividend tax) B	10.0
Net tax payable by NLL to tax authorities (A-B)	23.5

Source: Company

Our transactions with CPL may get regarded as "international transactions" with an "associated enterprise" as per the transfer pricing regulations in India under the Income-tax Act, 1961. As a matter of abundant caution we in the process of conducting the transfer pricing study and shall obtain the transfer pricing report if required under the Transfer Pricing Regulations.

Ownership and Management

CPL is a wholly owned subsidiary of Our Company. CPL is managed by an independent Board of Directors and currently manufacturers API drug intermediates under the direction and control of Our Company. We hold 9,614,162 equity shares of SLR 10 each of CPL whereas Mr.Sajiv Goyal, Mr.Anil Kumar Sharma, Mr.Aryan Goyal hold one equity share each in CPL.

The Board of Directors of CPL comprises of Mr. Sanjiv Goyal, Mr. Aryan Goyal, Mr. Anil Kumar Sharma and Mr. Sandeep Goel.

Board of Investment of Sri Lanka

The summary of the agreement entered between The Board of Investment of Sri Lanka and Chempharma (Private) Limited is described below. The agreement was registered in terms of Section 17(2) of the Board of Investment of Sri Lanka Law No.4 of 1978 on October 18, 2002 and bears registration no. 2596/18/10/2002. The agreement has been amended vide supplementary agreement dated May 27, 2004.

- CPL shall be entitled to and shall set up/conduct and operate the business in the Zone;
- Income tax exemption
    - No Income-tax for a period of first five (5) years from the year in which the enterprise commences commercial production;
    - Concessionary tax at 10% for the sixth and seventh year;
    - Tax at 15% thereafter
- The above mentioned tax concessions would be applicable subject to CPL making a minimum investment of SLR 50 million for the business/project within a period of seven (7) months from the date hereof and the entire output of CPL being exported;
- The imports of project related items as approved by BOI to be used for the sole purpose of the business within the zone, shall not be liable to any custom duty;
- Lease of premises in the zone: In consideration of the payment of the premium and annual rent described in the agreement BOI agreed to lease and demise the land and premises for a period of thirty (30) years commencing on the October 18, 2002 and ending on the October 17, 2032. CPL has to pay a premium of US$ 7500 calculated at the rate of US$2500 per acre and Ground rent of SLR 3000 p.a
- Within six months from the end of the financial period of CPL, it shall submit to the BOI statement of accounts and statistics including a report indicating the results of a physical verification carried out on the capital goods imported by the enterprise on duty free basis during the financial year;

Financial Snapshot

Historical Profit and Loss Account

Rs in million

Period Ended	March 31, 2004	December 31, 2004
Income		
Sales - Export	71	569
Sales - Local	-	2
Other Income	0	0
Increase in Finished Goods	-	6
	71	577
Expenditure		
Raw Material Consumed	60	397
Manufacturing Expenses	2	4
Personnel Expenses	2	8
Administrative Expenses	1	9
Repair & Maintenance	-	-
Selling & Distribution Expenses	0	2
Preoperative Expenses	4	-
	68	420
EBIDTA	2	157
Financial Expenses	2	14
Depreciation	0	8
Profit Before Tax	0	135
Provision For Tax	-	-
Profit After Tax	0	135

Historical Balance Sheet

Rs In Million

Period Ended	31-Mar-04	31-Dec-04
Sources of Funds		
Share Holder's Funds		
Share Capital	46	46
Reserves & Surplus	7	98
	53	144
Loan Funds		
Secured Loans	51	34
Unsecured Loans	-	-
	51	34
Deferred Tax Liabilities		-
	104	**178**
Application of Funds		
Fixed Assets		
Gross Block	75	79
Less : Depreciation	0	8
Net Block	75	71
Investment	-	-
Current Assets, Loans & Advances		
Inventories	35	58
Sundry Debtors	12	153
Cash & Bank Balances	28	38
Loans & Advances	1	2
	76	251
Less: Liabilities & Provisions	47	144
Net Current Assets	29	107
	104	**178**

Promoter Group

A disassociation agreement has been entered into on March 18, 2005 between Mr. Rajiv Goyal, Mr. Sanjiv Goyal, Mrs. Alka Goyal and Mrs. Raman Goyal whereby Mr. Rajiv Goyal and Mrs. Alka Goyal have disassociated themselves from Nectar Lifesciences Limited, Surya Narrowfabrics and Kala Elastics and Mr. Sanjiv Goyal and Mrs. Raman Goyal have disassociated themselves from Surya Pharmaceuticals and its subsidiaries, Surya Narrowfabrics Pvt. Ltd. and Orient Alloys Pvt. Limited. This arrangement forms the basis of identification of the promoter group.

Surya Narrowfabrics

Surya Narrowfabrics was originally incorporated on April 1, 1990 as a partnership concern by Mr. Sanjiv Goyal and Mrs. Alka Goyal in 1990. The firm was incorporated with the main object of manufacturing, importing, exporting, wholesaling, retailing and dealing in all types of narrow fabrics. Surya Narrowfabrics stopped its commercial production from April 1, 2001. This firm has been converted into a proprietorship concern of Mr. Sanjiv Goyal with effect from September 16, 2003.

Financial performance

Rs. in Million

For the year ended March 31st	2001	2002	2003
Sales	7.30	-	-
Other Income	1.13	0.52	0.60
Profit from sale of machinery	-	-	0.24
PAT	(1.12)	0.21	(0.13)
Capital Account	0.60	0.80	0.80
Reserves & Surplus	0.52	0.52	0.52
Profit & Loss Account Credit Balance / (Debit Balance)	-	-	(0.13)
NAV/share	NA	NA	NA

There are no defaults in meeting any statutory/bank/institutional dues and no proceedings have been initiated for economic offences against Surya Narrowfabrics.

Kala Elastics

Kala Elastics was incorporated on July 10, 1989 with the main object of manufacturing, importing, exporting, wholesaling, retailing and dealing in all types of narrow fabrics. On March 1, 2005, the partnership was dissolved and Kala Elastics is now a sole proprietorship concern of Mrs. Raman Goyal. The registered office of Kala Elastics is situated at 1596, Bhagirath Palace, Chandni Chowk, Delhi – 110 06

Financial performance:

Rs in Million

For the year ended March 31st	2002	2003	2004
Partners Capital A/C	0.10	0.26	0.26
Reserves	NA	NA	NA
Sales	0	0	0
Profit after Tax/ (Loss)	-*	0.15	-*
Earnings per share (EPS)	NA	NA	NA
Net Asset Value(NAV)	0.15	0.26	0.26

* less than Rs10,000

There are no pending litigations, disputes or suits against this firm and there are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against it.

Sanjiv & Sons HUF

The Trust was registered in June 12, 1960. The Trust is not engaged in any business activity.

For the year ended March 31st	2002	2003
Income (Rupees)	1,146	19,831
Closing Capital Account (Rupees)	56,69,870	65,25,741

Sanjiv Rajiv Trust

The registered office of the Trust is situated at 1596, Bhagirath Palace Chandni Chowk, Delhi. Mr. Sanjiv Goyal and Mr. Rajiv Goyal are equal beneficiaries in the Trust. As no business activity is being carried out by the Trust the latest financial data available is for FY 99.

Particular	1998-99
Income (Rupees)	100.50
Closing Capital Account (Rupees)	491,232

Shyama Devi Family Trust

Shyama Devi Family Trust is a registered Trust with Mr. Sanjiv Goyal and Mr. Rajiv Goyal as equal beneficiaries. The Registered Office of the Trust is at 1596, Bhagirath Palace Chandni Chowk, Delhi. As no business activity is being carried out by the Trust since 1994, no financial data is available for our review.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Profit and Loss Account

Rs. in Million

Particulars	Year Ended March 31					Period Ended
	2000	**2001**	**2002**	**2003**	**2004**	**Dec 31, 2004**
Sales:						
Of Products manufactured by the Company	1,118	1,246	1,261	1,667	2,134	1,600
Of Products traded in by the Company	-	-	-	-	-	-
Other Income	8	5	5	6	6	6
Increase(Decrease in Inventories)	36	24	(52)	5	12	45
	1,162	**1,276**	**1,214**	**1,678**	**2,152**	**1,650**
Expenditure						
Raw Materials Consumed	821	867	791	1,153	1,437	1,008
Staff Costs	10	15	20	28	36	39
Other Manufacturing Expenses	179	172	180	235	300	258
Administration Expenses	8	9	11	15	25	24
Selling & Distribution Expenses	27	38	29	42	62	35
	1,046	**1,101**	**1,032**	**1,472**	**1,859**	**1,363**
Earning Before Depreciation Interest & Tax	**116**	**174**	**182**	**206**	**290**	**287**
Depreciation	20	27	32	41	50	52
Interest	45	63	60	59	69	66
Net Profit before tax and Extraordinary items	**52**	**84**	**90**	**107**	**174**	**169**
Taxation						
Current tax	6	6	11	14	37	10
Deferred tax	-	-	-	14	29	14
Net Profit before Extraordinary Items	**46**	**77**	**80**	**78**	**108**	**145**
Extraordinary items	-	-	-	-	-	-
Net Profit after Extraordinary Items	**46**	**77**	**80**	**78**	**108**	**145**
Adjustments on account of Prior period Expenses	1	1	1	6	4	-
Adjusted Profit	**45**	**77**	**78**	**72**	**105**	**145**

Balance Sheet

Rs. in Millions

Particulars		As at March 31,					As at
		2000	2001	2002	2003	2004	31.12.2004
A.	**Fixed Assets**						
	Gross block	325	369	480	598	800	973
	Less Depreciation	49	76	108	149	199	250
	Net Block	276	293	372	449	601	723
	Less: Revaluation Reserve	-	-	-	-	-	
	Net Block after adjustment for Revaluation Reserve	**276**	**293**	**372**	**449**	**601**	**723**
B.	**Investments**	**-**	**1**	**1**	**1**	**0**	**0**
C.	**Current Assets, Loans and Advances**						
	Inventories	174	284	315	395	473	683
	Sundry Debtors	182	156	268	278	397	479
	Cash and Bank Balances	37	42	63	69	99	134
	Loans and Advances	58	101	102	80	120	208
		451	**583**	**749**	**823**	**1,088**	**1,505**
D.	**Liabilities and Provisions:**						
	Secured Loans	325	335	399	378	534	1,087
	Unsecured Loans	6	6	6	0	-	-
	Current Liabilities and Provisions	182	182	287	392	526	380
	Deferred Tax Liability	-	-	-	79	108	122
		514	**524**	**692**	**849**	**1,168**	**1,588**
E.	**Net Worth**	**213**	**353**	**429**	**424**	**521**	**639**
F.	**Represented by**						
	Share Capital *	142	206	110	110	110	110
	Reserves	72	148	323	322	417	542
	Less Revaluation Reserve		-	-	-	-	-
	Reserves(Net of Revaluation Reserves)	72	148	323	322	417	542
	Total	**214**	**355**	**434**	**433**	**527**	**652**
G.	Misc. Expenditure to the extent not written off or adjusted	1	2	5	9	6	13
H.	**Net Worth (F-G)**	**213**	**353**	**429**	**424**	**521**	**639**

* includes share application money pending allotment

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 viii of this Draft Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to Nectar Lifesciences Limited on a consolidated basis. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and restated as described in Auditor's report of M/s Bansal Mittal & Co. dated March 5, 2005, on page 73 titled "Financial Information".

The following discussions is based on our restated financial statements for the financial year ended March 31, 2002; March 31, 2003; March 31, 2004 and December 31, 2004 which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and on information available from other sources. Our fiscal year ends on March 31 each year, so all references to a particular year are to the twelve-month period ended on March 31 of that year, except for the period ending December 31, 2004 which is for nine (9) months.

The Directors confirm that there have been no events or circumstances since the date of the last financial statements which materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

Overview

Our Company has an existing production facility at Derabassi (Unit I) which produces Oral and Sterile forms of SSP's and Cephalosporins. A modernization / expansion project is under way at Derabassi (Unit II), which is close to the existing production facility. In terms of the expansion plan being implemented at Derabassi (Unit II) the construction of a Cephalosporin unit and non-antibiotic unit along with ancillary units is in progress. In October 2002, we set up a wholly owned subsidiary CPL in an export oriented (tax free) zone in Sri Lanka to manufacture API intermediates. CPL commenced its operations in January 2004. The intermediates manufactured by CPL are also produced by us. However, the Company has to pay customs duty on raw material imported for sale in domestic market in India. Hence, CPL was set up take advantage of:

- Nil customs duty on imports of raw materials by CPL
- Nil customs duty paid by the Company on imports of API intermediates from CPL
- Income tax exemption for a period of 5 years from the date of commencement of commercial operations under revised agreement

The range of the products manufactured by us is expanding year after year because of its Research and Development department which is working continuously for development of new molecules, Research improvements, Cost Efficiencies by way of cheap raw material substitution and recoveries of solvents and chemicals.

Financials

Total Income:

The revenues for our Company have increased at a CAGR of 17.5% over the period FY00-04. Our Company has maintained its focus on development of more value added Cephalosporin products. Our Company has maintained a healthy mix between domestic and export sales. The increase in off-shore business is without cutting for the requirements of domestic market. The export revenues have marginally reduced during the recent periods due to conscious reduction of our Company's presence in SSP segment. The composition of revenue since FY 02 is as under:

Rs. In Millions

Particulars	31.03.2002	31.03.2003	31.03.2004	31.12.2004
Domestic Sales	939	1,057	1420	1,280
Export Sales	322	610	714	320
Total Sales	**1,261**	**1,667**	**2,134**	**1,600**

Source: Company

The company's business is well spread among its customers who are spread across several countries. It is constantly striving towards maintaining and enlarging its customer base. The percentage of revenues derived from the Company's top customer and top 5 customers is tabulated as under:

Particulars	31.03.2002	31.03.2003	31.03.2004	31.12.2004
Top Customer	5.29%	14.11%	7.26%	7.15%
Top 5 Customers	19.94%	26.85%	19.30%	18.79%

Expenditure:

Raw materials:

A majority of the raw materials purchased by the company are basic chemicals. The prices of these basic chemicals, are subject to volatility but any increase in cost is generally either partly or fully passed on to the customers. Besides, the company attempts to cover its purchases to a certain extent in anticipation of any price increases to offer best competitive rates to its buyers.

Other Expenditure:

The details of other expenditure are as under:

Rs. in Millions

Period/Year Ended	31.03.2002	31.03.2003	31.03.2004	31.12.2004
Salaries and wages	19.9	28.3	36.3	39.1
Selling & Distribution Expenses	29.0	41.6	61.8	34.6
Repairs and Maintenance	1.2	2.3	4.2	3.1
Administration Expenses	11.3	14.7	24.5	23.6

- Salaries and wages have been growing at around 35% p.a. between FY2002 and FY2004. Besides, increasing the manpower, the company revises its employee remuneration on 1st April each year.
- Selling and distribution expenses have varied between 2.2% as in 9months ended December 31, 2004 and 2.9% in FY04.
- Administration expenses, primarily comprises insurance, travelling, rates and taxes, telephone and general expenses. They have increased by 20% during the FY2002 as compared to the previous year, 29% during the FY2003 and 67% during the year 2004.

Research & Development:

Our Company has continuously focused its R&D efforts towards manufacturing of new and advanced products and has simultaneously worked on achieving process improvements and cost efficiencies. This has enabled it to offer latest products at competitive rates and has also helped in partly offsetting any adverse price movements in these products. Our Company is incurring regularly expenditure on its R&D activities. The expenditure incurred during the past three (3) years and its percentage to total sales is as under:

Rs. In Millions

Particulars	31.03.2002	%age	31.03.2003	%age	31.03.2004	%age	31.12.2004	%age
Expenditure on R&D	27	2.13	38	2.27	54	2.53	35.2	2.2%

The company has been following the policy of treating the expenditure incurred on R&D as Capital Expenditure and writing off a portion of the same each year after review.

Financial Expenses:

The company has been able to reduce its average financial cost year over year because of better financial management and conversion of major part of its loans – Term loan and Working Capital into Foreign Currency Loan carrying lower rate of interest. The financial expenses for the current year is marginally higher than the earlier years due to starting of Sri Lankan operations and modernisation expenditure incurred at our existing facility in Derabassi. The financial expenses of the company are as under.

Rs. in millions

Period/Year Ended	31.03.2002	31.03.2003	31.03.2004	31.12.2004
Financial expenses	60	59	69	66

Debtors and creditors:

The company has been enjoying a credit period ranging between 60-90 days from its domestic suppliers and 90-120 days from foreign suppliers and foresees no difficulty in continuing this arrangement with its suppliers. The average debtors cycle, creditors cycle and inventory cycle is tabulated below:

Rs. In millions

Period/Year Ended	31.03.2002	31.03.2003	31.03.2004	31.12.2004
Sundry Debtors	267.9	278.5	397.3	478.8
Sundry Creditors	230.5	246.6	354.0	287.5
Inventory	315.3	395.1	472.5	683.1
Debtor Days	76.5	60.4	67.0	80.8
Creditor Days	104.9	77.0	88.7	77.0
Inventory Days	90.0	85.7	79.7	115.3

* Debtor days, creditor days and inventory days have been calculated over 270 days for period ended 31.12.2004

Age wise debtors

Rs. in millions

Particulars	31.03.2002	31.03.2003	31.03.2004	31.12.2004
More than 6 months:				
Doubtful	5.3	5.2	1.9	1.1
Good	9.5	8.5	18.8	29.5
Less than 6 months	***253.1***	***264.8***	***376.6***	***448.2***
Total	**267.9**	**278.5**	**397.3**	**478.8**

Comparison of the significant items of income and expenditure between financial statements for 9mo ended December 31, 2004 over FY2004, FY 2004 over the previous year FY2003 and FY2003 over FY2002.

Rs. in Millions

Period/Year Ended	**31.03.2002**	**31.03.2003**	**31.03.2004**	**31.12.2004**
Income				
Sales	1,261	1,667	2,134	1,600
% yoy	*1%*	*32%*	*28%*	
Other Income	5	6	6	6
Increase(Decrease in Inventories)	(52)	5	12	45
Total Revenue	**1,214**	**1,679**	**2,152**	**1,650**
% yoy	*-5%*	*38%*	*28%*	
Expenditure				
Raw Materials Consumed	791	1,153	1,437	1,008
% of Revenue	*65%*	*69%*	*67%*	*61%*
Staff Costs	20	28	36	39
% yoy	*32%*	*42%*	*29%*	*44%*
% of Revenue	*1.6%*	*1.7%*	*1.7%*	*2.4%*
Other Manufacturing Expenses	180	235	300	258
% of Revenue	*14.8%*	*14.0%*	*13.9%*	*15.6%*
Administration Expenses	11	15	25	24
% yoy	*20%*	*29%*	*67%*	
% of Revenue	*0.9%*	*0.9%*	*1.1%*	*1.4%*
Selling & Distribution Expenses	29	42	62	35
% of Revenue	*2.4%*	*2.5%*	*2.9%*	*2.1%*
Earning Before Depreciation , Interest & Tax (EBITDA)	**181**	**205**	**291**	**286**
% of Revenue	*14.9%*	*12.2%*	*13.5%*	*17.3%*
% yoy	*5%*	*13%*	*42%*	
Depreciation	32	41	50	52
Interest	60	59	69	66
% of Revenue	*5.0%*	*3.5%*	*3.2%*	*4.0%*
Net Profit before tax and Extraordinary items	**89**	**105**	**172**	**168**
Taxation				
Current tax	11	14	37	10
Deffered tax	-	14	29	14
Total Tax	**11**	**28**	**65**	**24**
Adjusted Profit	**77**	**71**	**103**	**144**
% of Revenue	*6.3%*	*4.2%*	*4.8%*	*8.7%*
% yoy	*2.0%*	*-7.6%*	*44.7%*	*39.6%*

* Consolidated for year ended 31.03.2004 and period ended 31.12.2004

For Nine months ended December 31, 2004 compared to year ended March 31, 2004

Sales

We have maintained the sales for 9 months ending December 31, 2004 and on an annualized basis would maintain the sales as in FY2004. The share of cephalosporins in the total drug sales have been growing over the years and is expected to be the major revenue driver in the future. Within cephalosporins, sterile category contributes the majority of sales. The sterile cephalosporins have withnessed pricing pressures during the recent period but we have been able to grow in volume terms.

Other Income

The other income comprises of interest on deposits, dividend received, export fluctuations etc. The other income for the period is similar to as achieved in the previous year.

Earnings before Interest, Depreciation, Amortization and Tax (EBITDA)

The EBITDA margin for the period has increased to 17.3% as compared to 13.5% in the previous financial year. The substantial increase in margin is due to the effective utlisation of the manufacturing facility of CPL for the production of API intermediates. This has led to significant cost savings as there is nil customs duty on import of raw materials by CPL which is reflected in the lower raw material cost. The main components of the cost and their movement are as below:

Raw Material Cost

Raw material cost as a percentage of the sales has reduced to around 61% from 67% in FY04. This is primarily based on reduced customs duty and part of the manufacturing being done in CPL in Sri Lanka.

Staff Costs

Staff Cost would increase 44% over the previous year on an annualized basis. The staff cost as a % of sales has also increased from 1.7% in FY 2004 to 2.4% during the period till December, 2004. The increase in staff cost is a combination of increase in manpower and also increase in compensation.

Other Manufacturing Expenses

The expenses have increased from 1.7% of the sales in FY04 to 2.4% of sales in the period ending December 31, 2004. The increase is primarily due to the increase in fuel (diesel) expenses which is because of the increase in plant capacity and set up of a new unit.

Administration Expenses

The administration expenses have increased from 1.1% of sales in FY04 to 1.4% of sales. The increase in the expenses is mainly due to increase in insurance expenses because of new facilities and also due to increase in rate, fees and taxes.

Selling and Distribution Expenses

The Company has effected changes which has aided them in successfully reducing the selling and distribution expenses from 2.9% of sales in FY04 to 2.2% of sales. The change is primarily on account of reduced due to foreign exchange fluctuations, low sales commissions and freight costs.

Depreciation and Interest Cost

The depreciation and interest cost is higher in the period as compared to the previous year on account of higher investment in infrastructure and increased capacity in the Indian unit and investments in the Sri Lankan unit. This has led to an increase in the outstanding loans and hence increased interest cost.

Adjusted Profit

Adjusted profit has increased from 4.8% of sales in FY04 to 8.7% in the period ended December 31, 2004 primarily due to the raw material cost improvements as highlighted above and reduction in effective tax rate.

Working Capital

The sundry debtors have increased from Rs397million at end of FY04 to Rs479million at end of December period which has increased the number of debtor days from 67 to 81.

The sundry creditors for the period ended December have reduced from Rs354million to Rs288million and has resulted in reduction in number of credit days to 77 from 89 in FY04.

Further, inventory days have increased substantially from 80 days to 115 days due to change in the sales mix and introduction of new products and widening of the product range. We also have some inventory in transit which is transferred from CPL to us.

For the year ended March 31, 2004 compared to year ended March 31, 2003

Sales

We achieved sales of Rs2,134 million in FY2004 which showed an increase of 29% over the sales in FY03. The increase in sales was driven primarily by the accelerated sales in sterile cephalosporin segment and marginally by increase in the oral segment of the Semi Synthetic Penicillins. Even though the sales realization in the sterile cephalosporin showed a marginal decline due to the increased competitive scenario in the local cephalosporin market, the increased volumes acted as a growth driver for the sales value.

Other Income

The other income was nearly constant as compared to the previous year. The major components are the interest received on Fixed Deposits and profit on sale of investment.

Earnings before Interest, Depreciation, Amortization and Tax (EBITDA)

The EBITDA margin for the year increased from 12.2% of sales in FY03 to 13.5% in FY04. The major improvement in the cost was the raw material cost which reduced by 2% as a percentage of sales. The movement of various costs has been detailed below:

Raw Material Cost

Raw material cost as a percentage of the sales has reduced to around 67% from 69% in FY03. This is primarily based on reduced customs duty and commencement of operations in the subsidiary at Sri Lanka.

Staff Costs

Staff Cost increased 29% on a year on year basis as compared to FY03, however, the cost as a percentage of sales has remained constant at 1.7% in FY04. The increase in staff cost is a combination of increase in manpower and also increase in compensation which occurs every April.

Other Manufacturing Expenses

The expenses have reduced marginally to 13.9% of sales in FY04 as compared to 14% of sales in FY03. The major components of these manufacturing expenses are excise duty, consumable stores and fuel and electricity. The repairs and maintenance costs has increased from Rs2.3mn in FY03 to Rs4.2mn in FY04.

Administration Expenses

Administrative expenses increased 67% on a year on year basis as compared to FY03, however, the cost as a percentage of sales increased marginally to 1.1% in FY04 from 0.9% in FY03. The increase is primarily due to increase in traveling and conveyance expenses, advertising expenses, stationery expenses and increase in fees paid for professional services.

Selling and Distribution Expenses

Selling and Distribution expenses increased from 2.5% of sales in FY03 to 2.9% of sales in FY04. Most of the major heads under this expense viz. discounts, sales commissions, freight, packing expenses grew in line with the sales. However, there was an added component of export fluctuation of around Rs7.2mn in the year which increased the costs further.

Depreciation and Interest Cost

The depreciation increased from Rs41mn in FY03 to Rs50mn in FY04 based on the gross additions of Rs261mn during the year and net additions of Rs202mn.

The interest cost has increased to Rs69mn in FY04 as compared to Rs59mn in FY03 due to increase in term loans for the capacity expansion project in the Indian unit and a small loan for the Sri Lankan unit. However, the interest cost as a percentage of sales has reduced from 3.5% in FY03 to 3.2% in FY04.

Adjusted Profit

Adjusted profit has increased from 4.2% of sales in FY03 to 4.8% in FY04 primarily due to the raw material cost improvements as highlighted above.

Working Capital

The sundry debtors increased to Rs397million at end of FY04 from Rs279million at end of FY03 which has increased the number of debtor days from 60 to 67. The increase in debtors has been mainly because of shift to cephalosporin range of drugs which enjoy a higher credit period to the customers from competitors as compared to our earlier range of SSPs.

The sundry creditors at the end of FY04 have increased from Rs247million to Rs354million and has resulted in increase in number of credit days to 89 from 77 in FY03.

Further, inventory days have reduced from 86 days in FY03 to 80 days due to change in the sales mix and introduction of new products and widening of the product range.

For the year ended March 31, 2003 compared to year ended March 31, 2002

Sales

The revenues for the FY03 was Rs.1,659mn as compared to Rs.1,261 for the previous year ended March 31,2002 registering an increase of 32%. The company made export sales of Rs.610millions during the year, which is 89% more than the exports during the corresponding previous year.

Based on its working the company has been awarded “Export House” status by the Director General foreign Trade on 30/4/2003. The sales were driven by the sterile range with drugs like Ceftriaxone Sodium Sterile showing a marked increase in volume as well as value sales. Among the Oral range, Amoxycillin Trihydrate showed increase of over 100% in sales in FY03 as compared to the previous year.

Other Income

The other income was nearly Rs6mn in FY03 as compared to Rs5mn in FY02. The major component was the interest on Fixed Deposits.

Earnings before Interest, Depreciation, Amortization and Tax (EBITDA)

The EBITDA margin for the year reduced from 14.9% of sales in FY02 to 12.2% in FY03. The major increase in the cost was the raw material cost which increased by nearly 4% as a percentage of sales. The movement of various costs has been detailed below:

Raw Material Cost

Raw material cost as a percentage of the sales increased from 65% of sales to 60% of sales. This was due to the changing sales mix and increased focus on the sterile range.

Staff Costs

Staff Cost increased 42% on a year on year basis as compared to FY02, however, the cost as a percentage of sales increased marginally to 1.7% in FY03 from 1.6% in FY02. The increase in staff cost is a combination of increase in manpower and also increase in compensation which occurs every April.

Other Manufacturing Expenses

The expenses have reduced marginally to 14% of sales in FY03 as compared to 14.8% of sales in FY02. The major components of these manufacturing expenses are excise duty, consumable stores and fuel and electricity. The repairs and maintenance costs doubled from Rs1.2mn in FY02 to Rs2.3mn in FY03.

Administration Expenses

Administrative expenses increased 29% on a year on year basis as compared to FY02, however, the cost as a percentage of sales remained constant at to 0.9% of sales. The increase is primarily due to increase in traveling and conveyance expenses, insurance expenses, stationery expenses and increase in fees paid for professional services.

Selling and Distribution Expenses

Selling and Distribution expenses increased from 2.3% of sales in FY02 to 2.5% of sales in FY03. Most of the increase is on account of increase in freight charges, packing expenses. There was a reduction in the sales commission as compared to FY02.

Depreciation and Interest Cost

The depreciation increased from Rs31mn in FY02 to Rs41mn in FY03 based on the gross additions of Rs183mn during the year and net additions of Rs117.5mn.

The interest cost reduced to Rs59mn in FY03 as compared to Rs60mn in FY03 due to increase in term loans for the capacity expansion project in the Indian unit and a small loan for the Sri Lankan unit. However, the interest cost as a percentage of sales has reduced from 5% in FY02 to 3.5% in FY03. The company got its major share of term loan swapped from Rupee term loan to foreign currency loan attracting lesser interest. Besides, a part of working capital limits was also swapped into foreign currency loan attracting lower interest rates, thereby reducing the Finance Cost considerably.

Adjusted Profit

Adjusted profit reduced from 6.3% of sales in FY03 to 4.8% in FY04 primarily due to the increase in raw material cost as highlighted above.

Working Capital

The sundry debtors increased marginally to Rs279million at end of FY03 from Rs268million at end of FY02 which has reduced the number of debtor days from 77 to 60.

The sundry creditors at the end of FY03 have increased marginally to Rs247million from Rs231million. However, the creditors have not increased in line with the sales and has resulted in substantial reduction in creditor days from 105 days to 77 days.

Further, inventory days have reduced to 86 days in FY03 from 90days in FY02.

Information regarding:

a) Unusual or infrequent events or transactions:

There have been no unusual or infrequent transactions that have taken place.

b) 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 as the company exports part of its turnover, any inflationary effect on imports will be partly offset by higher realization on exports. Barring these factors, there are no significant economic changes that materially affect or likely to affect income from continuing Operations.

c) Known trends or uncertainties:

Some of the raw materials, which are imported, have shown a volatile trend in the last 3 to 5 years. The cyclical movement in the prices of these materials seem to be on account of the changes in demand supply position. As a sequel to the volatility in the price of raw materials, the end product prices tend to move up or come down in the same direction if not in the same proportion.

d) Future relationship between costs and revenue;

The Company's R&D department has been successful in developing various new Bulk drugs having good value addition and coming out with innovative and efficient processes resulting in cost reduction. This is expected to gain momentum and benefit the company in the future years.

e) Season ability of business:

There are no products sold which are seasonal in nature.

f) Over dependence on Single supplier/ Customer:

The Company sources its raw materials from a number of suppliers and is not under threat from excessive dependence on any single supplier. The threat from excessive dependence on a single customer is not significant as the customer base is well diversified.

Details of material developments after the date of last balance sheet

A civil suit (No. 2704) of 2002 was filed on July 9, 2002 by Lupin Limited in the High Court, Mumbai against the Company for recovery of Rs 5 million towards the balance amount payable for the material supplied amounting to Rs 3 million along with interest of Rs 1.3 million. Lupin Limited had also claimed Rs 0.7 million for non submission of certain C forms. However, we also had a claim against Lupin Limited for the job work undertaken of Rs 2 million.

Now in terms of the "Consent Terms" dated February 23, 2005 between Lupin Limited and Our Company filed in the High Court of Judicature at Bombay:

- We have agreed to forego our claim of Rs 2 million against Lupin Limited;
- We have agreed for Lupin Limited to forthwith withdraw the amount of Rs 4.3 million deposited by us with the High Court, Mumbai;
- We have paid a sum of Rs 0.7 million towards non submission of C forms. We have also submitted the C forms and the said amount would be refunded by Lupin Limited, in case the said forms are accepted by the sales tax authorities;
- The arrangement was on and towards full and final satisfaction of claims.

We had made adequate provision in the financial statement and hence the said settlement would not have significant effect on our financial performance. The final effect of the settlement with Lupin Limited shall be effected in our financial statements after the withdrawal of all pending cases by Lupin Limited and refund of Rs 0.7 million paid towards non submission of C forms.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The summarized financial information and financial statements included in this Draft Red Herring Prospectus have been prepared in accordance with the requirements of the Companies Act and the Banking Regulation Act and accounting principles generally accepted in India (collectively "Indian GAAP"), which differ in certain respects from the accounting principles generally accepted in the United States (or "U.S. GAAP").

The following table summarizes significant measurement differences between U.S. GAAP and Indian GAAP insofar as they affect financial information reported in this Draft Red Herring Prospectus.

Various U.S. GAAP and Indian GAAP pronouncements have been issued for which the mandatory application date is later than the reporting dates in this Draft Red Herring Prospectus. These, together with standards that are in the process of being developed in both jurisdictions, could have a significant impact on future comparisons between U.S. GAAP and Indian GAAP.

Particulars	Indian GAAP	U.S. GAAP
Format and content of financial statements	Entities are required to present balance sheets, profit and loss accounts and, if listed or proposing listing, cash flows for two years together with accounting policies, schedules and notes. Entities seeking a listing are required to present five years of adjusted financial information. Format for presentation of financial statements is as prescribed by the relevant statute.	All entities are required to present balance sheets, income statements, statements of shareholders' equity, cash flows and comprehensive income, together with accounting policies and notes to the financial statements. The extent of disclosures in the notes to financial statements generally is far more extensive than under Indian GAAP. No specific format is mandated, generally items are presented on the face of the Balance Sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple step format. Expenditure must be presented by function.
Allowance for credit losses	Allowance for credit losses are based on defaults expected both on principal and interest. The allowance does not consider present value of future inflows. The allowances are made in accordance with the prudential norms prescribed by the Reserve Bank of India (RBI).	Loans are identified as non- performing and placed on non- accrual basis, where management estimates that payment of interest or principal is doubtful of collection. Non-performing loans are reported after considering the impact of impairment. The impairment is measured by comparing the carrying amount of the loan to the present value of expected future cash flows or the fair value of the collateral (discounted at the loan's effective rate).
Investments in securities	Securities are classified as held to maturity, available for sale and held for trading as per RBI guidelines. Held to maturity are valued at cost unless more than face value in which case the premium is amortized over the remaining	Investments in marketable equity and all debt securities are classified according to management's holding intent, into one of the following categories: trading, available for sale, or held to maturity.

Particulars	Indian GAAP	U.S. GAAP
	period / years of maturity. Held for trading securities are valued scrip- wise and net depreciation is accounted for. Available for sale are valued scrip- wise and net depreciation under each category is provided for while net appreciation is ignored. Amortisation of purchase premium is required in respect of 'Held to Maturity' category	Trading securities are marked to fair value, with the resulting unrealized gain or loss recognized in the income statement. Available-for-sale (AFS) securities are marked to fair value, with the resulting unrealized gain or loss recorded directly in a separate component of equity called 'Other Comprehensive Income' until realized, at which time the gain or loss is reported in income. Held-to-maturity (HTM) debt securities are carried at amortized cost. Other than temporary impairments in the value of HTM and AFS investments are accounted for as realized losses. Amortisation of purchase premium and discount is required for all the categories of debt securities.
Loan origination fees/costs	Loan origination fees and costs are taken to the income statement in the year accrued/incurred.	Loan origination fees (net of loan origination costs) are deferred and recognized as an adjustment to yield over the life of the loan.
Consolidation and investments in subsidiaries	In India, the reporting entity generally follows legal form, and under the Companies Act is considered to be the legal entity rather than a group. Accordingly, there is no legal requirement to prepare consolidated financial statements. In stand alone financial statements, investments in subsidiaries, if classified as long term investments, are accounted at cost less an allowance for permanent impairments. If disclosed as current investments, they are valued at lower of cost and fair value. Accounting Standard (AS21) on "Consolidated Financial Statements", does not require consolidation, but sets out the standards to be followed in the event that consolidated financial statements are presented or required by law or regulation. SEBI requires listed	Under U.S. GAAP, there is a presumption that consolidated financial statements present more meaningful financial information for a parent and subsidiaries than separate financial statements of the parent. Accordingly, consolidation is required for entities where the parent has majority financial control, generally when it controls more than 50% of the outstanding voting stock, except when control is likely to be temporary or is impaired. Separate financial statements of the parent only are not presented. Entities where the minority shareholder has substantive participating rights overcome the presumption that the majority shareholder controls the entity thus precluding consolidation of the results of that entity. In such cases, the

Particulars	Indian GAAP	U.S. GAAP
	companies and those seeking a listing to publish consolidated financial statements in accordance with AS21 in addition to the separate financial statements of the parent. For the purposes of identifying the voting interests held in an investee, direct interests and those indirect interests held through a subsidiary are considered. Unlisted entities with subsidiaries will continue to have the option of not presenting consolidated financial statements.	equity method of accounting applies. Entities where the minority shareholder has protective rights only are consolidated. For the purposes of identifying the voting interests held in an investee, all direct and indirect interests are considered. Accordingly, certain investees may be considered as subsidiaries to be consolidated under U.S. GAAP, which may be treated as equity affiliates under Indian GAAP. In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" an interpretation of Accounting Research Bulletin (ARB) 51 that applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. A variable interest entity to be consolidated is one in which a party could face risk of loss without having an equity interest, and includes many entities that would previously have remained off-balance sheet.
Investments in associates or affiliates	The equity method of accounting for investments in associates is required in consolidated financial statements of listed companies. The definition of associates and equity accounting are essentially similar to US GAAP. There is no requirement to apply the equity method of accounting in the standalone financial statements of the parent and the same are accounted for in the same manner as other investments in the stand alone financial statements of a parent. Unlisted companies that do not prepare consolidated financial statements could continue to account joint venture investments as before.	Investments over which the investor can exert significant influence, generally presumed when the investor owns between 20% and 50% of the voting stock, are required to be accounted for using the equity method. The equity method requires investors to record their investment in the associate as a one-line asset and reflect their share of the investee's net income/loss in their earnings. Dividends received reduce the investment account. This method is also followed for unconsolidated subsidiaries.
Interests in joint ventures	Investment in jointly controlled entities is accounted in stand alone financial statements of the parent in the same manner as stated in 'Consolidation and investment in subsidiaries' above . Interests in jointly controlled entities of a venture should be recognized in its	An incorporated joint venture is treated as a subsidiary or an affiliate, depending on the level of control of the joint venturer, and either consolidated or accounted for using the equity method, respectively. Accounting for interests in jointly-

Particulars	Indian GAAP	U.S. GAAP
	consolidated financial statements on a proportionate consolidation basis unless by virtue of a contractual arrangement joint control is established over an entity which is a subsidiary of that enterprise within the meaning of AS 21, in which case the entity is consolidated by the said enterprise and is not treated as joint venture. Additionally, interests in jointly-controlled assets and jointly-controlled operations of a venture are required to be recognized in the separate financial statements and consequently in its consolidated financial statements. Unlisted companies that do not prepare consolidated financial statements could continue to report joint venture investments as before.	controlled assets and jointly-controlled operations of a venture is similar to Indian GAAP.
Business combination	Business combinations are accounted for either as pooling of interests or as acquisitions. Accounting for business combinations as pooling of interests is permitted only on fulfillment of certain conditions. Non-fulfillment of one or more conditions results in the combination being accounted for as an acquisition using the 'purchase method' of accounting. Under the pooling of interest method, the assets, liabilities and reserves of the transferor company are recorded by the transferee company at their existing carrying amounts after making changes for uniformity of accounting policies. Under the purchase method, assets and liabilities are recorded either at their existing carrying amounts or by allocating the consideration to individual identifiable assets and liabilities on the basis of their fair values at the date of acquisition.	The 'Purchase method' of accounting is required for all business combinations. SFAS No. 141 requires intangible assets to be recognized if they arise from contractual or legal rights or are "separable", i.e., it is feasible that they may be sold, transferred, licensed, rented, exchanged or pledged. Under APB Opinion No. 16, the pooling of interest method is required in respect of combination of entities under common control in a manner similar to Indian GAAP. Under purchase accounting, the consideration is measured at fair value, the purchase price allocated to the fair values of the next assets acquired including intangibles, and goodwill recognized for the difference between the consideration paid and the fair value of the net assets acquired.
Acquired Goodwill	Goodwill arising on amalgamation is amortised to income on a systematic basis over its useful life, not exceeding five years unless a longer period can be	Under SFAS No. 142, effective for fiscal years beginning after December 15, 2001, goodwill arising on new acquisitions and any unamortized

Particulars	Indian GAAP	U.S. GAAP
	justified. (AS 14) The amount of goodwill recognized is the difference between the consideration paid and the book value of the net assets acquired. Negative goodwill is credited to a capital reserve. Goodwill arising on the acquisition of shares of a company is generally not separately recognized, but is included in the cost of the investment. For companies that prepare consolidated financial statements, goodwill arising on consolidation is recognized upon consolidation. Such goodwill is not amortized. Additionally, goodwill needs to be tested for impairment on annual basis, as required by AS 28 "Impairment of Assets".	balance for prior acquisitions will no longer be subject to amortization. Instead, such goodwill will be tested for impairment on an annual basis or whenever triggers indicating impairment arise. The impairment test is based on estimates of fair value at a reporting unit level.
Impairment of assets	Applicable for accounting periods beginning from April 1, 2004 onwards. The standard required companies to assess whether there is any indication that an asset is impaired at each balance sheet date. If such an indication exists, the company is required to estimate the recoverable amount of the asset. If the recoverable amount of an asset is less than its carrying amount, that carrying amount of the asset should be reduced to its recoverable amount. That reduction is reported as an impairment loss.	SFAS No.144 develops one accounting model for long-lived assets other than goodwill that are to be disposed of by sale, as well as addresses the principal implementation issues. SFAS No.144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. The impairment review is based on undiscounted cash flows at the lowest level of independent cash flows. If the undiscounted cash flows are less than the carrying amount, the impairment loss must be measured using discounted cash flows.
Property, plant and equipment	Fixed assets are recorded at historical costs or revalued amounts. On revaluation, an entire class of assets is revalued, or a selection of assets for revaluation is made on a systematic basis. There is no restriction on the frequency of revaluation. However, revaluation should not exceed the recoverable amount of assets.	Revaluations are not permitted.
Issuance and redemption costs for borrowings	Debt issuance costs may be amortized, charged as an expense or charged to the Securities Premium Account.	Debt issuance costs are treated as a deferred charge and amortized using the effective interest rate method over

Particulars	Indian GAAP	U.S. GAAP
	Redemption premiums payable on the redemption of debt may be accrued over the life of the debt.	the life of the debt. Redemption premiums are accrued as a yield adjustment over the life of the debt.
Foreign exchange	AS11 "The Effects of Changes in Foreign Exchange Rates" deals with accounting for foreign exchange transactions. Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions and translation of monetary items are recognized as income or expense in the year in which they arise. Foreign exchange losses that relate to foreign borrowings incurred to finance an asset are treated as a part of borrowing cost and are capitalised. With the revision of this standard, with effect from accounting periods commencing on or after April 1, 2004, translation differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation should be accumulated in a foreign currency translation reserve in the enterprise's financial statements until the disposal of the net investment, at which time they should be recognized as income or as expenses. Guidance relating translation of foreign operations integral to the reporting enterprise requires foreign exchange gains or losses to be recognized in the income statement.	Under US GAAP gains or losses arising from foreign currency transactions are included in determining net income. Foreign exchange gains or losses are not included in interest cost. For the purposes of consolidating a foreign subsidiary, its financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period. Translation differences that arise are reported in a separate component of shareholders' equity.
Deferred taxation	Deferred taxes are required to be provided for the tax effect of timing differences between taxable income and accounting income using substantively enacted tax rates. Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Other deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax	Deferred tax liabilities and assets are recorded for the tax effect of temporary differences between the tax and book bases of assets and liabilities and operating loss carry-forwards, at currently enacted tax rates expected to be in force when the temporary differences reverse. Changes in tax rates are reported in the income statement in the period of enactment. A valuation allowance is made against deferred taxes if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Particulars	Indian GAAP	U.S. GAAP
	assets can be realized.	
Proposed dividend	Proposed dividends are recognised in the financial statements in the period to which they relate, even if they are subject to shareholders' approval.	Dividends are recorded in the year of declaration.
Vacation accrual	Vacation accrual, or leave encashment, is viewed as a retirement entitlement and is generally reported at the actuarially determined present value of future benefits.	Vacation earned but not taken is reported as a liability based on the number of days entitlement, priced at the balance sheet salary rate.
Retirement benefits	The liability for defined benefit retirement plans is reported at an actuarial valuation. Several alternative methodologies are considered acceptable for the purposes of the valuation, and the actuary has considerable latitude in selecting assumptions to be used. Expenditure incurred on voluntary retirement scheme may be deferred.	The liability for defined benefit retirement plans is reported at the present value of future benefits using the projected unit credit method, with a stipulated method to determine assumptions. Expenditure incurred on voluntary retirement scheme should be expensed in the period incurred.
Depreciation	Depreciation is generally charged at rates prescribed by the Companies Act. These rates are the minimum rates, and companies are permitted to charge depreciation at higher rates, in order to write off the cost of assets over their useful lives, if shorter.	Depreciation is provided in a systematic and rational manner over the estimated useful economic life of the assets.
Derivative financial instruments and hedging	The Guidance note on Accounting for Equity Index Options and Equity Stock Options and the guidance note on accounting for equity index futures are the pronouncements, which address the accounting for derivatives. RBI Guidelines on Forward Rate Agreements / Interest Rate Swaps requires the transactions to be classified in to hedging and trading. The swap that is accounted for like a hedge should be accounted for on accrual basis except the swap designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In that case the swap should be marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Gains or losses on the termination of swaps should be recognised when the offsetting gain or loss is recognised on the designated asset or liability. This implies that any gain or loss on the terminated swap would be deferred and recognised over the shorter of the remaining contractual life of the	All derivatives are required to be recognised as assets or liabilities in the balance sheet and measured at fair value. The accounting for changes in the fair value of a derivative (that is gain and losses) depends on the intended use of the derivative and the resulting designation. Derivatives based on the intended use are broadly classified into three classes' viz. Fair value hedge, Cash flow hedge and Foreign currency hedge. Gains and losses on fair value hedges, for both the hedging instrument and the item being hedged, are recognised in the income statement. Gain and losses on effective portion of cash flow hedges is initially reported as a component of other comprehensive and subsequently reclassified in to earnings when the forecasted transaction affects earnings. In case of hedging the foreign currency exposure of a net investment in a foreign operation, the same accounting treatment is given as in the case of Cash flow hedge. The gains or losses on the ineffective

Particulars	Indian GAAP	U.S. GAAP
	swap or the remaining life of the asset/ liability. Trading swaps should be marked to market with changes recorded in the income statement. Income and expenses relating to these swaps should be recognised on the settlement date. Gains or losses on the termination of trading swaps should be recorded as immediate expense or income.	portion of any hedge are written off as income or expense. Derivatives that are not designated as a hedging instrument, the gain or losses is recognised in earnings in the period of change.
Off-balance sheet items	There is no specific guidance or the accounting and reporting for of-balance sheet items. Commitments and contingencies are required to be disclosed.	SEC registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed.
Fair values of financial instruments	There is no requirement to disclose the fair value of financial instruments.	Extensive disclosures are required of the fair values of financial instruments and the methodologies or determining fair values.

OUTSTANDING LITIGATION

Except as described below, there is no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company, our subsidiaries, our Promoters, our Directors and our Promoter group companies, that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business.

Cases filed against the Company

A. Labour Disputes

1. There is a case filed against the Company by ex-employee Mr. Bajrangi Gupta, before the Asst. Labour Commisioner, Rajpura, for compensation of Rs. 500,000 for injuries sustained while he was in employment of the Company. The case has been posted for arguments by the parties on April 8, 2005.
2. There is a case filed against the Company by ex-employee Mr. Jatinder Singh, before the Asst. Labour Commisioner, Rajpura, for compensation of Rs. 81,750 for injuries sustained while he was in employment of the Company. The case has been posted for arguments by the parties on April 8, 2005.
3. 39 ex-employees have filed cases in the Labour Court, Patiala against the Company for reinstatement of their jobs on the plea that they are regular workers as they have worked for more than 1 year with the Company. The cases have been posted for statement by the workers and cross-examination by the management on May 26, 2005.
4. A case has been filed against the Company by Mr. Tej Narayan, Mr. Subhash Chand, Mr. Shamsher Singh, Mr. Amrik Singh before the Asst. Labour Commissioner, Rajpura for compensation aggregating Rs. 19,342 on the plea that they have not received their dues from the Company. The case has been posted for arguments by the parties on April 8, 2005.

B. Income Tax Notice

1. The Department of Income Tax (the "Department") for the assessment year 2001-2002 has demanded a penalty of Rs. 1,37,26,421/- from the Company. The Company filed an appeal before the Commissioner of Income Tax (Appeals) – XII, New Delhi. The same was partially allowed. The revised penalty payable is Rs. 35,14,788/- out of which the Company has paid Rs. 15,00,000/- and filed an appeal before the Income Tax Appellate Tribunal.

Cases filed by the Company

1. The Company has filed 2 complaints before the Chief Judicial Magistrate, Chandigarh, under Section 138 of the Negotiable Instruments Act against G&G Pharmaceuticals for dishonour of 2 cheques for a total sum of Rs. 1,000,000 for bulk drugs purchased from the Company. The next date of hearing of these cases is April 17, 2005 and May 27, 2005 respectively.
2. The Company has filed a complaint before the Chief Judicial Magistrate, Ahmedabad, under Section 138 of the Negotiable Instruments Act against the proprietor of Flugent Health Care for dishonour of 4 cheques amounting to a sum of Rs. 226,460 for goods purchased from the Company. Summons have been issued to the propreietor Flugent Health Care. The next date of hearing is April 20, 2005.
3. The Company has filed Criminal Revision Petition u/s 482 of CRPC against Pawan Goel of G&G Pharmaceutical which is pending in the Honorable High Court. Next date is April 10, 2005 for notice to Mr. Pawan Goel – Proprietor/Partner of G&G Pharma.

Legal Notices Issued by the Company

1. The Company issued a legal notice dated March 2, 2005 against Elysuum Pharmaceuticals Limited under Section 138 of the Negotiable Instruments Act, for for dishonour of three cheques for aggregating sum of Rs. 14,77,220.

LICENSES AND APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any Government authority/RBI is required to continue these activities.

Approvals for the Business

Specific to Pharmaceutical Business

1. License No. 1611-OSP & 1616-B dated March 12, 1997, renewed on March 1, 2003 under Rules 73 and 83 of the Drugs and Cosmetics Rules, 1945, valid until December 31, 2007.
2. License No. 422 dated February 23, 2005 under Section 7 and 8 of the Indian Boilers Act, 1923 valid until February 22, 2006
3. License No: 127 from the Punjab Boiler Inspector, for use of boiler in Derabassi, Patiala valid till December 14, 2005.
4. License No: P-12(15)1173/PB-1986 dated November 28, 2001 to import and store petroleum products, and valid till December 31, 2006.
5. Export House Status No. 11634 dated April 30, 2003 from the Office of the Joint Director General of Foreign Trade, Ministry of Commerce.
6. License No.: 1611-OSP & 1616-B dated March 12, 1997 and renewed on January 1, 2003 to manufacture for sale of drugs other than those specified in Schedule X, valid till December 31, 2007.
7. WHO-GMP (World Health Organisation – Good Manufacturing Practices) Certification awarded as on October 6, 2004 by the State Drugs Controlling and Licensing Authority, Directorate of Health & Family Welfare, Punjab, valid till October 6, 2006.

Approvals from tax authorities

1. Registration No: 63862610 dated October 9, 1995 to act as a dealer under the Punjab General Sales Tax Act, 1948.
2. Registration No: 63862610 dated October 9, 1995 to act as a dealer under Section 7 (1) / 7(2) of the Central Sales Tax Act 1956.
3. Permanent Account Number AABCS6468G dated February 22, 1999 allotted by the Office of the Commissioner of Income Tax (Computer Operations), New Delhi.

Labour related approvals

1. License No: PAT/ S-230/97/830 valid till December 31, 2005 under the Factories Act, 1948.
2. Registration No: 12/35169/101 dated June 10, 1997 under the Employee State Insurance Act, 1948.
3. Registration No: PBCH 14907/Enf.I/7775 dated November 7, 1997 from the office of the Regional Provident Fund Commissioner, Chandigarh.

Others

1. Fresh Certificate of Incorporation Consequent on Change of Name to Nectar Lifesciences Limited dated March 26, 2004.
2. Central Excise registration certificate No: 160/SML/DB-I/96 dated September 3, 1996 from the Commissioner of Excise, Chandigarh division.
3. Certificate of Importer-Exporter Code (IEC) No. 3095006365 dated April 29, 2000 from the Office of the Joint Director General of Foreign Trade, Ministry of Commerce.
4. Consent No. PTA/WPC/4-99 F-108 dated April 8, 1999 under Section 25/26 of the Water (Prevention & Control of Pollution) Act, 1974 from the Punjab Pollution Control Board, Patiala, valid till March 31, 2012.
5. Consent No. PTA/APC/F-92 dated April 8, 1999 under Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 from March 31, 2012.

6. SIA registration No.1663/SIA/IMO/1999 dated August 23, 1999 against IEM Acknowledgement.
7. SIA registration No.1744/SIA/IMO/2000 dated July 18, 2000 against IEM Acknowledgement.

Advance Custom Licenses

SNo.	Licence No. and Date	Resultant Product	EO Quantity (kgs)	Initial Validity	Extended Upto	Extension Requested in EOP	Status
1.	No. 0133078 dated August 21, 2000	Amoxycillin Sodium Sterile	1000	February 20, 2002	NA	February 20, 2005	Filed for extension with ALC.
2.	No. 0246278 dated February 27, 2001	Clarithromycin	1000	August 26, 2002	NA	February 26, 2005	Filed for extension with ALC.
3.	No. 0246288 dated March 28, 2001	Chloramphenicol Sod. Succinate	5000	September 27, 2002	March 27, 2004	March 27, 2005	Filed for extension with GRC.
4.	No. 2210000038 dated April 10, 2001	Ceftriaxone sod. Sterile	5000	October 9, 2002	April 9, 2004	April 10, 2005	Filed for extension with GRC
5.	No. 2210000053 dated April 17, 2001	Cefradine	5000	October 16, 2002	NA	April 16, 2005	Paying custom duty for closure.
6.	No. 2210000176 dated June 21, 2001	Cephalexin Monohytdrate	6000	December 20, 2002	NA	June 20, 2005	Filed for extension with GRC
7.	No. 2210001247 dated September 26, 2002	Cefadroxil	5000	March 25, 2004	NA	March 25, 2005	Filed for extension with ALC.
8.	No. 2210000985 dated June 27, 2002	Cloxacillin sod. Sterile	5000	December 26, 2003	NA	June 26, 2005	Filed for extension with ALC.
9.	No. 2210001254 dated September 26, 2002	Cloxacillin sod. (oral)	50000	March 25, 2004	September 25, 2004	September 25, 2005	Filed for extension with GRC.
10	No. 0133079 dated August 21, 2000	Ampicillin trihydrate	2500	February 20, 2002	NA	February 20, 2005	Filed for extension with ALC.
11	No. 0133080 August 21, 2000	Cloxacillin sodium	1400	February 20, 2002	NA	February 20, 2005	Filed for extension with ALC.
12	No. 0133133 dated October 31, 2000	Amoxycillin trihydrate	3000	April 30, 2002	NA	April 30, 2005	Filed for extension with ALC.
13	No. 2210002460 dated October 10, 2003	Ampicillin trihydrate	50000	April 9, 2005	NA	NA	Collecting documents for closure
14	No. 2210002477 dated October 10, 2003	Cefotaxime sodium	5000	April 15, 2005	NA	NA	
15	No. 2210002483 dated October 21, 2003	Ceftazidime penicillin	500	April 20, 2005	NA	NA	
16	No. 2210002515 dated October 30, 2003	Cefuroxime sodium.	500	April 29, 2005	NA	NA	
17	No. 2210002601 dated November 20, 2003	Ceftriaxone vials	100000 nos.	May 19, 2005	NA	NA	
18	No. 2210002602 dated November 20, 2003	Cefotaxime vials	300000 nos.	May 19, 2005	NA	NA	
19	No. 2210002894 dated January 27, 2004	Ampicillin trihydrate	100000	July 26, 2005	NA	NA	
20	No. 2210002895 dated January 27, 2004	Amoxycillin trihydrate	200000	July 26, 2005	NA	NA	
21	No. 2210002994 dated February 26, 2004	Cefixime	2000	August 25, 2005	NA	NA	Collecting documents for closure.

SNo.	Licence No. and Date	Resultant Product	EO Quantity (kgs)	Initial Validity	Extended Upto	Extension Requested in EOP	Status
22	No. 2210002664 dated December 10, 2003	Ampicillin anhydrate	10000	June 9, 2005	NA	NA	
23	No. 2210003033 dated March 8, 2004	Amoxycillin Sodium	200	September 7, 2005	NA	NA	Collecting documents for closure.
24	No. 221003116 dated March 29, 2004	Flucloxacillin	2000	September 28, 2005	NA	NA	
25	No.2210003325 dated June 1, 2004	Cefepine for injections	500	December 31, 2005	NA	NA	
26	No. 2210003180 dated April 28, 2004	Amoxycillin Sodium Sterile	300	October 27, 2005	NA	NA	
27	No. 2210003181 dated April 28, 2004	Ceftrixone Sodium Sterile	2000	October 27, 2005	NA	NA	
28	No.2210003185 dated April 28, 2004	Chloramphenicol Sodium	2000	October 27, 2005	NA	NA	
29	No. 2210003333 dated June 2, 2004	Cefuroxime Sodium Sterile	1000	December 1, 2005	NA	NA	
30	No. 2210003389 dated June 18, 2004	6-APA	20,000	December 17, 2005	NA	NA	
31	No. 2210003404 dated June 21, 2004	Cloxacillin Sodium	200	December 20, 2005	NA	NA	
32	No. 2210003405 dated June 21, 2004	Amoxicillin Trihydrate	900	December 20, 2005	NA	NA	
33	No. 2210003390 dated June 18, 2004	Ampicillin Trihydrate	1300	December 17, 2005	NA	NA	
34	No. 2210003421 dated June 24, 2004	Ampicillin Trihydrate	1500	December 23, 2005	NA	NA	
35	No. 2210003452 dated July 5, 2004	Cefotexine Sodium Sterile	300	January 4, 2006	NA	NA	
36	No. 2210003451 dated July 5, 2004	Cefotexine Sodium Sterile	100	January 4, 2006	NA	NA	
37	No. 2210003547 dated August 13, 2004	Cefotexine Sodium Sterile	1000	February 12, 2006	NA	NA	
38	No. 2210004097 dated January 3, 2005	Cefipime for injections	2000	January 2, 2007'	NA	NA	
39	No. 2210003548 dated August 13, 2004	Cephazolin Sodium Sterile	5000	February 12, 2006	NA	NA	
40	No. 2210003559 dated August 13, 2004	Cefotexine Sodium Sterile	1000	February 12, 2006	NA	NA	
41	No. 2210003590 dated August 26, 2004	Cephuroxine Axetil Crystaline	100	February 25, 2006	NA	NA	
42	No. 2210003592 dated August 26, 2004	Cefotexine Sodium Sterile	225	February 25, 2006	NA	NA	
43	No. 2210003626 dated September 2, 2004	Cefotaxime Sodium Sterile	770	September 1, 2006	NA	NA	
44	No. 2210003649 dated September 8, 2004	Cefuroxine Sodium Sterile	129	September 7, 2006	NA	NA	
45	No. 2210003676 dated September 15, 2004	Ceftazidime vials	110,000 nos	September 14, 2006	NA	NA	
46	No. 2210003677 dated September 15, 2004	Sterile Cefuroxime Sodium vials	45,000 nos	September 14, 2006	NA	NA	
47	No. 2210003701 dated September 20, 2004	6-APA	20,000	September 19, 2006	NA	NA	
48	No. 2210004059 dated December 27, 2004	6-APA	10,000	December 26, 2006	NA	NA	
49	No. 2210003936 dated November 22, 2004	Ceftazidime vials	551,000 vials	November 21, 2006	NA	NA	
50	No. 2210003914 dated November 17, 2004	Cefuroxime vials	333,000 nos	November 16, 2006	NA	NA	

SNo.	Licence No. and Date	Resultant Product	EO Quantity (kgs)	Initial Validity	Extended Upto	Extension Requested in EOP	Status
51	No. 2210003913 November 17, 2004	Cefotaxime Sodium Sterile	125	November 16, 2006	NA	NA	
52	No. 2210003923 dated November 18, 2004	Cefuroxime Axetil Amorphous	500	November 17, 2006	NA	NA	
53	No. 2210003938 dated November 23, 2004	Cefuroxime Sodium Sterile	425	November 22, 2006	NA	NA	
54	No. 2210004025 dated December 20, 2004	Cefixime Trihydrate	2000	December 19, 2006	NA	NA	
55	No. 2210004127 dated January 13, 2005	Cefotaxime Sodium Sterile	226.80	January 12, 2007	NA	NA	
56	No. 2210004265 dated March 7, 2005	Dicloxacilllin Sodium	2000	June 6, 2005	NA	NA	
57	No. 2210004256 dated March 1, 2005	Cefuroxime Axetil Amorphous	1000	March 31, 2007	NA	NA	
58	No. 2210004300 dated March 11, 2005	Cefotaxime Free Acid	300	March 10, 2007	NA	NA	
59	No. 2210004276 dated March 7, 2005	Cefuroxime Axetil Crystaline	5000	March 6, 2007	NA	NA	
60	No. 2210004303 dated March 14, 2005	Cefotaxime Sodium Sterile	500	March 13, 2007	NA	NA	

Approvals for business outside India

1. Certificate of registration No. 2596/18/10/2002 issued by BOI certifying that the agreement between the Board and Chempharma Private Limited was registered on October 18, 2002 in terms of Section 17(2) of the Board of Investment of Sri Lanka Law of 1978.
2. Environmental Protection License No. 30906/2004 dated March 15, 2004 under Section 23B of the National Environment Act, 1980 valid until March 14, 2007.
3. Certificates of examination of Steam Boiler in a Cold State, dated March 26, 2004, issued by an authorized examiner.
4. Certificates of examination of Steam Boiler while under Steam Pressure, dated March 26, 2004, issued by an authorized examiner.
5. Certificate of Conformity No. 45/LE/EA/02/6315 dated March 24, 2004, issued by Director (Regional Development), Board of Investment of Sri Lanka, which confirms that the factory building at Perth Horana conforms to the requirements of BOI.
6. Value added tax registration (“VAT”) No. 114317926-7000, of Chempharma Pvt. Limited at 603/1, Bogaha Junction, Ninahena Gothatuwa, effective from October 18, 2002, issued by Commissioner General of Inland Revenue under Section 15(1) of the Value Added Tax Act, 2002.
7. VAT temporary certificate of registration No. 114317926-7000, of Chempharma Pvt. Limited at Asian Court, 19/5/1, Milagiriya Avenue, Colombo, dated July 26, 2004, issued by Commissioner General of Inland Revenue.
8. Tax Payer Identification Number (TIN) 114317926, issued to Chempharma Pvt. Limited at Asian Court, 19/5/1, Milagiriya Avenue, Colombo on July 26, 2004 by the Commissioner of Inland Revenue.
9. Certificate of incorporationof Chemparma (Private) Limited No. 31792 dated October 8, 2002.

MATERIAL DEVELOPMENTS

To the knowledge of the Board of Directors of our Company, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The issue of Equity Shares in this Issue by our Company has been authorised by the resolution of the Board of Directors passed at their meeting held on January 22, 2005, subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act. The shareholders approved the Issue at the general meeting of the shareholders of the Company held on March 14, 2005 at Chandigarh.

Prohibition by SEBI

Neither we, nor our Directors or the Promoter Group Companies, or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

As per Clause 2.2.1 of SEBI Guidelines, our Company may make an initial public offering of equity shares, as we meet the following conditions; with eligibility criteria calculated in accordance with unconsolidated financial statements under Indian GAAP:

a) The Company has net tangible assets of at least Rs.30 million in each of the preceding three full years (of 12 months each) of which not more than 50% are held in monetary assets.

b) The Company has a track record of distributable profits as per Section 205 of Companies Act, for at least three out of immediately preceding five years.

c) For calculating distributable profits in terms of Section 205 of the Companies Act extra-ordinary items shall not be considered;

d) The Company has a net worth of at least Rs.10 millionin each of the preceding three full years of 12 months each;

e) The Company has changed its name within the last one year, and at least 50% of the revenues for the preceding one full year is earned by the Company from the activity suggested by the new name; and

f) 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 a prospectus + firm allotment + promoters contribution through offer document) does not exceed five (5) times its pre-issue net worth as per the audited balance sheet of the last financial year.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. 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 THE 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 MANAGERS, ICICI SECURITIES LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 31, 2005 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 THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

3. **WE CONFIRM THAT:**

   - **THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
   - **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
   - **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**
   - **BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND**
   - **WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."**

4. **THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S 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 SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

   ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC., ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY."

   THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES IN THE NATURE OF 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 ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Caution

Our Company, our Directors and the BRLM accepts no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in any advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.neclife.com, would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM and us dated March 23, 2005 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at Bidding centres.

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.

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 authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including FIIs, NRIs and other eligible foreign investors. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Punjab and Haryana High Court, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated [•], permission to our Company to use BSE’s name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or

2. Warrant that this Company’s securities will be listed or will continue to be listed on BSE; or

3. 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 Draft Red Herring Prospectus has been cleared or approved by BSE. 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 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 the NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given in its letter dated [•] permission to us to use NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 100 million and the market capitalization shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this 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 our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every Person who desires to apply for or otherwise acquires any of our securities 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/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 SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

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 and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of our Equity Shares. [•] will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will 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 (8) days after our Company becomes liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15.0% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven (7 working days of finalization of the basis of allocation for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) ***makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or***

(b) ***otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."***

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Banker to the Issue; and (b) Book Running Lead Manager, Syndicate Member, Escrow Collection Bank(s) and Registrar to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Draft Red Herring Prospectus with the RoC and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

Bansal Mittal & Co., our Auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for filing with the RoC.

Expert Opinion

Except as stated elsewhere in this Draft Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	**Expense (in Rs. Million)**
Lead management, underwriting commission*	[●]
Advertising and Marketing expenses	7 – 12
Printing and stationery	10 – 15
Others (Registrars fee, legal fee, etc.)	7 – 12
Total estimated Issue expenses	[●]

* Will be incorporated after finalisation of Issue Price

Fees Payable to the BRLM, Brokerage and Selling Commission

The total fees payable to the BRLM including brokerage and selling commission for the Issue will be as per the memorandum of understanding executed between our Company and the BRLM dated [•] a copy of which are available for inspection at our Corporate Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar' memorandum of understanding dated [•] copies of which is available for inspection at our Corporate Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Bidding Period / Issue Period

BID / ISSUE OPENS ON	**[•]**
BID / ISSUE CLOSES ON	**[•]**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE.

Our Company reserves the right to revise the Price Band during the Bidding Period/Issue 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 Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

In case of revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 13 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE by issuing a press release, and also by indicating the change on the website of the BRLM and at the terminals of the Syndicate.

Designated Date and allotment of Equity Shares

(a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account within two working days of the date of allotment.

(b) As per SEBI Guidelines, **Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

Letters of allotment or refund orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. We shall ensure despatch 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 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 the purpose shall be made available to the Registrar by us.

In accordance the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- We shall pay interest at 15.0% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders are not despatched and/or demat credits are not made to Bidders within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the demat credit.

We will provide adequate funds required for despatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Companies Under The Same Management

There are no companies under the same management.

Particulars Regarding Public Issues During The Last Five Years

We have not made any public issue during the last five years**.**

Promise vs. Performance

This is the initial public Issue of our Company.

Issues otherwise than for cash

We have not issued any Equity Shares for consideration otherwise than for cash.

Purchase of Property

Except as stated in the section titled "Objects of the Issue" and elsewhere in this Draft Red Herring Prospectus, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Draft Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or

- the amount of the purchase money is not material; or

- disclosure has been made earlier in this Draft Red Herring Prospectus.

Except as stated in the section titled "Related Party Transactions" on page 70 of this Draft Red Herring Prospectus, we have not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

Servicing Behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

Stock Market Data For Our Equity Shares

This being the initial public Issue, the Equity Shares are not listed on any stock exchange.

Mechanism For Redressal of Investor Grievances

Investor grievance will be settled expeditiously and satisfactorily by us. The agreement between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, [•] giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the Syndicate Member or collection center where the application was submitted.

Disposal Of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue to address routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Sunder Lal, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Nectar Lifesciences Limited
110, Industrial Area, Phase I,
Chandigarh 160002 (U.T.)
Tel: (91 172) 2658317
Fax: (91 172) 2655377
E-mail: ipo@neclife.com

Changes in Auditors

Since incorporation of the Company there have been no changes of the auditors.

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time.

Revaluation of Assets

We have not revalued our assets in the past five years.

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of our Company, the terms of this Draft Red Herring Prospectus, the Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government, Stock Exchanges, RBI, and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of our Company and shall rank pari passu in all respects with the existing Equity Shares of our Company, including rights in respect of dividends. See the section titled "Main Provisions of the Articles of Association" on page 164 of this Draft Red Herring Prospectus.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Draft Red Herring Prospectus at a total price of Rs. [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The face value of the shares is Rs. 10 and the Floor Price is [•] times of the face value and the Cap Price is [•] times of the face value

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled "Main Provisions of the Articles of Association" on page 164 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 dematerialized 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. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of one Equity Share.

Nomination Facility to the Investor

In the nature of the rights specified in Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any Person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Corporate Office of our Company or at the Registrar and Transfer Agents of our Company.

In the nature of the rights stated in Section 109B of the Companies Act, any Person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board of Directors 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 90 days, the Board of Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with our Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue to the public to the extent of the amount payable on application, including devolvement on Underwriters, if any, within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e., 60 days from the Bid Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Punjab and Haryana High Court, India.

Subscription by Non-Residents/NRI/FIIs/Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions

There is no reservation for any Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

As per RBI regulations, OCBs cannot participate in the Issue.

Application in Issue

Equity Shares being issued through this Draft Red Herring Prospectus can be applied for in the dematerialized form only.

Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

ISSUE STRUCTURE

The present Issue of 38,70,000 Equity Shares Rs. 10 each, at a price of Rs. [•] for cash aggregating Rs. [•] is being made through the 100% Book Building Process.

Particulars	**QIBs**	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares*	Up to 19,35,000 Equity Shares or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of 9,67,500 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 9,67,500 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Up to 50% of Issue or Issue less allocation to Non- Institutional Bidders and Retail Individual Bidders.	Minimum 25% of Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum 25% of Issue or Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Discretionary	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 50,000 and in multiples of [•] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 50,000 and in multiples of [•] Equity Shares thereafter.	[•] Equity Shares and in multiples of [•] Equity Share thereafter.
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 50,000.
Mode of allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with	NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 50,000 in value.

	minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.		
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.
Margin Amount	Nil	Full Bid Amount on Bidding	Full Bid Amount on Bidding

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be allowed to be met with spillover from any other portions at the discretion of our Company, in consultation with the BRLM.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue to the public shall be available for allocation on a discretionary basis to QIB Bidders. Further not less than 25% of the Issue to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 25% of the Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. The Company, in consultation with the BRLM, would have the discretion to allocate to QIBs based on a number of criteria which would typically include but not be limited to the following: prior commitment, investor quality, price, earliness of bid. In case of Non-Institutional Bidders and Retail Individual Bidders, we would have a right to reject the Bids only on technical grounds.

Investors should note that allotment to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment in physical form. The Equity Shares, on allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the application form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public including resident QIBs, Non Institutional Bidders and Retail Individual Bidders	White
NRIs and FIIs	Blue

Who can Bid?

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*”. Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
- Venture Capital Funds registered with SEBI;

- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in equity shares;
- NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions; and
- Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Note: The BRLM, the Syndicate Member and any associate of the BRLM and Syndicate Member (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary and will not be eligible in the QIB Portion. Further, the BRLM and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account ("FIIs") may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

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.

Application by Mutual Funds

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

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 NRIs

Bid cum application forms have been made available for NRIs at the Corporate Office of the Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of 1,488,667 Equity Shares of Rs. 10 each) Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of our Company for adoption.

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 50,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 50,000. In case the Bid Amount is over Rs. 50,000 due to revision of the Bid or revision of the Price Band or on exercise of cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders portion. 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 exceeds Rs. 50,000 and in multiples of [•] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue to the public. However, the maximum Bid by a QIB Bidder 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 Closing Date/Issue Closing Date.**

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 50,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 50,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off'.

Information for the Bidders

(a) We will file the Red Herring Prospectus with the RoC at least three days before the Bid Opening Date/ Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares according to the terms of this Draft Red Herring Prospectus and applicable law) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our Corporate Office or from any of the members of the Syndicate.

(d) 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) Our Company and the BRLM shall declare the Bid Opening Date/Issue Opening Date, Bid Closing Date/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the RoC and also publish the same in two widely circulated newspapers (one each in English, Hindi and [●]). This advertisement shall contain the salient features of the Red Herring Prospectus in the nature of the specifications under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLM and the Syndicate Member and their bidding centers. The Syndicate Member 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 the Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding Period shall be a minimum of five days and not exceed 10 days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English, Hindi and [●]) and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 13 days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see the section titled "Issue Procedure-Bids at Different Price Levels" on page [●] of this Draft Red Herring Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(e) 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 Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure-Build up of the Book and Revision of Bids" on page [●] of this Draft Red Herring Prospectus.

(f) The Syndicate Member will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) During the Bidding Period, Bidders may approach the members of 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.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled "Issue Procedure-Terms of Payment and Payment into the Escrow Accounts" on page [●] of this Draft Red Herring Prospectus.

Bids at Different Price Levels

1. 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.

2. In accordance with SEBI Guidelines, our Company reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

3. In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 13 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English, Hindi and Punjabi), and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.

4. Our Company, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

5. Bidders can bid at any price within the Price Band. Bidders have to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 50,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders and such Bids from QIB Bidders and Non Institutional Bidders shall be rejected.**

6. Retail Individual Bidders who bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price in the respective Escrow Accounts. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the respective Escrow Accounts/refund account(s).

7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 50,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 50,000, the Bid will be considered for allocation under the Non-Institutional Portion 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 the revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Escrow Accounts/refund account(s).

9. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [•] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Escrow Mechanism

We shall open Escrow Accounts with one or more Escrow Collection Bank(s) 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 respective Escrow Account. The Escrow Collection Bank(s) will act in terms of this Draft Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Accounts 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 Bank(s) shall transfer the monies from the Escrow Accounts to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Accounts/refund account(s) as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, who is required to pay Margin Amount greater than 0% 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 details see the section titled "Issue Procedure-Payment Instructions" on page [•] of this Draft Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

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 equivalent to the size of the Issue from the Escrow Accounts, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders, i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders, would be required to pay their applicable 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 in the section titled "Issue Structure" on page [•] of this Draft Red Herring Prospectus. 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 not 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 BRLM. If the payment is not made favouring the appropriate Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. 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 form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had Bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid Closing Date/Issue Closing Date, failing which we and shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

(a) The Syndicate Member will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(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 Syndicate Member and its authorised agents during the Bidding Period/Issue Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that it will subsequently download the off-line data file into the on-line facilities for book building on an half hourly basis. On the Bid Closing Date/ Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on an half hourly basis, consolidated and displayed on-line at all bidding centers. A graphical representation of the consolidated demand and price would be made available at the bidding centers and the websites of the Stock Exchanges during the Bidding Period/Issue Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depositary Account is held. In case, the Bid cum Application Form is submitted in joint names, 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, FII, NRI or mutual fund, etc.;
- Numbers of Equity Shares Bid for;
- Bid price;
- Bid cum Application Form number;
- Whether payment is made upon submission of Bid cum Application Form; and
- Depository Participant identification no. and client identification no. 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 member 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) In case of QIB Bidders, the members of the Syndicate also have the right to accept the Bid or reject it without assigning any reason. In case of Bids under the Non-Institutional Portion and Bids under the Retail Portion, Bids would not be rejected except on the technical grounds listed in this Draft Red Herring Prospectus.

(h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by us or the BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the NSE and BSE; 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 NSE and BSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the Syndicate Member shall be electronically transmitted to the NSE or BSE mainframe on a half hourly basis.

(b) The book gets built up at various price levels. This information will be available with the BRLM on a half hourly 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 number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form 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) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(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 QIB Bidders, the members of the Syndicate may at their sole discretion waive the payment requirement 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) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid Closing Date/Issue Closing Date, the BRLM will analyse 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 portion and the allocation to successful QIB Bidders. The allocation will be decided based *inter alia*, on the quality of the Bidder, and the size, price and time of the Bid.

(c) The allocation for QIB Bidders for up to 50% of the Issue would be discretionary. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 25% each of the Issue, 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) Allocation to QIBs, Non Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by RBI while granting permission for allotment of Equity Shares to them.

(e) The BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(f) We reserve the right to cancel the Issue any time after the Bid Opening Date/Issue Opening Date without assigning any reasons whatsoever.

(g) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid Closing Date/Issue Closing Date.

Signing of Underwriting Agreement and Filing with the Designated Stock Exchange

(a) Our Company, the BRLM and the Syndicate Member shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with the 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.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) The BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.

(b) The BRLM or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Accounts at the time of bidding shall pay in full the amount payable into the Escrow Accounts by the Pay-in Period specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be Alloted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

- Check if you are eligible to apply;

- Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), as the case may be;

- Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;

- Ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depositary Account is held. In case, the Bid cum Application Form is submitted in joint names, 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;

- Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;

- Ensure that you have been given a TRS for all your Bid options;

- Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

- Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more and attach a copy of the PAN Card and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN along with the application for the purpose of verification of the number, with the Bid cum Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T.Act along with the application.; and

- Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects.

Don’ts:

- Do not Bid for lower than the minimum Bid size;

- Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the Price Band;

- Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

- Do not pay the Bid Amount in cash;

- Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

- Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders, for whom the Bid Amount exceeds Rs. 50,000);

- Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

- Do not submit Bid accompanied with Stockinvest.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRIs and FIIs and applying on repatriation basis).

- Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

- The Bids from the Retail Individual Bidders must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid Amount of Rs. 50,000.

- For Non-institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 50,000 and in multiples of [•] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.

- In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

- Thumb impressions and signatures other than in the languages specified in the Eighth Schedule of 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 Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant**. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders 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 DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

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 ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither we nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made pursuant to 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 lodged along with the Bid cum Application Form. Failing this, we Bank reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

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 that we and the BRLM may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by NRIs

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Registrar to the Issue or BRLM whose addresses are printed on the cover page of this prospectus.

- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids by NRIs and FIIs on a repatriation basis

Bids and revision to Bids must be made:

- On the Bid cum Application Form or the Revision Form, as applicable (blue in color), 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 FIIs for a minimum of such number of Equity Shares and in multiples of [•] thereafter that the Bid Amount exceeds Rs. 50,000. For further details see section titled "Issue Procedure-Maximum and Minimum Bid Size" on page [•] of this Draft Red Herring Prospectus.

- In the names of individuals, or in the names of FIIs, or in the names of foreign venture capital funds, multilateral and bilateral development financial institutions, but not in the names of minors, firms or partnerships, foreign nationals (including NRIs) or their nominees, foreign venture capital investors.

- Refunds, dividends and other distributions, if any, will be payable in Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Rupee drafts purchased abroad, such payments in Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. 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 NRIs and FIIs. All NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We shall open Escrow Accounts with the Escrow Collection Bank(s) 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:

(a) *Payment into Escrow Account*

- The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

- In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.

- The payment instruments for payment into the Escrow Account should be drawn in favour of:

    - In case of Resident Bidders: **[•]**

- o In case of Non Resident Bidders: **[•]**

  In case of bids by NRIs applying on a repatriation basis, the payments must be made through Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in the NRE Accounts or the Foreign Currency Non-Resident Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Account of the Non Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the NRE Account or the Foreign Currency Non-Resident Account.

  In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

- Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Accounts.

- The monies deposited in the Escrow Account will be held 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 Issue Account with the Banker to the Issue.

- On the Designated Date and no later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) 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 draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders 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.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application 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. 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.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all portion.

PAN Number

Where the maximum Bid for Equity Shares by a Bidder is for the total value of Rs. 50,000 or more, i.e. the actual numbers of Equity Shares bid for multiplied by the bid price is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the I.T.Act and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Bidders who do not have PAN are required to provide a declaration in Form 60 prescribed under the I.T.Act along with the application. Bid cum Application Forms without this photocopy/ PAN Communication/ declaration will be considered incomplete and are liable to be rejected.

Unique Identification Number - MAPIN

In terms of SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time and SEBI Notification dated November 25, 2003 and July 30, 2004, circular dated August 16, 2004 and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its promoters and directors have been allotted unique identification numbers (UIN) save and except: (i) those promoters or directors who are persons resident outside India, who are required to obtain UIN before December 31, 2005; and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until the disposal of his application or, where he has filed an appeal, till the disposal of the appeal, as the case may be.

In terms of the above it shall be compulsory for specified investor being a body corporate making application in this issue/Offer to give their UIN. In case where a body corporate has made an application for such number before December 31, 2004 but the same has not been allotted, or where an appeal has been filed, but not disposed off, the investor shall indicate the same in the space provided in the Application form.

Application forms from specified investors being body corporate not providing their UIN or UIN application status in cases which have applied for such UIN before December 31, 2004, shall be liable to be rejected.

Our right to Reject Bids

We and the BRLM reserve the right to reject any Bid without assigning any reason therefor in case of QIB Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, we have a right to reject Bids on technical grounds. Consequent refunds shall be made by cheque or pay order or draft 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 among others on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;

- Age of First Bidder not given;
- In case of partnership firms, shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
- Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- PAN photocopy/ PAN Communication/ Form 60/Form 61 declaration not given if Bid is for Rs. 50,000 or more;
- UIN Number not given for Body Corporates;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bank account details for refund are not given;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders applying for greater than 50,000 Equity Shares;
- Bids for number of Equity Shares, which are not in multiples of [•];
- Category not ticked;
- Multiple Bids as defined in this Draft Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and /or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLM or the Syndicate Member;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid Opening Date/Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid cum Application Forms;
- 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 Depositary Participant's identity (DP ID) and the beneficiary's identity;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure–Bids at Different Price Levels" at page [•] of this Draft Red Herring Prospectus;
- Bids by OCBs; and
- Bids by US Persons other than "qualified institutional buyers" as defined in Rule 144A under the Securities Act.

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

- The Issue size less allotment to Non-Institutional Bidders and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this portion is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.

- If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.

- In case the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.

- The Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders 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.

- The allocation would be decided by us in consultation with the BRLM and would be at our sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.

- The aggregate allocation to QIB Bidders shall not be more than [•] Equity Shares.

Method of proportionate basis of allocation in the Retail and Non-Institutional Portions

Bidders will be categorized according to the number of Equity Shares applied for by them.

(a) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of

Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.

(c) If the proportionate allotment to a Bidder is a number that is more than [•] but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

(d) In all Bids where the proportionate allotment is less than [•] 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 portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
- Each successful Bidder shall be Allotted a minimum of [•] Equity Shares.

(e) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

Equity Shares in Dematerialised Form with NSDL or CDSL

The allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- a tripartite agreement dated June 9, 2004 with NSDL, us and [•]; and
- a tripartite agreement dated [•] with CDSL, us and Registrar to the Issue. This is to be executed prior to the filing of the Red Herring Prospectus with the RoC.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- 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.
- Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

- Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

- Non-transferable allotment advice or refund orders will be directly sent to the Bidders by the Registrar.

- 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.

- The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

- It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

- The trading of the Equity Shares of our Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) ***makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or***

(b) ***otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."***

Undertakings by our Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;

- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allocation;

- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;

- that the refund orders or allotment advice to the successful Bidders shall be dispatched within specified time; and

- that no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

We shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilisation of Issue Proceeds

The Board of Directors of our Company certifies that:

- all monies received out of the Issue to the 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 Companies Act;

- details of all monies utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised;

- details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of our Company indicating the form in which such unutilised monies have been invested;

- Our Company shall not have any recourse to the Issue proceeds until the approval for trading the Equity Shares is received from the Stock Exchanges.

- The utilisation of monies received under Promoters' contribution 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

- The details of all unutilised monies out of the funds received under Promoters' contribution shall be disclosed under a separate head in the balance sheet of our Company indicating the form in which such unutilised monies have been invested.

Disposal of Applications and Applications Money and Interest in Case of Delay in Depsatch of Alltotment Letters/Refund Orders

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalisation of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder's sole risk and adequate funds for the purpose shall be made available to the Resitsrar by us. .

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of allotment.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, we further undertake that:

- Allotment shall be made only in dematerialised form within 15 days of the Bid Closing Date/Issue Closing Date;

- dispatch refund orders within 15 days of the Bid Closing Date/Issue Closing Date would be ensured; and

- 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 and 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 Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the pharmaceutical sector is permitted up to 100% under the automatic route. By way of Circular No. 53 dated December 17, 2003, RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. Non-resident Bidders are not required to make separate applications seeking permission from the FIPB or RBI.

The above information is given for the benefit of the Bidders and neither our Company nor the BRLM is liable for any changes in the regulations after the date of this Draft Red Herring Prospectus.

RIGHTS OF MEMBERS

The Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled "Main Provisions of the Articles of Association" on page 164 of this Draft Red Herring Prospectus.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

SHARES UNDER THE CONTROL OF THE DIRECTORS

7. Subject to the provisions of the Act and of these Articles, the shares In the capital of the company for the time being (including any shares forming part of any increase capital of the company) shall be under the control of the Directors who may allot or otherwise dispose of the same or any of them to such person, in such proportion and on such forms and conditions and either at premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount and at such times as they may from time to time think fit and proper and with full power to give to any person the option to be allotted shares of the company either at par or at a premium, or subject of aforesaid, at a discount such option being exercisable at such times, and .for such considerations as the Directors may think fit, provided that the option or right to call of shares shall not be given to any person or persons without any sanction of the Company in general meeting.

UNDERWRITING BROKERAGE

15. The company may subject to the provisions of Section 76 and other applicable provisions (If any) of the Act, at the time of public issue pay a commission to any person in consideration of his subscribing or agreeing to subscribe or his procuring or agreeing to procure subscription whether absolutely or conditionally for any shares or debentures of the Company but so that the amount or rate of commission does not exceed in the case of shares 5% of the price at which the shares are issued and in the case of debentures 2.5% of the price at which the debentures are issued. The commission may be satisfied by the payment of cash or the allotment of fully or partly paid up shares or, debentures or partly in the one way and partly in the other. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful.

WHEN INTEREST ON CALL OR INSTALMENT PAYABLE

26. If the sum payable in respect of any call or instalment be not paid or before the day appointed for payment thereof, the holders for the time being or allottee of the share in respect of which a call shall have been made for the instalment shall pay interest on the same and such rate as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment but the Directors may waive payment thereof to the time of actual payment but the Directors may waive payment of such interest wholly or in part.

FORFEITURE, SURRENDER AND LIEN

30. If any member fails to pay the whole or any part of any call or installment or any money due in respect of any shares either by way of principal interest on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the call of installments or, any part thereof and other money remain unpaid or judgement or decree in respect thereof remains unsatisfied in whole or part, serve a notice on such member or on the person (if any) entitled for the share by transmission requiring him to pay such call or installment or such part thereof or other sums remain unpaid together with an interest that may have accrued and all expenses (legal and otherwise that may have been incurred by the Company by reasons of such non-payment).

31. The notice shall name a day (not being less than 30 days from the date of the Service of notice) on or before which and the place or places where such call, installment or such part thereof and other money aforesaid and such interest and expenses as aforesaid are to be paid and if payable to any person other than the Company, the person to whom such payment is to be made. The notice shall state that in the event of non-payment or at or before the time and (if payable to any person other than the Company) at the place appointed, the shares in respect of which the call was made or installment is payable, will be liable to be forfeited.

32. If the requirement of any such notice aforesaid shall not be complied with, any of the shares in respect of which such notice has been given, may at any time thereafter but before payment of calls or installment interests and expenses and other money due in respect thereof, be forfeited by a resolution of the Directors to the effect.

33. When any share shall have been so forfeited, an entry of the forfeiture with the date thereof shall be made in the Register of Members and notice of forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture shall be in any manner, invalidated by any omission or neglect to give such notice or to make any entry as aforesaid.

34. Any share so forfeited shall be deemed to be the property of the Company and may be sold, or otherwise disposed of either to the original holder thereof, or to any other person upon such terms and in such manner as the Board shall think fit, the clauses of listing Agreement shall be complied while disposing off the forfeited shares

35. The Directors may at any time before any share so forfeited shall have been sold or otherwise disposed of annul the forfeiture upon such conditions as they think fit

a) "The forfeited shares shall be disposed of in accordance with the provisions of listing agreement."

36. Any member whose shares have been forfeited shall notwithstanding the forfeiture be liable to pay and shall forthwith pay to the Company all calls, Installments, interest, expenses and other money owning upon or in respect of such shares at the time of forfeiture together with interest thereon until payment at such rate as the Director may determine and the Directors may enforce the payment of the whole or a portion thereof as if it were a new call made at the date of the forfeiture but shall not be under any obligation. to do so.

37. The forfeiture of share shall involve extinction at the time of the forfeiture, of all interest in and all claims and demands against the Company in respect of the share and all other rights incidental to the share except only such of these rights as by these presents are expressly saved.

38. The Directors may subject to the provisions of the Act, accept a surrender of any shares from or by any Member desirous Of Surrendering the share on such terms as they think fit.

39. The Company -shall have no lien on Its fully Paid shares. In the case Of Partly paidup share the company shall have a first and Paramount lien on such shares registered in the name of each member, whether solely or jointly with other and upon the proceeds of sale thereof for all money called or Payable at a fixed time In respect of such shares and whether held solely or jointly with any other person and Whether the Period for Payment fulfillment or discharge thereof shall have actually arrived or not and equitable interest In any share shall be created except upon the footing and condition that Article 14 is to have full effect. Any such lien shall extend to all dividends and bonuses from time declared in respect of such shares. Unless otherwise agreed, the registration of transfer of shares shall operate as a waiver of the company's lien. If any on such shares. The Director may at any time declare any share wholly or in part to be exempted from the Provisions of this clause.

40. For the Purpose Of enforcing such lien the Director may sell the share subject thereto in such manner as they shall think fit, but no sale shall be made until such Period as aforesaid have arrived and until notice in writing of the Intention to sell such shares shall have been served on such Member or the person (if any) entitled by transmission to the shares and default have been made by him in payment, fulfillment or discharge Of such debts, liabilities or engagements for seven days after such notice.

41. The net proceeds of any such sale after payment of the cost of such sale shall be applied in or towards the satisfaction of such debts, liabilities or engagements of such members and residue (if any) shall subject a like lien for not presently Payable as existed upon the shares before the sale be paid to such member or the person (if any) entitled by transmission to the shares so sold.

42. A certificate in writing under the hand of two directors that the call In respect of a share was made, and notice thereof given, and the default in Payment of the call Was made by a resolution Of the Directors to the effect, shall be conclusive evidence of the fact stated therein as against all Persons entitled to such shares.

43. Upon any sale after forfeiture or for enforcing a lien In purported exercise of powers here-in-before given, the Board May appoint some persons to execute an Instrument Of transfer of shares sold and cause the sale shall not be Impeached by any person. Purchasers name to be entered In the Register of Members in respect of the shares sold and the Company may receive the consideration (if any) given for the share or any sale, re-allotment or other disposition, there and the person to whom such share Is -sold, re-alloted or disposed of be registered as the holder of the share and he shall not be bound to the application of the consideration, If any Irregularity or lnvalidity proceeding with reference to the forfeiture, sale, re-allotment or other disposal of the such share.

44. Upon any sale, re-allotment or other disposal under the provisions of preceding Article, the certificates originally Issued In respect of the relevant shares shall (unless the same shall on demand by the Company have been previously surrendered to It by the Defaulter Member) stand cancelled and become null and void and of no effect, and the Director shall be entitled to Issue a new certificate or certificates In respect of the said shares to the persons or persons entitled thereto.

TRANSFER AND TRANSMISSION OF SHARES

45. The Company shall keep a book to be called the "Register of Transfer' and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

46. The company shall keep a book to be called the 'Register of Renewed and Duplicate Certificates' and therein shall be fairly and distinctly entered particulars of the Issue of renewed and duplicate certificate in exchange for those which are sub-divided or consolidated or In replacement of those which are defaced, torn, or old, decrepit, worn out or rendered useless.

47. The Instrument of transfer of any share shall be In writing and all the provisions of Section 108 of the Act and of any statutory modification thereof for the time being shall be duly complied with In respect of all transfer of shares and the registration thereof.

48. (1) An application for the registration of a transfer of the shares In the company may be made either by the transferor or the transferee.

(2) Where the application is made by the transferrer and relates to partly paid share the transfer shall not be registered unless the company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

(3) For the purpose of clause (2) above the notice to the transferee shall be deemed to have been duly given if It Is despatched by prepaid registered post to the transferee at the address given In the lnstrument of transfer and shall be deemed to have been duly delivered at the time at which It would have been delivered In the ordinary course of post.

49. Every such Instrument of transfer shall be signed by the transferer and transferee and the transferer shall be deemed to remain the holder of such share until the name of the transferee Is entered In the Register of Members in respect thereof.

50. The Company shall not register a transfer of shares in the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferee and specifying the name, address and occupation, If any, of the transferee has been -delivered to the company the prescribed period along with the certificate relating to the share or If no such share certificate is in existence along with the letter of allotment of the shares. Provided that whereon an application In writing made to the company by the transferee and bearing the stamp required for an Instrument of transfer it Is proved to the satisfaction of the Board of Directors that the instrument of transfer, signed by or on behalf of the transferee has been lost the company may register the transfer on such terms as to Indemnity as the Board may think fit. Provided further that nothing In this Article shall prejudice any Power of the Company to register as shareholder any person to whom the right to any shares in the Company has been transmitted by operation of law.

51. The Board 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 share on which the company has a lien, provided that 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 or on any account except a lien,
(c) The Company shall comply with provisions of Section 22-A of Securities Contract (Regulation) Act, 1956, as regard to free transferability and registration of transfer of shares/debentures.

52. If the company refuses to register the transfer of any share or transmission or transmissions of any right therein, the company shall within one month from the date on which the Instrument of transfer or Intimation of transmission was lodged with company send notice of refusal to the transferee and transferor or to the person giving Intimation of the transmission as the case may be and thereupon the provisions Section 111 of the Act and/or statutory modification thereof for the time being in force shall apply.

52.A (i) Notwithstanding any thing to the contrary contained in these Articles the company shall be entitle to dematerialize its securities and to offer securities in a dematerialized from pursuant to the Depositories Act.

When any, securities of the company are held or dealt in dematerialized form.

Every person holding securities of the company through allotment or otherwise shall have the option to receive and hold the same in the dematerialized form with a depository.

All securities held by a depository shall be dematerialized and shall be in fungible form. Nothing contained in section 153, 153A, 153B, 187B and 187C of the Act, shall apply to a depository in respect of the securities held by it on behalf of the beneficial owner.

Every person holding securities of the Company with a depository, being the beneficial owner thereof, may at any time opt out of the depository in the manner provide under the provisions of the Depositories Act, 1996 and the rules, if any, prescribed thereunder and on fulfillment of the conditions prescribed by the company from time to time, the company shall issue the relevant security certificate to the beneficial owner thereof.

52.B (i) The company shall make available to the depository, copies of the relevant records in respect of securities held by such depository for the beneficial owner thereof.

When a holder or an allottee of the securities opts to hold the same with a depository, the company shall intimate such depository the details of his holding or allotment of securities and thereupon the depository shall enter in its record the names of the holders/allottees as the beneficial owners of such securities.

52.C The register and index of Beneficial Owners of the securities maintained by a Depository under section 11 of Depositories Act, shall be deemed to be the Register and index of Members or of holders of Debenture or other securities of the company.

52.D (i) Transfer of securities held in a depository will be governed by a provision of Depositories Act, 1996.

(ii) Every depository shall furnish to the company information about the transfer of securities, the name of beneficial owners at such intervals and in such manner as may be specified under provision of Depositories Act, 1996.

(iii) Section 108 of the Act shall not apply to transfer of securities effected by the transfer or and the transferee both of whom are entered as beneficial owners in the record of a depository.

52.E (i) A depository shall be deemed to be the registered owner for the purpose of effecting the transfer of ownership of securities on behalf of the beneficial owners and shall not have any voting rights of any other rights or any other rights in respect of the securities held by it.

(ii) Even 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 securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

52.F Nothing contained in the Act or these Articles regarding the necessity of having number for securities issued by the company shall apply to securities.

52.G Notwithstanding anything contained in these Articles or the Act, the provisions of Depositories Act, 1996, relating to dematerialization of securities (including any modification or re-enactment thereof and Rules / Regulation made thereunder) shall prevail and apply accordingly."

53. A transfer of a share in the company of a deceased member thereof made by his legal representative shall although the legal representative Is not himself a member be a valid as If he had been a member at the time of the execution of the lnstrument of transfer.

54. The Instrument of transfer shall after registration be retained by the company and shall remain In Its custody. All Instrument of transfer which the Directors may decline register, shall on the demand be returned by the person depositing the same. Directors may cause to destroy all transfer deeds lying with the company for period of eight years or more.

55. The Directors shall have power, on giving not less than seven days previous notice by advertisement as required by section 154 of the Act to close the transfer books of the Company, the Register of Members or the Register of Debenture holders at such time or times and for such period or periods of time not exceeding In the whole 45 days In each year. but not exceeding 30 days at any one time.

56. The executors or administrators or the holder of a Succession Certificate In respect of a deceased member (not being one or two more joint holders) shall be the only persons recognised by the company having any title to the shares registered In the name of such member's and the company shall not be bound to recognise such executors administrations shall have the first obtained probate or Letter of Administrations or Succession Certificate as the case may be, from a Competent Court of India, provided that any case where the Directors at their absolutely discretion think fit, the Directors may dispense with the Productions Probate or Letter of Administration or Succession Certificate and under the Provision of Article 57, register the name of any person who claims to be absolutely entitled to the shares standing In the name of a deceased member, as a member.

57. Subject to the provisions contained In Articles 51 and 52 hereof a person becoming entitled to a share in consequence of the death, lunacy or Insolvency, of any member, upon producing proper evidence if the grant of Probate or letter of Administration or Succession Certificate or such other evidence that he sustains the character In respect of which he proposes to act with the consent of the Board (which It shall not be under any obligations to give), registered as a member in respect of such shares, or may subject to the regulations as to transfer herein before contained such shares. The Article is herein referred to as the transmission Clause.

58. Subject to provision of the Act and these Articles and subject to the provisions of Section 22A of S.C. (R) Act, 1956, the Directors shall have the same right to refuse to register as the member a person entitled by transmission to any shares or his nominees as if he were the transferee named In an ordinary transfer named In an ordinary transfer presented for registration.

59. A person entitled to share by transmission shall, subject to the right of the Director to retain such dividend or money as here In after provided, be entitled, to receive, and may give a discharge, for any dividend or other payable In respect to the share.

60. Every transmission of a share shall be verified in such manner as the Directors may require and the Company may refuse to register any such transmission until the same be so verified or unless any Indemnity be given to the Company with regard to such registration with the Directors at their discretion shall consider sufficient provided nevertheless that there shall not be any obligation of the company or the Directors to accept any Indemnity.

61. The Company shall not charge any fee, on registration of transfer or transmission' No fee (if any) shall be charged for transfer of shares/ debenture or effecting transmission for requesting any letters of probate, letters of administration and similar other documents.

62. The Company shall Incur no liability or responsibilities whatsoever Is consequence of Its registering or giving effects 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 person having or claimed any equitable rights, title or Interest to or In the said share notwithstanding that the Company may have received a notice of such equitable right, title or Interest or may have received a notice prohibiting registration of such transfer and may have entered such notice there to In any book of the Company and the Company shall not be bound or required to regard or attend to give effects to any notice which may be given to It of any equitable right, title or the Interest or be under any liability whatever so, for refusing or neglecting to do so though it may have been entered or refused to some book of the Company but the Company shall nevertheless be at liberty to record and attend to any such notice and give effects thereto If the Directors shall so think fit..

CONVERSION OF SHARES INTO STOCK

63. The Company, by ordinary resolution In General meeting may

(a) Convert any fully paid up shares Into stock and

(b) Reconvert any stock Into paid up shares of any denomination.

64. The holders of stock may transfer the same or any part thereof In the same manner and subject to the same regulation under which the share from which the stock arose might before the conversion have been transferred or as near thereto as circumstances admit; provided that the Board may from time to time fix the minimum amount of stock transferable, so however, that such minimum shall not exceed the nominal amount of share from which the stock arose.

65. The holders of stock shall according to the amount of stock held by them have the same right, privileges and advantages as regards dividend participation In profits, voting at meetings of the Company and other matters, as they held the shares from which the stock arose but no such privilege or advantage (except as to dividends, participation In the profit of the Company and In the assets on winding up) shall be conferred by amount of stocks which would not, If existing on shares, have conformed that privilege or advantage,

66. 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 'Shares' and "Shareholders' in those regulations shall include "Stock' and 'Stock holders' respectively.

INCREASE, REDUCTION AND ALTERATION OF CAPITAL

67. The Company may from time to time by special resolution In General meeting lncrease its share capital by the creation and issue of new share of such amount as It think expedient, subject to the

provisions of the Act the shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General meetings creating the same shall direct and If no direction be given, as the Board shall determine, such shares may be Issued with a preferential or qualified right as dividends, and In the distribution of assets of the Company and with right of voting at General meeting of the Company in conformity with Sections 87 and 88 of Provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.

68. If the Company proposes to Issue new shares at any time after the expiry of two years from the date of formation of the company or at any time at the expiry of one year from the date of allotment of shares in the company made for the first time (whichever is earlier) then such new share shall be offered to the person who at the date of the offer are holders of the equity shares of the company In Proportion as nearly as circum stances admit to the capital paid up on those shares at that date and such after shall be made In accordance with the provision of the Section 81 of Act provided that notwithstanding anything here in before contained further shares aforesaid may offered to any persons whether of those persons, Include the persons who at the date of the offer or holders of the equity shares of the company In any manner whatsoever:

(a), If Special Resolution to that effect Is passed by the company In general Merting or

(b) Where no such Special Resolution Is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained In the Resolution moved In that General Meeting Including the casting vote, If any of the Chairman) by the member who, being entitled to do so, vote In -person or where proxies are allowed by proxy exceed the votes, If any, cast against the proposal by the members so entitled and voting and the Central Government is satisfied on the application made by the Board of Directors In that behalf, the proposal Is most beneficial to the company.

(2) Nothing In this Article shall apply to the Increase of the subscribed capital cause by the exercise of an option attached to the debentures Issued or loans raised to convert such debentures or loans into share In the company or to subscribe for shares In the company (whether such option Is conferred In Article 79 or otherwise) provided the terms of the issue of such debentures or such loan Include a term providing for such option and such terms have been approved by special Resolution passed by the company in General Meeting before the issue of the debentures or raising of the loan and also the same has either been approved by the Central Government before the Issue of the debentures or raising of the loan Is In conformity with the rules, If any made by the Government in this behalf.

69. (1) Except so for as otherwise provided by the condition of issue or by presents, any capital raised by the creation of new shares shall be subject to the provision herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

(2) Subject to the provisions of Section 80 of the Act, the Company shall have the power to Issue preference shares which are at the option of the company, are liable to be redeemed and the redemption may, subject to the provisions of Articles 5 thereof, be effected in the manner and subject to the terms and provisions of its issue

"Shareholders" in those regulations shall include 'Stock' and 'Stock holders" restively.

RESTRICTION ON PURCHASE BY THE COMPANY OF ITS OWN SHARES

70.

(a) The Company shall not have the power to buy its own shares unless the consequent reduction reduction of capital is effected and sanctioned in pursuance of Article 71 or in pursuance of Sections 100 to 104 or Section 402 or other applicable provisions (if any) of the Act.

(b) Except to the extent permitted by Section 77 or other applicable provisions (if any) of the act, the company shall not give whether directly or indirectly and whether by means of a loan, guarantee, provision of security or otherwise any financial assistance for the purpose or in connection with the purchase or subscription made or to be made by any person for any shares in the company.

REDUCTION OF CAPITAL

71.

The company may from time to time subject to the provisions of Sections 78, 80 and 100 to 105 inclusive of the act, by special resolution, reduce its share capital and any Capital Redemption Reserve Account or Share Premium Account in any way authorized by the law and in particular may pay off and pay up share capital upon the footing that it may be called up again or otherwise so far as necessary, after reducing the amount of its share capital accordingly.

CONSOLIDATION, DIVISION AND SUB-DIVISION

72.

The Company may in General Meeting alter the conditions of its Memorandum as follows:-

(a) Consolidate and divide all or any of the share capital into share of larger amount that its existing share.

(b) Sub-divide shares into or any of them into share of smaller amount than originally fixed by the Memorandum, so however, that in subdivision the proportion between the amount paid and the amount if any unpaid on each reduced share shall be the same as it was in case of the shares from which the reduced share is derived.

(c) Cancel shares which at the date of such General meeting 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.

73. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of issue of shares of that class be deemed to be verified the creation or issue of further shares ranking pari passu therewith.

MODIFICATION OF RIGHTS

73A If at any time the share capital Is divided In different classes of shares the rights attached to any class of shares (unless otherwise provided by the terms of Issue of the shares of that class) may, subject to the provision of Section 106 and 107 of the Act, the modified, abridged, affected, abrogated or varied (whether or not the company Is being wound up) be varied with the consent In writing of the holders of not less than three fourths of the Issued shares of that class or with the sanction of special resolution passed at a separate meeting of shareholders of the class of shares. The provision of these regulations hereinafter contained as to General Meeting shall mutatis apply to every such meeting.

JOINT HOLDERS

74. Not more than three persons shall be registered as joint holders of any shares and they shall be deemed to hold the same as joint tenants with benefits of survivorship subject to the following and other provisions contained In the Articles

(a) The Joint holders of any shares shall be liable severally as well as jointly for and in respect of all calls and other payments which ought to be made in respect of such shares.

(b) On the death of any such joint-holder the survivor or survivors shall be the only person or persons recognized by the company as having any title to the share but the Directors may require such evidence of death as they deem fit and nothing herein contained shall be taken to release the estate of deceased joint holder liability In respect of the shares held by him. jointly with any other person.

(c) Only the person whose name stands first In the Register of Members as one the joint holders (s) of any share may give effectual receipts for any dividends or other money payable In respect of such, share.

(d) Only the person whose name stands first In the Register of Member's as one of joint-holders of any share shall be entitled to delivery of the certificates relating to such share or to receive documents referred to In Article-21 I from the company and any documents served or sent to such person shall be deemed served on all the joint holders.

(e) Any one of two or more Joint holders may vote at any meeting either personally or by proxy In respect of such shares as If he were solely entitled thereto and If more than one of such joint-holders be present at any meeting personally or by proxy that one of such persons so, present whose name stands first or higher (as the case may be) on the register In respect of such share shall alone be entitled to vote In respect thereof but the other or others of the joint-holders shall be holders present at any meeting personally shall be entitled to vote In preference to joint holder present by proxy although the name of such joint holder present by proxy stands first or higher In the Register In respect of such shares several executors or administrators of a deceased members whose (deceased members sole name in any shares stands, shall for the purpose of this sub-clause be deemed joint holders.

BORROWING POWERS

75. Subject to the Act and these Articles and without prejudice to the other powers conferred by these Articles, the Directors shall have the powers, from time to time at their discretion by a Resolution passed at a meeting of the Board and not by resolution by circulation to accept deposit from Members, either In advance calls or otherwise, generally raise or borrow or secure the payment of any sum or sums for the purposes of the Company provided that the total amount borrowed at any time together with the moneys already borrowed from the company's Bankers In the ordinary course of business shall not, without the consent of the company In General Meeting, exceed the aggregate of the paid up capital of the company and its free reserves that is to said reserves not set apart for any specific purpose, such consent shall be obtained by an ordinary resolution which shall provide for the total amount up to which money may be borrowed by the Board. The expression 'temporary loans' in this article means loans repayable on demand or within six months from the date of loan which as short term cash credit of seasonal character but does not Include loans raised for the purpose of financial expenditure of a capital nature.

76. Subject to the provisions of the act and these Articles, the Directors may by a resolution passed at the meeting of the Board and not by resolution by circulation, raise and secure the payment of such sum or sums In such terms and conditions In all the respect as they think fit and In particular by the Issue of bonds, perpetual or rademinate bonds, debentures, debenture-stock, or other securities Issued by the company shall be under the control of the Directors who may Issue them upon such terms and conditions and In such manner and such consideration as they shall consider to be for the benefit of the company.

77. Any bonds, debentures, debenture stock or other securities Issued or be Issued by the company shall be under the control of the Directors who Issue them upon such terms and conditions and In such manner and such consideration as they shall consider to be for the benefit of the company.

78. Debentures, debenture-stock, bonds or other securities may be assignable free from equities between the company and the person to whom the same may be Issued.

79. Subject to the provisions of the act and these Articles any bonds, debentures, debenture stock or other securities may be Issued at a discount, premium or otherwise and with any special privileges and conditions as to redemption, surrender, drawings, allotment of shares, attending (but not voting) at general meetings, appointment of Director's and otherwise. Provided that debentures with the right to allotment or conversion In to shares shall not be Issued except with the sanction of the company In General meeting.

80. If any uncalled capital of the company Is Included In or charged by way of any mortgage or other security by the Directors, the Directors shall subject to the provisions of the Act, and these articles may make calls on the members In respect of such uncalled capital. In trust for the person, In whose favour such mortgage or security Is executed.

81. Subject to the provisions Of the Act and these, Articles If Directors or any of them or any other person shall Incur or be about to Incur any liability whether as principal surety for the payment of any sum primarily due from the company, the Directors may execute or cause to be executed any mortgage, charge or security of own or affecting the whole or any part of the assets of the company

by way of Indemnity to secure the Directors or any other person so becoming liable as aforesaid from any loss In respect of such liability.

82. The Board shall cause a proper register to be kept In accordance with the provision of Sections 143 of the Act to being kept of all mortgages, debentures and charges specifically affecting the property of the Company, Including all floating charges on the undertaking of property of the Company and shall cause the requirements of Section 118, 120 and 127 to 144 (both inclusive) of the Act In this behalf to be duly compiled with (within the time prescribed by the said Sections or such extensions thereof as may be permitted by the Court or the Registrar of Companies) so far as they are to be complied with, by the Company. The Company shall, if at any time it issues debentures, keep a register and index of debenture holders in accordance with Section 152 of the Act.

DIRECTORS

Subject to the provisions of Section 259 of the Act

NUMBER OF DIRECTORS

128. Unless otherwise determined by a Special Resolution, the number of Directors shall not less than three and more than twelve including the nominated Directors (the exofficio director referred to in Article 129) and the Debenture Director referred to in Article 130.

DEBENTURE DIRECTOR

130. An trust deed for securing debentures or debenture stock may if so arranged provide for the appointment from time to time by the Trustee thereof or by the holders of the debentures or debenture stock of some person to be a Director of the Company and may empower such trustees or holders of debentures of debenture stock from time to time remove an Director so appointed. The Director appointed under this Article is herein referred to as the "Debenture Director" and the term Debenture Director means, the Director for the time being on office under this Article. The Debenture Director shall not be bound to hold an qualification shares and shall not be liable to retire by rotation or subject to the provisions of the Act to be removed by the company. The Trust Deed may contain such ancillary provisions shall have effect notwithstanding on any of the other provisions herein.

APPOINTMENT OF ALTERNATIVE DIRECTOR

131.

The Board of Directors of the Company may appoint an Alternative Director to act for a Director (hereinafter called "the original Director") during his absence for the period of not less than three months from the State where the Board Meetings are ordinary held and such appointment shall have effect and such appointees, while the preside office as an alternate Director shall be entitled to notice of meeting of the Director and so attend and vote thereat accordingly. An Alternate Director appointed under this Article shall not hold office as such for a period longer than the permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns from the State where the Board Meetings are ordinary held and provisions in the Act or in these Articles for the Automatic reappointment of the retiring directors in default of another appointment shall apply to the Original Director and not to the Alternate Director.

QUALIFICATION OF DIRECTOR

134. A Director of the Company shall not be required to hold any qualification shares

REMUNERATION OF DIRECTORS

135.

(1) The remuneration of a Director for his services shall be the sum of Rs.1000/- for each meeting of the Board or if one or more committees of the Board attended by him or such amount as the Board may decide from time to time Subject to the limitations provided by the Act. Such additional remuneration, as may be fixed by the Directors may be paid to anyone or more of the Directors for services rendered by him or them and the directors shall be paid funher remuneration (if any) as the company in General Meeting shall from time to time determine, and such further remunerations shall be divided among the directors in such proportion and manner as the directors may from time to time determine, and in default of such determination equally and such remuneration and/or additional remuneration may be by way of fixed sum or commission as laid down in Section 306, 349, 350 and 351 on net profits or by participation in profits or by any or all of those modes.

(2) The Directors may subject as aforesaid, allow and pay to any Director who is a bonafide resident of the place where a meeting is held and who shall come to such place for the purpose of attending a meeting, travelling, boarding, lodging and other expenses in addition to his les for attending such a meeting as above specified.

(3) Subject to the provisions of Section 309 and 310 of the Act if any director, being willing shall be called upon to perform extra services or to may any special exertion in going or residing out of the place where he normally resides or otherwise for any of the proposes of the company, the company shall subject as aforesaid. remunerate such director or where there is more than one such director to all of them together either by a fixed-sum or by a percentage of profits of otherwise as may be determined by the director and such remuneration may be either in addition to or in substitution for the remuneration above provided.

DIRECTORS MAY CONTRACT WITH COMPANY

138.

(1) Subject to the provisions of sub-clauses (2), (3), (4) and (5) of this article and the restriction imposed by Article 145 and the other Articles thereof and the act and the observance and fulfillment thereof no director shall disqualified by the office from contracting with the company (or an purpose and in a capacity whatsoever including either as vendor, purchase, agent, broker or otherwise nor shall any such contract, or any contract or arrangement into by or on behalf of the Company in which a Director shall be in any interested be avoided nor shall any such contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office, or of fiduciary relation thereby established but he must disclose the nature of his interest a provided by sub-clause (2) and (4) thereof.

(2) Every Director who is any way whether directly or indirectly concerned or interested in any contract or agreement or proposed contract or agreement entered only or to be entered in by or on behalf of the company shall disclose the nature of his concern or interest at the meeting of the Board of Directors or as provided in clause (4) thereof.

(3)

(a) In the case of a proposed contract or arrangement, the disclosure required to be made by a director under sub-clause (2) above shall be made at the meeting of the Board at which the question of entering into the contractor arrangement if first taken into consideration, or if the director was not at the date of the meeting concerned or interested, the director concerned shall take reasonable steps to assure that it is brought up and read to the first meeting of the board after it is given.

(b) In the case of any other contract or arrangement the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in this contract or arrangement.

(4) For the purpose of this article a General Notice given to the Board of Directors by a Director the effect that he is a Director or member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may after the date of the notice be entered into with that body corporate or firm shall be deemed to be sufficient disclosure of his concern or interest in relation to any contract or interest in relation to

any contract or arrangement so made. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for further period of one financial year in which it would have otherwise expired. The general notice aforesaid and any renewal thereof shall be given at a meeting of the Board of Directors or the Director concerned shall take reasonable step to secure that it is brought up and read in the first meeting of the Board after it is given.

(5) An interested Director shall not take any part in the discussion of or vote on any contract or arrangement entered into or to be entered by or on behalf of the company. If he is in any way directly or indirectly concerned or interested in the contract or arrangement nor shall his presence count for the purpose off forming a quorum at the time of any such discussion or vote and if he does vote, his shall ba void;.

Provided that his prohibitions on shall not apply'

(i) to any contract of indemnity against any loss which the Directors or any one or more or them may suffer by reasons of becoming or being sureties or a surety for the company.

(ii) to any correct or arrangement entered into with public company or a private company which is a subsidiary of a public Company.in which the interest of the Director consist solely in his being a Director of such Company and the holder of not more than shares of such number or value therein as is requisite to qualify him to the appointment as a Director thereof, he having being nominated as such Director by the Company or in his being a member holding not more than two percent of the paid up share capital of such company.

(iii) In case a notification is issued under sub-section (3) of Section 300 of the Act to the extent specified in the modification.

POWERS OF DIRECTORS

168.

(1) Subject to the provisions of the Act and these articles the Board of Directors of the Company shall be entitled to exercise all such powers and to do all such acts and things as the company is authorised to exercise and do provided that the Board shall not exercise any power or do any act or thing which is directed or required whether by the Act or any other law or by the Memorandum and Articles to be otherwise to be exercised or done by the company in General Meeting provided further that in exercising any power or doing any such act or thing the Board shall be subject to the provisions contained in that behalf in the Memorandum or in these Articles or in any regulations not inconsistent therewith duly made thereunder including regulations made by the Company in General Meeting.

(2) No regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

169.

The Board of Directors shall not except with the consent of the Company in General Meeting by a special resolution:

(a) sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking of the whole or substantially the whole of any such undertaking.

(b) remit or give time for the repayment of, any debt due are a Director,

(c) create any sole selling agency for the sale of its products;

(d) Invest otherwise than in trust securities the amount of compensation received by the company in respect of the compulsory acquisition of any such undertaking as is referred to in sub-clause (a) above or any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only after a considerable time;

(e) borrow money in excess of the limits provided in Articles 75.

(f) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will in any financial year of the Company exceed, Rupees twenty five thousands or five percent of its average net profit determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

170.

(1) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following power on behalf of the Company and shall do so only by means of resolutions passed at meeting of the Board.

(a) The power to make calls on shareholders in respect of money unpaid on their shares,

(b) The power to issue debentures.

(c) The power to borrow money otherwise than on debentures.

(d) The power to invest the funds of the Company.

(e) The power to make loans.

Provided that the Board may by resolution passed at a meeting delegate to any Committee of Directors or the Managing Director or any other principal officer, of the Company or to a principal officer or any of its branch offices; the power specified in sub-clause (c) (d) and (e) of this clause to the extent specified below on such conditions as the Board may prescribe.

(2) Every resolution delegating the power referred to in sub-clause (1) (c) shall specify the total amount outstanding at any time up to which moneys may be borrowed by the delegate. Provided, however that where the Company has arrangement with the bankers of the borrowing of the moneys by way of overdraft, cash credit or otherwise the actual day to day operation of the overdraft, cash credit and or other wise the acual day to day operation of the overdraft, cash credit and or other account by means of which the arrangement is made, is availed of shall not require the sanction of the Board.

(3) Every resolution delegating the power referred in sub-clause (1) (d) shall specify the total amount up to which the funds may be invested and the nature of the investment which may made by the delegate.

(4) Every resolution delegating the power referred in sub-clause (1) (e) shall specify the total amount up to which loans may be made by the delegate the purpose for which the loans may be made and maximum amount of loans which may be made.

(5) Nothing contained in this Article shall be deemed to affect the right of the Company In General Meeting to impose restrictions on the exercise for Board of any of the Power referred to in sub-clause (a), (b), (c), (d) and (e) of clause (1) above.

171. Without prejudice to the powers conferred by articles 75 and 168 and so as not in any way to limit or restrict those powers and without prejudice to the other powers conferred by these Articles. But subject to restrictions contained in Article 169 and 170 the Directors shall have the following power that is to say, power.

(1) To pay all costs, charges and expenses preliminary and incidental to the promotion, stablishment and registration of the company.

(2) To pay and charge to the capital of the company any commission or interest lawfully payable thereon under the provisions of Section 76 and respectively of the Act and articles 16 and 181.

(3) Subject to the provisions of the Act and these Articles to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit, and in any such purchase or other acquisition to accept such title as the Director may believe or may be advised to be reasonable satisfactory.

(4) At their discretion and subject to the provisions of the Act to pay for any property or right, acquired by or services rendered to the Company either wholly or partly in cash or in shares, bonds, debenture stock, mortgage or other securities of the Company, and any such shares may be issued either as fully paid are with such bonds, debenture stock, mortgage or other securities may and its uncalled capital or not so charged upon all or any part of the property of the Company and its uncalled capital or not so charged.

(5) The insure and kept insured against loss or damage by fire or otherwise for such period and such extent as they may think proper all or any part of buildings, machinery, goods, stores, produce and other moveable property of the Company either separately or jointly, also to insure all or any portion of goods produce, a machinery and other articles imported or exported by the company and to sell assign, surrender or discontinue any policies of assurance effected pursuance of this power.

(6) To open account with any bank or bankers or with any company or firm and to pay money into and draw money from any such account from time to time as Director may think fit.

(7) To secure the fulfillment or any contract or engagements entered Into by the Company and Its uncalled capital for the time being or In such other manner as they think fit.

(8) To attach to any shares to be issued as the consideration or part of the consideration for any contract with or property acquired by the Company or payment for services rendered to the Company such conditions as to the transfer thereof they think fit.

(9) To accept from, any member on such terms and conditions as shall be agreed, a surrender of his shares or stock or any part thereof as they think fit.

(10) To appoint any person or persons (whether incorporated or not to accept and whole in trust for the Company any property or belonging to the Company or in which It is interested, or for any other purpose and to execute and do all such deeds and thing as may be required in relation to any such trust and to provide for the remuneration of such trustee or trustees.

(11) To institute, conduct defend, compound or abandon any legal proceeding by or against the Company or its officers, or otherwise concerning the affairs of the Company and also to compound and allow time for payment of satisfaction of any debt due, or of any claims or demand by or against the company.

(12) To refer any claim or demand by or against the company or any difference to arbitration and observe and perform any awards made thereon.

(13) To act on behalf of the Company in all matters relating to bankrupts and insolvents.

(14) To make and give receipts, releases and other discharges for money payable to the company and for the claims and demands of the Company.

(15) To determine from time to time who shall be entitled to sign on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques. dividends, warrants, release, contracts and documents to give the necessary authority for such proposes.

(16) Subject to the provisions of the Act and these Article, to invest and deal with any money of the Company not immediately required for the purpose thereof upon such security and other investments (not being shares of this company) or without security and in such manner as they may think fit, and from time to time to vary or realize such investments Provided that save as permitted by Section 49 of the act all investment shall be made and held by the Company on its own name.

(17) To execute in the name and on behalf of the company in favour or any Director or other person who may incur or be about to incur any personal liability whether as principal or as surety for the benefit of the Company upon such mortgage of the company's property (present and future) as they

think fit and any such mortgage may contain power or sale and such other powers, convenant, provisions and agreements as shall be agreed upon.

(18) To distribute by way of bonus amonst the staff of the Company a part of the profits of the Company, and to give any officer or other person employed by the Company a commission on the profits of any particular business or transaction and to charge bonus or commission as part of the working expenses of the company.

(19) Subject to the provisions of the Act, to give to any officer or other person employed by the company on interest in any particular business or transaction by way of a share in the general profits of the Company and such share of profits shall be treated as part of the working expenses of the Company.

(20) To provide for the welfare of employees or ex-employees of the Company and Its Directors or ex-Directors and the wives, widows and families and the dependent connections of such parsons by building of houses, dwelling or quarters or by grants of money, pensions, gratuities, allowances, bonuses, profit sharing bonuses or benefits or any other payments, or by creating and from time to time subscribing or contributing to provident and other funds, profit sharing or other schemes or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries medical and other attendances and other forms of assistance, welfares or reliefs as the Directors shall think fit and to subscribed or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national, public of any other institutions, object or purpose or for any exhibition.

(21) Before recommending any divident, to set aside out of the profits of the company such as they may think proper for depreciation or to a Depreciation Fund, Insurance Funds, General Reserve Fund, Sinking Fund, or any special or other fund or funds or accounts to meet contingencies or to pay Redeemable Preference Shares, debentures or debenture stock or special dividends, and for equalizing dividends, and for repairing, improving extending or maintaining any part of the property of the Company, and/or for such purpose (including the purpose referred to in the last to proceeding sub-clauses) as the Directors may in their absolute discretion thing conductive to the interest of the Company and to invest the several sums so set aside or as much there of as are required to be invested upon such investment (subject to the restrictions imposed by the Act) as the directors may think fit, and from time to time to deal with such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company, in such manner or for such purpose as the directors (Subject to such restriction as aforesaid) in their absolute discretion think conductive to the interest of the Company notwithstanding that the matter to which the Directors apply or upon which they expend the same or any part thereof; may be matters to or upon which the capital or moneys of the company might rightly be applied or expended and to divide the Reserve, General Reserve, or the Reserve fund into such special funds as the Directors may think fit and to employ the assets constituting all or, any of the above funds or accounts including the Depreciation fund apportioned out of net profit in the business of the Company or in the purchase or replacement of Redeement or Redeemable Preference Share, debentures, or debenture-stock and without being bound to keep the same separate from the other assets, and without being bound to allow or pay interest on the same with power however to the Directors at their discretion to pay or allow to the credit of such fund interest at such rate as the Directors may think proper.

(22) Subject to the provisions of the Act to appoint and to their discretion remove or suspend such managers, secretaries, officers, clerk, agents and employees for permanents, temporary or special services as they may from time to time think fit and to determine their powers and duties and fix their salaries or emoluments and require security in such instances of such amount as they may think fit and also without prejudice as aforesaid from time to tIme provided for the management and transaction of the affairs of the Company in any specified locality in India or else where in such manner as they think fit and the provisions contained in sub-clause (24) and (25) following shall be without prejudice to the general powers conferred by this sub-clause.'

(23) To comply with the requirements of any local law which in their opinion it shall in the interest of the Company, be necessary or expedient to comply with.

(24) At any time and from time to time by Power of Attorney to appoint any person or Attorney of the Company for such purpose and with such powers, authorltles and discretion not exceeding those vested in or exercisable by the Board of Directors under these present and excluding the powers which may be exercised only by the Board of Directors at a meeting of the Board of Directors under the Act or these Articles or by the Company in General Meeting and for such period and subject to such conditions as the Board of directors may from time to time think fit and any such appointment may (if the Board of Directors think fit) be made In favour of any company or the members, directors, nominees or manager or managers of any Company, or firm or otherwise in favour of anybody of person whether nominated directly or indirectly by the Board of Directors and any such Power of Attorney may contain power enabling any such delegate or Attorney as aforesaid to sub delegate all or any of the powers and authorities for the time being vested in them.

(25) Subject to the provisions, of the Act and these Articles, to delegate the powers, authorities and discretions vested in the Directors to any person, firm, Company or fluctuating body of person as aforesaid.

(26) Subject to the provision of the Act and these Articles for in relation to any of the member aforesaid or otherwise for the purpose of the Company, to enter into all such negotiations and rescind and every all such contracts and execute and do all such acts, deeds, and things in the name and on behalf to the Company as they may consider expedient for or in relation of any of the matters aforesaid or otherwise for the purpose of the Company.

MANAGING DIRECTOR, MANAGING DIRECTORS OR WHOLETIME DIRECTOR OR WHOLETIME DIRECTORS

172.

(a) Subject to the provisions of the Sections 269, 316 and 317 and other applicable provisions of the Act, the Board shall, from time to time, appoint one or more the Directors as Managing Director(s) of the Company.

(b) Subject to the provisions of Section 269 and other applicable provision of the Act, the Board may from time to time, appoint one Director as whole time Director of the Company for such term not exceeding five years at a time, and may from time to time remove, dismiss, him from office and appoint another in his place. Such appointment of whole time Director shall be approved by a special resolution in the General Meeting.

(c) The whole time Director of Directors so appointment shall carry out such function and have such powers as may be entrusted and/or delegated to him or them by the Board of Directors is consultation with the Managing Directors. The whole time Director or Directors shall work under the supervision and control in the Managing Directors.

173. The Managing Director shall be a whole time Director of the Company. A Managing Directors so appointed shall not while holding the office be subject to retirement by rotation but he shall be taken into account in determining the number of Directors to retire by rotation.

174. The remuneration of the Managing Director or a whole time Director or wholetime Directors (subject to the provisions of Section 309 and other applicable provisions of the Act) shall be in accordance with the terms of his or their contact with the Company.

175. Subject to the provisions of the Act and to the terms of resolution of the Company in General Meeting or of any resolution of the Board the Managing Director shall have effective control by the day to day, Management of the company, under the superintendence, control and direction of the Board, he may, subject to the approval of the Board, have power to do all, acts, matters, and things deemed necessary, power or expedient for carrying on the business and concern of the Company, including power to appoint, suspend and dismiss officers staff and workmen of the Company and to exercise such power as are delegated to him by the Board or as may be detailed in the agreement between him and the Company in such matters as incurring capital and revenue

expenditure on behalf of the Company, entering into contracts, taking suitable legal actions, operating on bank account making investment and other subjects.

THE SEAL

178. The Directors shall provide a seal for the Company, and shall have from time to time to destroy the same and substitute a new seal In lieu thereof, and the Directors shall provide for the safe custody of the seal for the time being and the seal never be used except by or under the previously given authority of the Directors or Committee of Directors authroised by the Board In that behalf.

179. Subject to the provisions relating to the Issue of share certificates, every Deed or other instrument to which the seal of -the company Is required to be affixed, shall unless the same is executed by a duly constituted attorney of the Company, be signed by the Managing Director or by two Directors, provided nevertheless that certificates of debentures may be signed by one Director only or by the Secretary of the Company or by an attorney of the company duly authorised In this behalf and certificates of share shall be signed as provided In Article 16.

180. The Company may exercise the power conferred by Section 50 of the Act and such powers shall accordingly be vested In the Directors.

INTEREST OUT OF CAPITAL

181. Where any share are issued for the purpose of raising money to defray the expenses of the construction of any work or buildings or the provisions of any plant, which cannot be made profitable for a lengthy period, the company may pay Interest on so much of that share capital as Is for the time being paid up for the period, at the rate subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the works or buildings or the provision of plant

DIVIDENDS

182. The profits of the company, subject to the provisions of these Articles, shall be divisible among the members In proportion to the amount of capital paid up on a shares held by them respectively provided always that any capital paid up on a share during the period In respect of which a dividend It declared, shall unless the terms of Issue otherwise provide only entitle the holder of such share to an apportioned amount of such dividend proportionate to the capital from time to time paid up during such period of such shares.

183. Where capital is paid up in advance of calls upon the footing that the same shall carry Interest, such capital shall not carrying confer a right to dividend or to participate In profits.

184. The Company may paid dividend in proportion to the amount paid up or credited as paid up each shares, where a large amount Is paid up or credited as paid on some shares than on others.

184-A The company will pay dividend to all the share-holders in full at the rate declared by it, irrespective of the period of holding of shares in any year.

185. The Company In general meeting, may subject to the provisions of Section 205 of the Act, declare a dividend to be paid to the members according to their respective rights, and Interest In the profits and subject to the provisions of the Act may fix time for the repayment. When a dividend has been so declared either the dividend shall be paid or the Warrant In respect thereof shall be posted within 42 days of the date of the declaration to the share holders entitled to the payment of the same.

186. No larger dividend shall be declared than Is recommended by the Directors but the Company In general meeting may declare a smaller dividend. No dividend shall be payable except of the profits of the year or any other undistributed profits of the Company, or otherwise than In

accordance With the provisions of Sections 205, 206 and 207 of the Act and no dividend shall carry Interest as against the company. The declaration of the Directors as to the amount of the net profits of the company shall be conclusive.

187. Subject to the provisions of the Act, the Director may, from time to time pay to the members such Interim dividends as their judgment the position of the Company justifies.

188. Subject to the provisions of the Act, the Directors may retain the dividends payable upon any shares In respect of which any persons is under Article 57 hereof, Is entitled to become a member or which any person shall become a member In respect of such shares or shall duly transfer the same. The provisions of this Articles shall apply to any interest created in a share either by reasons of transmission or by operation of law or otherwise.

189. Subject to the provisions of the Act, no member shall be entitled to receive payment of any Interest or dividend In respect of his shares. While any money may be due or owing from him to the company in respect of such shares either alone or jointly with any other person or persons; and the Directors may deduct from the interest or dividend payable to any member all sums of money due from him to the company.

190. A transfer to share, shall not pass the right to any dividend declared thereon before the registration on the transfer.

191. Unless otherwise directed any dividend may be paid by cheque or warrant sent through post to the Registered address of the members or person entitled to the shares or in cases of joint holders to that one of them first named In the Registered In respect of the joint holding. Every such cheque or warrant shall be made payable to the order of the person to whom It Is sent. The company shall not be liable or responsible for any cheque or warrant lost In transaction or for any dividend lost of the member or other person entitled there to by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereto by and by any other means.

192. No unclaimed dividend shall be forfeited by the Board unless the claim thereto becomes barred by law and the unclaimed dividend shall be dealt with the accordance with the provision of Section 205 A of the Act.

193. Any General Meeting declaring a dividend may on the recommendation of the Directors make call on the members for such amount as meeting fixes, but so that the call to each member shall not exceed the dividend payable to him and so that the call may be made payable at the same times as the dividend and the dividend may, if so arranged between the company and the members be set off against the call.

CAPITALISATION

194. (1)The Company In General Meeting may resolve that any amounts standing to the credits of the share premium account or the Capital redemption Reserve Account or any monies, Investments to other assets forming part of the undivided profits (including profit or surplus monies arising from the realisation) and where permitted by law from the appreciation In value of any capital assets of the company standing to the credit of the General Reserve fund or any other fund of the company may have been Issued and are credited as partly paid up with the whole or any part of the sum remaining unpaid thereon.

(a) By the Issue and distribution as fully paid up shares of the company, or

(b) By crediting shares of the company which may have been issued and are credited as partly paid up with the whole or any part of the sum remaining unpaid thereon.

Provided that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of shares of the Company to be Issued to members (as herein provides) as fully paid bonus shares.

(2) Such Issue and distribution and such payment to the credit of unpaid share capital under (1) above shall be made to; among and in favour of the members or any class of them or any of them entitled thereto in accordance with their respective right and interest and in proportion to the amount of capital paid up on the shares held by them respectively In respect of which such-distribution or payment under (1)above shall be made on the footing that such members become entitled thereto as capital.

(3) The Director shall give effect to any resolution and of the profit, General Reserve or Reserves Fund or any other Fund or account as aforesaid as may be required. for the purpose of making payment in full for the shares of the Company so distributed under (1)(a) above or (as the case may be) for the purpose of paying in whole or in part the amount remaining unpaid on the shares which may have been issued and are not fully paid under (1) above provided that, no such distribution or payment shall be made unless recommended by the. Directors and if so recommended such distribution and payment shall be accepted by such members as aforesaid in, full satisfaction of their interest in the said capitalized sum.

(4) For the purpose of giving effect to any such resolution the Directors may settle any difficulty which may arise in regard to the distribution or payment as they think expedient and, in particular they may issue fraction certificates and may fix the value for distribution of any specific assets and may determine that such case payments be made to any member on the footing of the value so fixed and may be set such cash or shares in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement for the acceptance, allotment and sale of such shares and fractional certificates or otherwise as they may think fit.

(5) Subject to the provisions of the Act and these Articles In cases where some of the shares of the Company are fully paid up and other are partly paid up only,' such capitalization may be effected by the distribution of further shares in respect of the fully paid up shares, and the partly paid shares with the whole or part of the unpaid liability, thereof but so that as between the holders to the fully paid shares, and the partly paid shares the sum of applied on the payment of such further shares and In the extinguishment or domination of the liability on the partly paid shares shall be so applied pro rata In proportion to the amount than already paid or credited as paid on the existing fully paid shares respectively.

(6) Then deemed requisite, a proper contract shall be filed In accordance with the Act and the Board may appoint any person to sign contract on behalf of the members entitled as aforesaid and appointment shall be effective.

WINDING UP

220. If the company shall be wound up and the assets available for distribution among the members, as such, shall be In sufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be possible the losses shall be borne by the members In proportion to the capital paid up or, which ought to have been paid up at the commencement of winding up, on the shares held by them respectively. And if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of winding up the excess shall be distributed amongst the members In proportion to the capital paid up on the shares held by them respectively. But this article Is without prejudice to the, rights of the holders of the shares issued upon special terms and conditions.

221. (1) If the company shall be wound up, whether voluntarily or otherwise the liquidators,. may with sanction of, a special resolution but subject to the rights attached in any preference share capital, divide amongst the contributories in cash or kind, any part of the assets of the company and may with the like sanction vest any part of the assets of the company In trustee upon such trusts for the benefit of the contributories or any of them as the liquidators, with the like sanction shall think fit.

(2) If thought expedient, any such decision may subject to the provisions of the act, otherwise than In accordance with the legal rights of contributorises accept where unilaterally fixed by the Memorandum of Association and In particular any class may be given preferential or special rights or may be excluded altogether or In part but In case any such decision otherwise than In accordance with the legal rights of the contributorises shall determine, any contributory who would be prejudiced thereby shall have a right to dissent and If any contributory so dissents then by ancillary rights shall follow In such a manner as If such determination where a special resolution passed pursuance Of section 494 of the Act.

(3) In case any of the shares to, be divided at aforesaid Involve to calls or otherwise, any person entitled under such division to any of the said shares may within ten days after the passing of the special resolution by notice In writing Intimate to the liquidators to sell his proportions and pay him the net proceeds and the liquidator's shall if practicable act accordingly.

222. A special resolution sanctioning sale to any other company duly passed pursuant to Section 494 of the Act, may subject to the provisions of the Act, In the like manner as aforesaid determine that any share or other consideration receivable by the liquidators be distributed amongst the members otherwise than In accordance with their existing rights and any such determine shall be binding upon all the members subject to the right of dissent and consequential rights conferred by the said section.

INDEMNITY AND RESPONSIBILITY

224.

(a) Subject to the provisions of Section 201 of the Act, every Director of the Company or Managing Director, Manager, Secretary and other office or employee of the company and trustees (if any) for the time being acting in relation to any of the affairs of the company and every one of them shall be indemnified by the company against, and it shall be the duty of the directors out of the funds of the company to pay all costs, losses an expenses (including traveling expenses) which any such directors, managing director, officer or employee and the trustees (if any) for the time being acting in co-relation to the company may incur or become liable by reason of any contract entered into or any act or deed done by him as such director, officer or servant or in any way in the discharge of his duties.

(b) Subject to as aforesaid every Director, Managing Director, Manager, Secretary or other office of employee of the company or the trustee (if any) for the time being acting in relation to any of the affairs of the company and every one of them shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the act in which relief is given to him by court.

225. Subject to the provisions of Section 291 of the Act no Director or the Managing Director or other officer of the Company shall be liable for the acts commissions, neglect, default of any other director or officer or for joining in any commission or other act for conformity, or for any loss or expenses suffered by the Company through insufficiency of title of any property required by the order of the director for or on behalf of the company, or for the insufficiency or deficiency or any security in or upon which any of the moneys of the company or corporation, with whom any moneys securities shall or effects be entrusted or deposited, or for any loss occasioned by any error of judgment or oversight in his part or for any other loss or damages misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same happens through his own dishonestly, willful neglect or default.

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 Draft Red Herring Prospectus) 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 Draft Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company between 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid Closing Date/Issue Closing Date.

Material Contracts to the Company

1. Letters of appointment dated June 1, 2002 and July 1, 2004 between us and our Managing Director and Wholetime Director, respectively.

Material Contracts to the Issue

1. Letters of appointment dated February 3, 2005 from our Company appointing them as BRLM.
2. Memorandum of Understanding amongst our Company and the BRLM dated March 23, 2005
3. Memorandum of Understanding executed by our Company and the Registrar to the Issue dated March 31, 2005
4. Escrow Agreement dated [•], 2005 among our Company, the BRLM, Escrow Collection Bank(s) and the Registrar to the Issue.
5. Syndicate Agreement dated [•], 2005 among our Company, the BRLM and the Syndicate Member.
6. Underwriting Agreement dated [•], 2005 among our Company, the BRLM and the Syndicate Member.

Material Documents/Documents for Inspection

1. Certified true copies of the Memorandum and Articles of Association of our Company as amended from time to time.
2. Shareholders' resolution dated March 14, 2005 in relation to this Issue and other related matters.
3. Resolutions of the Board of Directors dated January 22, 2005in relation to this Issue and other related matters.
4. Reports of the statutory Auditors dated March 5, 2005 prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus.
5. Copies of annual report of our Company.
6. Copies of annual report of our subsidiary Chemparma.
7. Consents of the Auditors being M/s. Bansal Mittal & Co., for inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus.
8. General Power of Attorney executed by the Directors of our Company in favour of Person(s) for signing and making necessary changes to this Draft Red Herring Prospectus and other related documents.
9. Consents of BRLM, Syndicate Member, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Company, Domestic Legal Counsel to the Issue, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
10. Initial listing applications dated [•] 2005 and [•], 2005 filed with NSE and BSE.
11. In-principle listing approvals dated [•] 2005 and [•] 2005 from NSE and BSE, respectively.
12. Tripartite agreement between NSDL, our Company and [•] dated [•].
13. Tripartite agreement between CDSL, our Company and the Registrar to the Issue dated [•].

14. Due diligence certificate dated March 31, 2005 to SEBI from BRLM.
15. SEBI observation letter no. [•] dated [•], 2005 and our reply to the same dated [•].
16. Disassociation Agreement between Sanjiv Goyal, Raman Goyal, Rajiv Goyal and Alka Goyal dated March 30, 2005.

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 our Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

DECLARATION

We, the Directors of the Company, hereby declare that all relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government 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 or the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be.

Mr. Sanjiv Goyal – Sd/-
Mrs. Raman Goyal*
Mr. Rajesh Garg*
Dr. S.P.Singh*
Mr. V.D. Aggarwal*
Mr. Vijay. J. Shah*
Mr. Sunder Lal (Company Secretary) – Sd/-

* Signed by constituted attorney Mr.Sunder Lal, Company Secretary

Date: March 31, 2005
Place: Mumbai