Letter of Offer
March 20, 2012
For Equity Shareholders of the Company only

NEULAND LABORATORIES LIMITED

Our Company was incorporated on January 7, 1984 as 'Neuland Laboratories Private Limited' under the provisions of the Companies Act, 1956. Subsequently, our Company got converted from a private company to a public company in 1993 and the name of our Company was changed to 'Neuland Laboratories Limited' *vide* a fresh certificate of incorporation dated October 12, 1993. *For further details of our corporate history and changes in structure please refer to section titled '**History and Certain Corporate Matters**'* on page 108 of this Letter of Offer.

Registered Office: 204, Meridian Plaza, 6-3-853/1 Ameerpet, Hyderabad - 500 016
Tel: +91 40 3021 1600, 2341 2934, **Fax**: +91 40 2341 2957
Contact Person: Ms. Sarada Bhamidipati, Company Secretary and Compliance officer
E-mail: ir@neulandlabs.com **Website**: www.neulandlabs.com

Promoters of our Company: Dr. Davuluri Rama Mohan Rao, Mr. Davuluri Sucheth Rao, Mr. Davuluri Saharsh Rao and Mr. GVK Rama Rao.

FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF NEULAND LABORATORIES LIMITED ("OUR COMPANY") ONLY

ISSUE OF 2,248,523 EQUITY SHARES OF A FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF NEULAND LABORATORIES LIMITED FOR CASH AT A PRICE OF ₹45 PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF ₹35 PER EQUITY SHARE AGGREGATING TO ₹101.18 MILLION TO THE EXISTING EQUITY SHAREHOLDERS OF OUR COMPANY ON A RIGHTS BASIS IN THE RATIO OF 5 FULLY PAID-UP EQUITY SHARES FOR EVERY 12 FULLY PAID-UP EQUITY SHARES HELD ON THE RECORD DATE I.E. MARCH 23, 2012 ("RIGHTS ISSUE/THE ISSUE").

THE ISSUE PRICE FOR THE EQUITY SHARE IS 4.5 TIMES THE FACE VALUE OF THE EQUITY SHARE.

GENERAL RISK

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Rights 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 relation to this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Rights Issue including the risks involved. The Equity Shares being offered in the Rights 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 document. Investors are advised to refer to the chapter titled "***Risk Factors***" on page 11 to 30 of this Letter of Offer before making an investment in this Rights Issue.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Letter of Offer 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 Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of our Company are listed on the BSE Ltd. ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**"). Our Company has received in-principle approvals from BSE and NSE for listing of the Equity Shares arising from this Rights Issue vide letters dated October 17, 2011, and October 21, 2011, respectively. For the purpose of this Rights Issue, the Designated Stock Exchange shall be the BSE.

LEAD MANAGERS TO THE ISSUE	REGISTRAR TO THE ISSUE
SBI Capital Markets Limited **SBI CAPITAL MARKETS LIMITED** 202, Maker Tower E, Cuffe Parade, Mumbai - 400 005 Tel: +91 22 2217 8300 Fax: +91 22 2218 8332 E-mail: neuland.rights@sbicaps.com Investor Grievance Email: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Ms. Apeksha A. Munwanee / Ms. Anshika Malaviya SEBI Registration No*.: INM000003531	**KARVY COMPUTERSHARE PRIVATE LIMITED** Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad 500081 Tel: +91 40 4465 5000 Toll Free No.: 1-800-3454001 Fax: +91 40 23420814 Investor Grievance Email: neuland.rights@karvy.com Website:http:\\karisma.karvy.com Contact Person: Mr.M Murali Krishna SEBI Registration No. INR000000221

ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	ISSUE CLOSES ON:
MARCH 31, 2012 (SATURDAY)	APRIL 07, 2012 (SATURDAY)	APRIL 16, 2012 (MONDAY)

**The SEBI registration of SBI Capital Markets Limited was valid up to July 31, 2011. The application for renewal of the certificate of registration in the prescribed manner has been made by SBI Capital Markets Limited on April 29, 2011, to SEBI, three months before the expiry of the period of the certificate as required under Regulation 9(1) of the SEBI (Merchant Bankers) Regulations, 1992. The approval of SEBI in this regard is currently awaited.*

TABLE OF CONTENTS

SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

All terms defined have the meaning set forth below, unless otherwise specified in the context thereof.

CONVENTIONAL / GENERAL TERMS

TERM	DESCRIPTION
Air Act	The Air (Prevention and Control of Pollution) Act, 1981
Boiler Regulations	Indian Boiler Regulations, 1950
CLRA Act	The Contract Labour (Regulation & Abolition) Act, 1970
Companies Act	The Companies Act, 1956 and amendments thereto
Competition Act	Competition Act, 2002
DCA	Drugs and Cosmetics Act, 1940
DCR	The Drugs and Cosmetics Rules, 1945
DPCO	Drugs (Prices Control) Order, 1995
Drug Policy	Drug Policy, 1994
Depositories Act	The Depositories Act, 1996 and amendments thereto
EPF Act	The Employees Provident Fund and Miscellaneous Provisions Act, 1952
EPS	Earnings Per Share
ESI Act	The Employees State Insurance Act, 1948
Explosives Act	Explosives Act, 1884
Foreign Trade Act	Foreign Trade (Development and Regulation) Act, 1992
Factories Act	The Factories Act, 1948
FEMA	The Foreign Exchange Management Act, 1999
Hazardous Chemicals Rules	Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989
HWM Rules	Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008
Indian GAAP	Indian Generally Accepted Accounting Principles
Key Management Personnel	Shall have the meaning set out in Regulation 2 (s) of the SEBI ICDR Regulations
Minimum Wages Act	The Minimum Wages Act, 1948
MoEF	Ministry of Environment and Forests, Government of India
MOHFW	The Ministry of Health and Family Welfare, Government of India
Narcotic Act	Narcotic Drugs and Psychotropic Substances Act, 1985
Patents Act	The Patents Act, 1970
Payment of Bonus Act	The Payment of Bonus Act, 1965
Payment of Gratuity Act	The Payment of Gratuity Act, 1972
Payment of Wages Act	The Payment of Wages Act, 1936
Pharmacopoeia Commission	The Indian Pharmacopoeia Commission
Pharmexil	Pharmaceutical Export Promotion Council
The Public Liability Act	The Public Liability Insurance Act, 1991
SEBI Act	Securities and Exchange Board of India Act, 1992 and amendments thereto
SEBI Regulations/ SEBI ICDR Regulations/ ICDR Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and amendments thereto
Securities Act	The United States Securities Act of 1933, as amended
Shop Act	The Andhra Pradesh Shops and Establishments Act, 1988
SICA	Sick Industrial Companies Act, 1985
Standing Orders Act	The Industrial Employment (Standing Orders) Act, 1946
Weights and Measures Act	Standard of Weights and Measures Act, 1976
Weights and Measures Enforcement Act.	Standard of Weights and Measures (Enforcement) Act, 1985
Takeover Code / SAST Regulations	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and amendments thereto and/or The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as applicable.
Trade Marks Act	The Trade Marks Act, 1999

Water Act	The Water (Prevention and Control of Pollution) Act, 1974
Workmen's Compensation Act	The Workmen's Compensation Act, 1923

ISSUE RELATED TERMS

TERM	DESCRIPTION
Abridged Letter of Offer	The abridged letter of offer to be sent to our Equity Shareholders as on the Record Date with respect to this Issue in accordance with SEBI ICDR Regulations
Allotment	Unless the context requires, the allotment of Rights Issue Equity Shares pursuant to the Issue
Allottees	Persons to whom Rights Issue Equity Shares are issued pursuant to the Issue
Application Supported by Blocked Amount / ASBA	The application (whether physical or electronic) used by an Investor to make an application authorizing the SCSB to block the amount payable on application in their specified bank account
ASBA Investor	An applicant who: a) holds the Equity Shares of our Company in dematerialized form as on the record date and has applied for entitlements and / or additional Equity Shares in dematerialized form; b) has not renounced his/her entitlements in full or in part; c) is not a Renouncee; d) is applying through a bank account maintained with SCSBs All QIBs and Non-Institutional Investors, complying with the above conditions, must mandatorily invest through the ASBA process. All Retail Individual Investors complying with the above conditions may optionally apply through the ASBA process.
Banker to the Issue	HDFC Bank Limited
Composite Application Form / CAF	The form used by an Investor to apply for the Allotment of Rights Issue Equity Shares in the Issue and for application by Renouncees
Consolidated Certificate	In case of holding of Equity Shares in physical form, the certificate that our Company would issue for the Equity Shares Allotted to one folio
Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/cms/sebi_data/attachdocs/1330923506730.html
Designated Branches	Such branches of the SCSBs with which an ASBA Investor may physically submit the CAF, a list of which is available on http://www.sebi.gov.in/cms/sebi_data/attachdocs/1330923506730.html, and at such other websites as may be prescribed by SEBI from time to time.
Designated Stock Exchange	BSE
Draft Letter of Offer	The Draft Letter of Offer dated September 26, 2011
Eligible Equity Shareholder	A holder(s) of Equity Shares as on the Record Date
Equity Shareholder /Shareholder	A holder of Equity Shares of our Company
Excluded Jurisdiction	United States / any jurisdiction where such offer or sale of the Rights Entitlement or the Equity Shares may be prohibited.
Financial Year / Fiscal /Fiscal Year / FY	Any period of twelve months ended March 31 of that particular year, unless otherwise stated
Investor(s)	Equity Shareholders as on Record Date and/or Renouncees applying in the Issue
Investor Representation Letter	The investor representation letter in the form attached as Appendix A to the Offering Memorandum
Issue / Rights Issue	Issue of 2,248,523 Equity Shares with a face value of ₹ 10 each at a premium of ₹ 35 per Equity Share aggregating to ₹ 101.18 million on a rights basis to the existing Equity Shareholders in the ratio of 5 Equity Share(s) for every 12 fully paid-up Equity Share(s) held by the existing Equity Shareholders on the Record Date.
Issue Closing Date	April 16, 2012
Issue Opening Date	March 31, 2012
Issue Price	₹ 45

Issue Proceeds	The gross proceeds of the Issue that are available to our Company
Issue Size	The issue of 2,248,523 Equity Shares aggregating to ₹ 101.18 million
Lead Manager	SBI Capital Markets Limited
Letter of Offer	This Letter of Offer dated March March 20, 2012
Listing Agreement	The listing agreements entered into between our Company and the Stock Exchanges
Net Proceeds	The Issue Proceeds less the Issue related expenses. For further details, please see the section titled "***Objects of the Issue***" on page 62 of this Letter of Offer
Non Institutional Investors	All Investors including sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals, that are not QIBs or Retail Individual Investors and who have applied for Rights Issue Equity Shares for an cumulative amount more than ₹ 2,00,000
Qualified Institutional Buyer or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FII and sub-account (other than a sub-account which is a foreign corporate or foreign individual) registered with SEBI, multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with Insurance Regulatory and Development Authority, provident fund with minimum corpus of ₹ 250 million, pension fund with minimum corpus of ₹ 250 million, National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India, insurance funds set up and managed by army, navy or air force of the Union of India and insurance funds set up and managed by the Department of Posts, India
Record Date	March 23, 2012
Refund through electronic transfer of funds	Refunds through ECS, Direct Credit, RTGS or NEFT, as applicable
Registrar of Companies/ ROC	The Registrar of Companies, Hyderabad, Andhra Pradesh
Registrar to the Issue	Karvy Computershare Private Limited
Renouncees	Any person(s), who have acquired Rights Entitlements from the Equity Shareholders
Retail Individual Investors	Application by an Investor whose cumulative value of Equity Shares applied for in the Issue is not more than ₹ 2,00,000
Rights Entitlements	5 Equity Share(s) that an Equity Shareholder is entitled to under the Issue for every 12 Equity Share(s) held on the Record Date
Rights Issue Equity Shares	Equity Share(s) issued to shareholders in this Issue
SCSB(s)	A Self Certified Syndicate Bank registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers the facility of ASBA, including blocking of bank account. A list of all SCSBs is available http://www.sebi.gov.in/cms/sebi_data/attachdocs/1330923506730.html
Share Certificate	The certificate in respect of the Equity Shares allotted to a folio with a split performance
Stock Exchange(s)	BSE and NSE where the Equity Shares are presently listed and traded
Straight Line Method or SLM	Straight Line Method for calculation of depreciation

COMPANY RELATED TERMS

TERM	DESCRIPTION
our Company	Unless the context requires, refers to Neuland Laboratories Limited, a public limited company incorporated under the provisions of the Companies Act, 1956 having its registered office at 204, Meridian Plaza, 6-3-853/1 Ameerpet, Hyderabad - 500 016
"We", "us", "our"	Unless the context requires, Neuland Laboratories Limited along with its subsidiaries on a consolidated basis
APGCL	Andhra Pradesh Gas Power Corporation Limited
Articles/ Articles of Association	The articles of association of our Company as amended from time to time

Auditor	M/s. K S Aiyar & Co.
Board / Board of Directors	Board of Directors of our Company including any committees thereof, unless specified
CATO Research	CATO Research Israel Limited
Registered Office	204, Meridian Plaza, 6-3-853/1 Ameerpet, Hyderabad - 500 016
CRNIPL	CATO Research Neuland India Private Limited
Directors	The Directors of our Company
Equity Shares/Shares	Equity shares of our Company having a face value of ₹ 10 unless otherwise specified in the context thereof
ESOS	The Employee Stock Option Scheme, framed by our Company. For further details please see "***Capital Structure***" on page 47 of this Letter of Offer
Group Company/Group Companies	The companies, firms and ventures promoted by our Promoters, irrespective of whether such entities are covered under section 370(1)(B) of the Companies Act, namely, Sucheth and Saharsh Holding Private Limited and Davuluri Rama Mohan Rao HUF and Sri Viswaroopa Datta Kshetra Trust.
JV Agreement	The Share Subscription and Shareholders Agreement dated September 25, 2007 entered into between our Company, CRNIPL, Cato Research Limited, a company incorporated in North Carolina, USA and Cato Research Israel Ltd
Memorandum/Memorandum of Association	The memorandum of association of our Company as amended from time to time
Nanakramguda Facility	Facility being developed on land measuring Acres 5-00 Guntas in Survey No. 115/35 situated at Nanakramguda Village, Serilingampally Mandal, Ranga Reddy District
NDPL	Neuland Drugs and Pharmaceuticals Private Limited
NLL Inc.	Neuland Laboratories Inc
NLL KK	Neuland Laboratories KK
Promoters	Dr. Davuluri Rama Mohan Rao, Mr. Davuluri Sucheth Rao, Mr. Davuluri Saharsh Rao and Mr. GVK Rama Rao.
Promoter Group	Unless the context requires otherwise, the entities forming part of our promoter group as given on page 134 on this Letter of Offer in accordance with Regulation 2 (zb) of the ICDR Regulations.
R&D Facility	Facility admeasuring approx. 40,000 sft. developed on Acres 2-23 Guntas in Survey No. 488/Ru and 489/A situated at Bonthapally Village, Narsapur Taluka, Medak District, Andhra Pradesh and forming a part of Unit I.
SSHPL	Sucheth and Saharsh Holdings Private Limited
Subsidiary/Subsidiaries	Wholly owned subsidiaries of our Company, i.e. NLL Inc. and NLL KK.
Unit I / Bonthapally Facility	Manufacturing facility located at Sy. No. 347, 474, 488, 489 and 490, Bonthapally Village, Narsapur Taluka, Medak District, Andhra Pradesh.
Unit II/ Pashamylaram Facility	Manufacturing facility located at Plot No. 92, 93, 94, 257 and 258, IDA Pashamylaram, Pashamylaram Village, Sangareddy Taluk, Medak District, Andhra Pradesh.

ABBREVIATIONS

TERM	DESCRIPTION
ACB	Anti Corruption Bureau
AGM	Annual General Meeting
ANDA	Abbreviated New Drug Application
ANVISA	The National Health Surveillance Agency, Brazil
API	Active Pharmaceutical Ingredient
AS	Accounting Standard
AY	Assessment Year
BfArM	Federal Institute for Drugs and Medical Devices, Germany
BoI	Bank of India
BPLR	Benchmark Prime Lending Rate
CAGR	Compounded Annual Growth Rate
BSE	BSE Ltd.
CDSL	Central Depository Services (India) Limited

CEGAT	Customs, Excise and Gold (Control) Appellate Tribunal
CIT	Commissioner of Income Tax
cGMP	current Good Manufacturing Practice
CoS	Certificate of Sustainability
DMF	Drug Master Files
DNA	Deoxyribo Nucleic Acid
DP	Depository Participant
DSIR	Department of Scientific and Industrial Research, Government of India
ECS	Electronic Clearing Services
EHS	Environment, Health and Safety
EGM	Extra-ordinary General Meeting
EP	European Pharmacopeia
EQDM	The European Directorate for the Quality of Medicines of the Council of Europe
ERP	Enterprise Resource Planning
EU	European Union
EXIM Bank	Export-Import Bank of India
FCNR Account	Foreign Currency Non-Resident Account
FDI	Foreign Direct Investment
FII	Foreign Institutional Investor
GC	Gas Chromotography
GDP	Gross Domestic Product
GMP	Good Manufacturing Practice
GoI	Government of India
HPLCs	High Performance Liquid Promotography System
HSE	Health, Safety and Environment
HUF	Hindu Undivided Family
IDBI	Industrial Development Bank of India
IFRS	International Financial Reporting Standards
IFSC	Indian Financial System Code
INDA	Investigational New Drug Application
IND-AS	International Financial Reporting Standards
INR/Rs. or Re. or ₹	Indian Rupees
ISIN	International Securities Identification Number
ISMS	Information Security Management System
ISO	International Organization for Standardization
IT	Information Technology
KFDA	Korea Food and Drug Administration
KL	Kilolitre
LIBOR	London Interbank Offer Rate
MICR	Magnetic Ink Character Recognitions
MIS	Management Information System
NDA	New Drug Application
NECS	National Electronic Clearing Service
NEFT	National Electronic Fund Transfer
NDSL	National Securities Depository Limited
NMR	Nuclear Magnetic Resonance
NPPA	National Pharmaceuticals Pricing Authority
NRE Account	Non-Resident External Account
NRI	Non Resident Indian
NRO Account	Non Resident Ordinary Rupee Account
NSE	National Stock Exchange of India Limited
OCB	Overseas Corporate Body
OHSAS	Occupational Health and Safety Advisory Services
ONL	Overdue Notification Letters
PAN	Permanent Account Number
PLR	Prime Lending Rate
PMDA	Pharmaceuticals and Medical Devices Agency, Japan

QA	Quality Assurance
QC	Quality Control
RA	Regulatory Affairs
R&D	Research and Development
RBI	Reserve Bank of India
RONW	Return on Net Worth
ROS	Route of Synthesis
RTGS	Real Time Gross Settlement
SAF(s)	Split Application Form(s)
SBAR	State Bank Advance Rate
SBI	State Bank of India
SEBI	Securities and Exchange Board of India
SIA	Secretariat for Industrial Assistance
STT	Securities Transaction Tax
TGA	Therapeutic Goods Administration, Australia
TVC	Total Variable Cost
U.S. /USA	United States of America
USD or $	United States Dollar
USFDA	United States Food and Drug Administration
USP	United States Pharmacopeia
VAT	Value Added Tax
WHO	World Health Organization
WIPO	World Intellectual Property Organisation

The words and expressions used but not defined herein shall have the same meaning as is assigned to such terms under the Companies Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act and the rules and regulations made thereunder.

NOTICE TO OVERSEAS SHAREHOLDERS

The distribution of this Letter of Offer and the issue of the Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue on a rights basis to the Equity Shareholders of our Company and will dispatch the Letter of Offer/Abridged Letter of Offer and CAF to Equity Shareholders who have an Indian address. Those overseas shareholders who do not update our records with their Indian address, prior to the date on which we propose to dispatch the Letter of Offer and the CAF, shall not be sent the Letter of Offer and the CAF.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Letter of Offer has been filed with SEBI for observations. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, this Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Letter of Offer should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlements referred to in this Letter of Offer
A shareholder shall not renounce his entitlement to any person resident in the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company‘s affairs from the date hereof or that the information contained herein is correct as at any time subsequent to this date.

The contents of the Letter of Offer should not be construed as legal, tax or investment advice. Prospective investors may be subject to adverse foreign, state or local tax or legal consequences as a result of the offer of Rights Entitlements or Rights Issue Equity Shares. As a result, each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the offer of Rights Entitlements or Rights Issue Equity Shares. In addition, neither our Company nor any Lead Manager is making any representation to any offeree or purchaser of the Rights Entitlements or Rights Issue Equity Shares regarding the legality of an investment in the Rights Entitlements or Rights Equity Shares by such offeree or purchaser under any applicable laws or regulations.

NO OFFER IN THE UNITED STATES

The Rights Entitlements and Rights Issue Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Letter of Offer and the CAF. Any representation to the contrary is a criminal offence in the United States.

The rights and securities of our Company, including the Equity Shares have not been and will not be registered under the United States Securities Act, 1933, as amended (the **Securities Act**), or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof (the **United States**" or **U.S.**") or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**‘‘)), except in a transaction exempt from the registration requirements of the Securities Act. The rights referred to in the Letter of Offer are being offered in India, but not in the United States. The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any securities or rights for sale in the United States or as a solicitation therein of an offer to buy any of the said securities or rights. Accordingly, the Letter of Offer/ Abridged Letter of Offer and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time. None of our Company, the Lead Manager or any person acting on their behalf will accept subscriptions from any person or his agent, if to whom an offer is made, would require registration of this Letter of Offer with the United States Securities and Exchange Commission.

Neither our Company nor any person acting on behalf of our Company will accept subscriptions or renunciation from any person, or the agent of any person, who appears to be, or who our Company or any person acting on behalf of our Company has reason to believe is, either a U.S. person (as defined in Regulation S) or otherwise in the United States when the buy order is made. Envelopes containing CAF should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer under the Letter of Offer, and all persons subscribing for the Equity Shares and wishing to hold such Equity Shares in registered form must provide an address for registration of the Equity Shares in India. Our Company is making this issue of Equity Shares on a rights basis to the Equity Shareholders of our Company and the Letter of Offer/Abridged Letter of Offer and CAF will be dispatched to Equity Shareholders who have an Indian address. Any person who acquires rights and the Equity Shares will be deemed to have declared, represented, warranted and agreed, (i) that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States when the buy order is made, (ii) it is not a U.S. person (as defined in Regulation S), and does not have a registered address (and is not otherwise located) in the United States, and (iii) is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations.

Our Company reserves the right to treat as invalid any CAF which: (i) does not include the certification set out in the CAF to the effect that the subscriber is not a U.S. person (as defined in Regulation S), and does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations; (ii) appears to our Company or its agents to have been executed in or dispatched from the United States; (iii) where a registered Indian address is not provided; or (iv) where our Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; and our Company shall not be bound to allot or issue any Equity Shares or Rights Entitlement in respect of any such CAF.

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Unless stated otherwise, the financial data in this Letter of Offer is derived from our financial information which has been prepared in accordance with Indian GAAP. Our financial year commences on April 1 and ends on March 31.

In this Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures.

Except as may be specified otherwise, all financial numbers are represented in Re., Rs., Rupees, ₹ and INR in million.

Unless stated otherwise, industry data used throughout this Letter of Offer 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 Letter of Offer is realisable, it has not been independently verified.

FORWARD LOOKING STATEMENTS

We have included statements in this Letter of Offer which contain words or phrases such as “will”, “may”, “aim”, “is likely to result”, “believe”, “expect”, “continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “pursue” and similar expressions or variations of such expressions, that are “forward looking statements”.

Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

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

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- disruptions in our manufacturing facilities;
- pricing and availability of our raw materials;
- our ability to respond to competitive pressures;
- non-receipt of necessary regulatory clearances;
- general economic conditions;
- changes in political and social conditions in India;
- the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates,
- foreign exchange rates, equity prices or other rates or prices;
- regulatory changes pertaining to the industry in India in which our Company has its business and our
- ability to respond to them;
- our ability to successfully implement our strategy, our growth and expansion, technological changes;
- our exposure to market risks, including rising raw materials and personnel costs;
- the outcome of legal or regulatory proceedings that we are or might become involved in;
- contingent liabilities, environmental problems and uninsured losses;
- developments affecting the Indian economy;
- uncertainty in global financial markets;
- changes in competition in our industry.

For a further discussion of factors that could cause our actual results to differ, please refer to the sections titled “***Risk Factors***” on page 11 of this Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither us nor the Lead Manager nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI and Stock Exchanges’ requirements, we and Lead Manager shall ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

SECTION II

RISK FACTORS

*An investment in equity securities involves a high degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing all or a part of their investment. You should carefully consider all of the information in this Letter of Offer, including the risks and uncertainties described below, before making an investment. To obtain a complete understanding, you should read this section in conjunction with "**Our Business**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operation**" on pages 83 and 215, respectively, as well as the other financial and statistical information contained in this Letter of Offer. In making an investment decision, prospective investor must rely on their own examination of our Company and terms of the Issue, including the merits and risk involved. If any of the following risks actually occur, our business, financial condition, results of operations and prospects could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment.*

The risk and uncertainties described below are not the only risks that we currently face. Additional risk and uncertainties not presently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations and financial condition. You should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in other countries.

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

The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However there are a few risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors.

Unless otherwise stated, the financial information of our Company used in this section is derived from our audited restated consolidated financial statements under Indian GAAP, as restated.

A. INTERNAL RISK FACTORS

1. We have in the past failed to pay interest on certain of our debt obligations in a timely manner and as a consequence are paying additional penal interest to our lenders. Further, we may be liable to face action for default under the relevant financing agreements which will adversely affect our business operations and financial condition of our Company.

Our Company has delayed in making certain payments to its lenders as per the terms of the financing agreements entered into between our Company and the lenders. While none of the lenders have recalled the loan amount or enforced any security, our Company is required to pay additional default interest as per the terms of the financing agreements.

Summary of the defaults by our Company in repayments of any loan installment under the existing loans of our Company:

Particulars	Fiscal 2012 (till January 31, 2012)	Fiscal 2011	Fiscal 2010
No of times the interest/principal payment was delayed	37	47	26
Total Penal interest on domestic borrowings (in ₹)	5,70,572	6,13,594	1,60,292
Total Penal interest on foreign currency borrowings (in $)	8,994	16,319	12,999

If in the future our Company fails to make principal or interest payments to our lenders in a timely manner or at all, we may be liable for premature repayments of the relevant loans with interest or be required to pay a higher rate of interest on the said loans or otherwise face action for default under the relevant financing agreements. Further this could affect our creditworthiness and we may not be able to raise funds from our current and other lenders thereby adversely affecting our business operations and financial condition of our Company.

For further details see section ***“History and certain Corporate Matters”*** and ***“Outstanding litigation and other defaults”*** on page 108 and 251 respectively.

2. There are outstanding litigations against our Company, our Subsidiaries, our Promoters, our Directors, and our Group Companies, which if determined adversely, could materially affect our business, financial conditions, results of operations and reputation.

There are several pending litigations which were filed by third parties / employees / workmen/ authorities against us. Some of the litigations have been filed by our Company challenging / questioning the validity of certain proceedings / orders with respect to some of the properties owned by it. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. The amounts claimed in these proceedings have been disclosed to the extent ascertainable, excluding contingent liabilities and include amounts claimed jointly and severally from us and other parties. Any adverse order or direction by relevant authority, although not quantifiable, could have a material adverse impact on our business and reputation.

Litigation involving our Company and Subsidiaries

S. No.	Nature of the litigation	No. of outstanding litigations	Aggregate approximate amount involved (in ₹ Millions)
1	Criminal	1	-
2	Tax	16	87.96
3	Civil	4	250.00
4	Labour	17	2.29
5	Other	1	3.00
	Total		**343.25**

Litigation against the Group Companies

S. No.	Name of the Group Company	Nature of the litigation	No. of outstanding litigations	Aggregate approximate amount (in ₹ Million)
1.	Sucheth and Saharsh Holding Private Limited	Civil	1	2.00

For further details of outstanding litigation against us and our Group Companies, see section “***Outstanding Litigation and Other Defaults”*** on page 251.

3. Due to our specialization in a certain therapeutic categories, our business may be materially and adversely affected if products in these therapeutic categories do not perform as well or we are unable to match the changes in these therapeutic categories.

Our revenue is derived from sale of products in limited therapeutic areas, which include Cardiovascular, Anti Asthmatic, Anti Infective, Central Nervous System, Anti-Ulcerants, Anti-Fungal, Fluoroquinolones and Anti-Diabetic. The revenue derived from the sale of products in these categories were ₹ 2224.61 million for the half year ended September 30 2011, which was 97.78% of the gross sales of our Company for the half year ending on September 30, 2011 and ₹ 3908.32 million for the year ended March 31 2011, which was 98.06% of the gross sales of our Company up to March 31, 2011, as per our audited restated consolidated financial statements. As a result of increased competition, fluctuation in demand or supply of other products or introduction of substitute products, our revenue from these products may decline in the future. We are constantly investing in R&D to expand our product portfolio in the existing as well as new therapeutic sectors. Our ability to expand in these segments will depend on various factors, including our ability to identify demand and accessible markets for niche products, the success of our research and development initiatives, the demand for, and pricing pressures from competitors regarding, such niche products in the domestic and international markets. Our failure to appropriately identify and respond to competitive pressures in this segment or successfully introduce new products will adversely affect our strategy and future results of operations.

4. The API segment in which we operate is very competitive and we are susceptible to volatility of prices of our products, including due to competitive products and potential substitutes. If we are unable to ensure competitive advantage over competition, it which will adversely affect our financial conditions and businesss.

Prices of APIs are subject to fluctuation, depending on, among other factors, the number of producers and their production volumes and changes in demand in the markets we serve like Ciprofloxacin, Ranitidine, Levofloxacin, none of which are under our control. Further, we operate in a competitive environment in our existing products also. Any decline in our quality standards, growing competition, change in regulations and any change in the demand for our products by these customers may adversely affect our ability to retain them. Volatility in price realization and loss of customers may adversely affect our profitability. While one of the aims of our research and development initiatives is to develop cost and time efficiencies, there is no assurance that we will be able to maintain our low cost of operations or to further reduce costs or develop new cost effective processes in the future.

5. Our Company has delayed in complying with certain provisions of the Listing Agreement and SAST Regulations and any delayed filings/non compliance in the future could attract disciplinary action from SEBI and the Stock Exchanges.

Our Company has delayed in complying with some of the provisions of the Listing Agreement and the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. During the last 3 financial years, our Company has delayed in making some of the filings that were to be made by our Company under Clause 30 (b), Clause 31 (a), Clause 36, Clause 38 and 41 of the Listing Agreement within the stipulated time period. During the last one year, our Company has delayed in filing one of the reportings to be made under Regulation 8A of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. However, any delayed filings / non-compliance in the future could attract disciplinary action from SEBI and the Stock Exchanges. Further, our Company has also been inconsistent with some of its filings with respect to classification of the promoter/promoter group. Our Company has now clearly identified the persons who would constitute the promoter/promoter group and informed the Stock Exchanges of the same on September 24, 2011. No disciplinary action has been taken by the stock exchanges for non-compliance of the listing agreement till date.

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

Based on the restated standalone financials, the sales for the period between Fiscal 2007 to Fiscal 2011 have grown from ₹2021.70 million for year ended 2007 to ₹ 3935.72 million for year ended 2011. The sales for the half year ended September 30, 2011 was ₹ 2245.89 million.

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

For further details on our financial performance please refer to the chapter titled *"**Management's Discussion and Analysis of Financial Condition and Results of Operations**"* beginning on page 215.

7. We are subject to risks arising from foreign exchange rate movements and if we are unable to hedge ourselves it will adversely affect our financial condition andoperations.

We export our products to over 80 countries and also import our raw materials. For the Fiscal 2011 and the half year ending on September 30, 2011, our exports comprised of 81% each, of our consolidated income from operations and our import of raw materials was 67% and 60%, respectively, of our total raw material purchases for that Fiscal (as per audited consolidated financial statements). The foreign exchange fluctuation, thus, affects both our revenues and expenditures. To this extent, the revenues and expenditures will be higher or lower depending on the depreciation or appreciation of Indian Rupee in foreign currency terms. Foreign exchange gain / (loss), credited / (debited) to profit and loss Account for the half year ending September 30, 2011 and the period ended Fiscal 2011, 2010 and 2009 were ₹ (34.51) million, ₹ 14.57 million, ₹ (22.34) million and ₹ 60.65 million respectively, which represented –1.52%, 0.36%, -0.8% and 1.91% of our total revenues, respectively.

The exchange rate of Indian Rupees has been volatile in recent years and may fluctuate in the future. It was at an average for the Year of ₹45.58 per USD FY 11 and ₹ 47.42 per USD for FY 10 (*Source RBI Reference Rates Archives from www.rbi.org.in).* Therefore, changes in the exchange rate between the Indian Rupee and foreign currencies may have a material adverse effect on our revenues, other income, cost of services, operating costs and net income, which may in turn have a negative impact on our business, operating results and financial condition.

For further details please refer to the chapter titled ***"Management's Discussion and Analysis of Financial Condition and Results of Operations"*** beginning on page 215.

8. Our Company has incurred a loss in Fiscal 2010 and during the half year ending September 30, 2011, details of which are given below. Sustained losses could impact our growth and business.

Our Company has incurred a loss of ₹ 72.47 million in Fiscal 2010 and ₹20.04 million in the half year ending September 30, 2011 The sales of our Company for the financial year 2009-10 decreased by 9.22%. The reason for such decrease was due to no orders received by our Company for a particular product line. Sustained losses or further decrease in sales could impact our growth and business. If we are not able to generate sufficient profits, it may adversely affect our business and financial operations. For further details please refer to the section titled "***Financial Statements***" and chapter titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations as reflected in the Financial Statements***" beginning on pages 139 and 238 of the Letter of Offer respectively.

9. Our joint venture company, CRNIPL, has incurred a loss in Fiscal 2011 and for the half year period ending September 30, 2011. Sustained losses in any of our Subsidiaries or joint ventures could impact our growth and business.

CRNIPL which is in its first year of operations (Fiscal 2011), has incurred losses of ₹ 0.70 Million.Sustained losses in any of our Subsidiaries or joint ventures could impact our growth and business. It also incurred a loss of ₹ 1.24 million during the half year period ending on September 30, 2011. For further details on the joint venture partner for CRNIPL, its line of business, their shareholding structures, and its financial performance, please refer to section titled "***History and Certain Corporate Matters***" beginning on page 108 of this Letter of Offer.

10. We derive a large portion of our revenues from a limited number of clients primarily based in North America and Europe. For the period ended Fiscal 2011 and the half year period ending September 30, 2011, our top seven customer groups accounted for approximately 58% and 54%, respectively, of our revenues The loss of or a significant reduction in the revenues we receive from, one or more of these clients, may adversely affect our business.

We derive a large portion of our revenues from our top 7 customer groups. For the period ended Fiscal 2011 and the half year period ending September 30, 2011, our top seven customer groups, primarily located in North America and Europe accounted for approximately 58% and 54%, respectively, of our revenues. Though our clientele is broad-based and six of our top seven customer groups have been associated with our Company for more than 15 years, loss of any of our top 7 customer groups may lead to reduction in revenues that we receive from them which will adversely affect our business and profitability. Further, concentration of our customer groups in North America and Europe exposes our Company to any adverse economic, political and regulatory risks in these regions which could adversely affect our business and profitability.

For further details please refer to the paragraph *'**Revenue Segmentation**'* under the chapter titled *"**Management's Discussion and Analysis of Financial Condition and Results of Operations**"* beginning on page 215.

11. The EPS of our Company has decreased from ₹32.36 in the fiscal year ending March 31, 2009 to ₹9.38 in the fiscal year ending March 31, 2011 and to ₹(3.71) in the half year period ending September 30, 2011. If the EPS of our Company continues to fall in the future it could adversely affect the trading price of our shares.

The EPS of our Company has decreased from ₹32.36 in the fiscal year ending March 31, 2009 to ₹9.38 in the fiscal year ending March 31, 2011 and to ₹(3.71) in the half year period ending September 30, 2011 due to various reasons including most of our products witnessing added and unanticipated price erosion, margin compression and competitive risks coupled with rising costs of raw materials during fiscal 2010. During fiscal 2011, due to mark to market of foreign exchange exposure, increase in interest rates coupled with high costs of fuel and power and rising costs of raw materials, our Company faced a tight liquidity situation. Though, our Company is taking efforts to contain costs, minimize excess inventory, and improve efficiencies together with increasing capacity utilization on one hand and ramping up sales volumes and optimizing product mix to boost top line, our efforts may not yield favorable results.

If the EPS of our Company continues to fall in the future due to decrease in revenues, increase in cost of manufacturing, increase in interest cost, increase in depreciation charged etc. it could adversely affect and our financial condition and results of operations thereby affecting the market price of our equity shares.

12. ***The objects of the Issue is to raise funds for increase in working capital requirements, for which we have received a sanction letter from SBI containing certain restrictive covenants that limit our flexibility in operating our business.***

The Objects of the Issue of our Company is raise funds towards partly financing the incremental working capital requirements for our business. We have received a sanction from State Bank of India vide letter dated April 20, 2011 for the remaining working capital requirement. The summary of the negative covenants as per the sanction letter are as follows:

(i) Effect any change in the Company's capital structure; (ii) Formulate any scheme of amalgamation or reconstruction; (iii) Undertake any new project or implement any scheme of expansion except those indicted in the funds flow statement approved by the Bank; (iv) Invest by way of share capital in or lend or advance funds to or place deposits with any other concern (including group companies); normal trade credit or security deposits in the normal course of business or advances to employees can, however, be extended; (v)Enter into borrowing arrangement either secured or unsecured with any other organisation or accept deposits apart from the arrangement in the funds flow statements approved by the Bank; (vi)Undertake any guarantee obligation on behalf of any other company (including group companies); (vii) Declare dividends for any year out of the profits relating to that year or of the previous years; (viii) Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons; (ix) Sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the Bank; (x) Enter into any contractual obligation of a long-term nature or affecting the Company financially to a significant extent (xi) Change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees, etc.; (xii) Undertake any trading activity other than the sale of own manufactured products; (xiii) Permit any transfer of the controlling interest or make any drastic change in the management set- up; (xiv) Repay monies brought in by the promoters/ directors/ principal shareholders and their friends and relatives by way of deposits / loans / advances. All unsecured loans / deposits raised by the Company for financing a project are always subordinate to the loans of the banks / financial institutions and should be permitted to be repaid only with the prior approval of the all the banks and the financial institutions concerned.

We have received consent from SBI with regards to this Issue however there can be no assurance that we will be able to consents in the future, as and when required, in time or at all. Further, a violation of the terms of the sanction letter may result in reducing our flexibility in operations which may adversely affect our business and financial conditions.

For a complete list of all the restrictive covenants as per the SBI Sanction letter, please refer to the section titled "***Financial Indebtedness***" beginning on page 229 of this Letter of Offer.

13. ***Both of our manufacturing facilities are located in the State of Andhra Pradesh and are subject to risks pertaining to the State, including disruptions in or lack of basic infrastructure such as our electricity and water supply, which could increase our manufacturing costs or interrupt our operations.***

As our operations (i.e the two manufacturing facilities at Bonthapally, Medak District (Unit I), and Pashamylaram, Medak District (Unit II)) are presently concentrated in the State of Andhra Pradesh, we are exposed to risks including disruptions in infrastructural facilities such as electricity and water supply to such units as well as political instability as a result of the Telangana issue, which could require us to incur additional costs or disrupt our operations to the extent that we would be required to find alternative sources of supply of such infrastructural facilities. Currently, no such alternative sources of supply of such infrastructural facilities have been identified by us. This could increase our manufacturing costs or interrupt our operations.

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

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

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

15. ***As on January 31, 2012, our Company has significant outstanding secured borrowings of approx. ₹ 2676.27 million and unsecured borrowings of approx. ₹52.50 million. Our lenders have imposed certain restrictive conditions on us under our financing arrangements and we are required to obtain consents from our lenders for undertaking certain activities. Any inability to obtain lender consent on time, or at all, may restrict our ability to pursue our growth plans.***

As of January 31, 2012, our outstanding loans on an unconsolidated basis aggregated to ₹2728.77 million. In respect of such loans, we have entered into various agreements with our lenders and bankers. We are required to obtain prior consent of our lenders for, among other matters, effecting any merger, amalgamation, reconstruction or consolidation which would have the effect of seconding the security position of the lenders, encumbering or seeking to encumber the mortgaged property under the loan agreement, or declaring or paying any dividend after the occurrence of an event of default. We have also undertaken to inform the lenders of any litigation, arbitration or other proceedings or any material event which may affect our ability to perform our obligations under the facility agreement or the mortgage deed, maintain insurance on and in relation to the mortgaged property under the loan agreement. While we have obtained the consents of all of our lenders for this Issue, there can be no assurance that we will be able to obtain lender consents in the future, as and when required, in time or at all. If we are not able to obtain such consents in future, it may limit our ability to pursue our growth plans.

For a summary of the restrictive covenants as per our borrowing arrangements, please refer to the chapter titled *"**Financial Indebtedness**"* beginning on page 229 of this Letter of Offer.

16. Delay in raising funds from the Rights Issue could adversely affect our ability to meet our working capital requirements which could impact our business operations, growth and financial results.

The Objects of the Issue is to meet our incremental working capital requirement. SBI has sanctioned a corporate loan of up to ₹ 150 million to our Company for meeting its working capital requirements. The disbursement of the corporate loan is subject to infusion of additional capital of ₹ 100 million by our Company on pro-rata basis (1.5:1). Any delay in raising funds from the Issue will also have an impact on the disbursement of this corporate loan from SBI.

The shortfall in the funds for meeting our working capital requirement and any failure or delay on our part to mobilize the required resources will affect our normal working operations. We have not identified any alternative source of funding and therefore, cannot assure that we would be able to obtain these funds within the given time frame, or within the costs as originally estimated by us. Any time overrun or cost overrun may adversely affect our growth plans and profitability.

17. Deployment of issue proceeds is entirely at the discretion of the Issuer and is not subject to any monitoring by any independent agency.

The net proceeds from this Issue are expected to be used as set forth under "***Objects of the Issue***" on page 62 of this Letter of Offer. The use of the net proceeds is at our Company's sole discretion and is not subject to any monitoring by any independent agency as the Issue Size is less than ₹ 5,000 million. Accordingly, investors in this Issue have to rely upon the judgment of the management, who will have considerable discretion, with respect to the use of proceeds.

18. ***We, being a pharmaceutical company, operate in a highly regulated and controlled industry. Our business is dependent on approvals from relevant regulatory and health authorities. Any delay or failure to obtain or failure to apply or renew such required regulatory approvals or any change in the regulatory environment in relation to manufacturing or for marketing our products in regulated markets may significantly impact our business and strategy.***

We being a pharmaceutical company operate in an industry which is highly regulated and controlled. There are stringent and restrictive norms in relation to quality standards. Further, entry barriers in regulated markets in which we currently operate and seek to expand are very high and have extensive regulations pertaining to research, testing, and manufacturing, selling and marketing of pharmaceutical products. In most regulated markets, including the USA and the European Union, pharmaceutical products must be registered after being tested for safety, efficacy and environmental impact and the regulations differ from country to country. Currently, we have 36 DMFs filed with USFDA and we have filed over 393 DMF's in the European Union and other countries.

Some of our customers operate in such highly regulated markets and liaise/ do business with our Company based on our Company being the approved source of supply. Also, some of our existing registered products need to be renewed after their expiry. There is no assurance that the DMFs filed by us with the USFDA and other regulators with the relevant regulatory authorities will be approved, or that the patent applications filed by us will result in patents being registered in our favour. Further, from time to time we will have to apply for the renewal of these approvals and ensure that the products comply with all current standards, which may have become more stringent since the prior registration. There is always a risk of not resolving any deficiencies identified during the cGMP inspection, by a major regulator or customer in time. Further**,** we are yet to apply for certain approvals as given below and we cannot assure that our Company will receive such consents and approvals on application. The approvals that have not been applied for are as follows:

(a) Consent from the Andhra Pradesh Pollution Control Board and Environmental approvals from the State Level Impact Assessment Authority, Hyderabad for construction of the Nanakramguda Facility.

(b) Our Company has not registered any standing orders as prescribed under the Industrial Employment (Standing Orders) Act, 1946 for the employees / workmen working at Unit II.

(c) Our Company is not registered under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and is not complying with the provisions of the Building and Other Construction Workers Welfare Cess Act, 1996 with respect to the R&D Facility and the Nanakramguda Facility.

There is no assurance that we will be able to obtain the necessary approvals / renewals for all our products, which could adversely impact our ability to sell some of our products in certain markets.

19. We have certain contingent liabilities not provided for which may adversely affect our financial condition.

For Fiscal Year 2011 and the six-month period ending September 30, 2011 we had contingent liabilities totalling ₹ 554.95 million and ₹ 525.11 million, respectively. As of September 30, 2011, our contingent liabilities included, but were not limited to (i) customs duty demands, (ii) disputes in the labor courts (iii) commercial tax (iv) bills discounted (v) unexpired letters of credit for raw materials, (vi) contracts on capital account (vii) bank guarantees (viii) income tax and (ix) a writ petition by APGCL and its shareholders. For further details on the amounts and nature of our contingent liabilities see "Annexure -4 Significant Accounting Policies and Notes to Account" – Note no 10 appearing in the section titled "***Financial Statements***" on page 139 in the Letter of Offer.

(In ₹ Million)

Description	As on September 30, 2011	As on March 31, 2011
Letter of Credit	446.48	537.79
Capital Commitment	2.82	1.28
Bank Guarantees	36.91	13.59

Statutory Dues	38.90	2.29
Total	**525.11**	**554.95**

Such contingent liabilities may become due based on future events beyond our control. Such contingent liabilities may result in actual liabilities higher than those reflected in our financial statements. If such contingent liabilities become due, this could adversely affect our financial condition and results of operations.

20. If we do not successfully licence or commercialise our products under development, or if our licensing or commercialisation is delayed, it may harm our operating results.

Our future results of operations will depend upon our ability to successfully develop and licence innovative pharmaceutical products/drug delivery systems. We must develop, test and manufacture new products, which must meet regulatory standards and receive requisite regulatory approvals. The decisions by regulatory authorities regarding whether and when to approve our drug applications, the speed with which regulatory authorizations, pricing approvals and product launches may be achieved and competitive developments could affect the availability or commercial potential of our products. The development and commercialisation process is both time consuming and costly, as also uncertain. If we do not successfully licence/commercialise our products under development, or if our licensing /commercialisation is delayed, it may harm our operating results.

21. Land at Nanakramguda village for setting up a research and development centre is allotted / conveyed by Andhra Pradesh Industrial Infrastructure Corporation Limited in favour of Our Company is subject matter of litigation and any judgment against the said property will adversely affect our operation and financial condition.

Our Company was allotted land measuring 5 Acres in Survey No. 115/35 situated at Nanakramguda Village, Serilingampally Mandal, Ranga Reddy District by the Andhra Pradesh Industrial Infrastructure Corporation Limited for setting up a basic research and development centre. Our Company paid a sum of ₹1,75,00,000 to the APIIC as consideration for the acquisition of the land.

However, a public interest litigation bearing WP No. 17623 of 2007 was filed challenging certain the allotments made by APIIC in and around Nanakramguda Village on the grounds inter alia actions of APIIC and government departments in allotting public properties to private companies, firms, individuals either by way of outright sale or lease without calling for tenders or advertisement as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made strictly as per the terms and conditions of allotments and regulations. Our Company has been named as one of the parties to the said writ petition. The case is pending.

If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹247 million. In case, the High Court of Andhra Pradesh passes adverse orders against our Company, it could have a material adverse effect on our business and result of operations.

22. Some of our freehold properties are subject to fulfillment of certain obligations in case of termination of the allotment of such lands to us or may impose penalties, which may have a material adverse effect on our business and results of operations.

Our freehold properties including land forming part of (a) Unit II, and (b) lands for construction of a basic research and drug discovery centre at Nanakramguda Village, from Andhra Pradesh Industrial Infrastructure Corporation Limited, under several sale deeds. In terms of the said sale deeds, our Company is required to follow and fulfill all the terms and condition specified therein (i.e for construction of a factory for production of Bulk Drugs with respect to the land acquired for Unit II and setting up of R&D Center for conducting Basic Research and Drug Discovery with respect to the Nanakramguda Property) and it shall not put up any other buildings or structures on such properties other than for the purposes specified. In the event, we are unable to comply with the terms and conditions of the said sale deeds; Andhra Pradesh Industrial Infrastructure Corporation Limited may terminate the allotment of such lands to us or may impose penalties, which may have a material adverse effect on our business and results of operations.

23. Our business is dependent on our manufacturing facilities. The loss of or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.

Our manufacturing facilities at Bonthapally (Unit I) and Pashamylaram (Unit II) are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results. Although we take precautions to minimize the risk of any significant operational problems at our facilities, including insurance coverage, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.

24. The lease and other commercial agreements entered into by our Company have not be duly stamped or registered. Any inability to enforce our rights under the said agreements in the event of a breach by the other party may have an adverse effect on our business and financial condition.

Our registered office, the land adjacent to which the R&D Facility, have been leased to us under various lease agreements / lease deeds.

For further details on all of our leased premises please refer to chapter titled *"**Our Business**"* beginning on page 83 of the Letter of Offer.

The lease deeds / lease agreements and other commercial agreements entered into by our Company have not be duly stamped or registered as per the provisions of the Indian Stamp Act, 1899 and Indian Registration Act, 1908, as applicable to the State of Andhra Pradesh. Accordingly, we may not be able to enforce any of our rights under the said agreements in any court of law in India, in the event of a breach of the said agreements. Additionally, in the event of impounding of any such documents, we may be liable to pay penalties as may be imposed on us.

Further, if any of the lease agreements are not renewed upon expiry on terms favourable to us or at all, it could disrupt our business. We may in the future further enter into such arrangements with third parties. Any adverse impact on the title, ownership rights and/or development rights of the our landlords from whose premises we operate, or breaches of the contractual terms of such leave and license agreements, may impede our operations. In the event such leases or licenses are not renewed on favourable terms or at all, or there is any disruption in our business activities due to deficiency of title, our operations and in turn profitability will be adversely impacted.

Our Company has the following leasehold properties which are recorded in its name:

Name of the Lessor	Property	Commencement Date	Period
Rajendar Purohit	No. 301/A, III Floor in Meridian Plaza, Ameerpet, Hyderabad	May 1, 2011	11 Months
Mahendar Singh Purohit	No. 301, III Floor in Meridian Plaza, Ameerpet, Hyderabad	May 1, 2011	11 Months
Ch. Ashok Kumar and Ch. Srinivas	No. 104, I Floor in Meridian Plaza, Ameerpet, Hyderabad	June 1, 2011	11 Months
Kishan Agarwal**	No. 501 in V Floor, Meridian Plaza, Ameerpet, Hyderabad	February 1, 2011	1 Year
E. Padmavathi*	Alpha 603, Jayabheri Silicon County, Hitec City, Hyderabad along with 2 car parking	September 1, 2011	11 Months
T. Dheeraj Reddy	Flat No. C2, CSR's Jubilant Residency, St. No. 1, Umanagar, Begumpet, Hyderabad	June 20, 2011	1 Year
Chandra Devi	No. 105, I Floor in Meridian Plaza, Ameerpet, Hyderabad	August 14, 2011	11 Months
Sucheth and Saharsh Holdings Private Limited	2 acres of land in Bonthapally Village along with structures and buildings thereupon***	August 2, 2005	30 years
Sucheth and Saharsh Holdings Private Limited	No. 204, II Floor in Meridian Plaza, Ameerpet, Hyderabad	March 1, 2005	8 Years
D. Vijaya	Flat No. 6, 6-3-1219/6, Uma Nagar, Road No. 2, Begumpet, Hyderabad	October 1, 2009	5 Years

***Lease has been entered into between the landlord and Dr. Mohmed Khalid Anwer, employee of our Company. However, our Company is paying the lease rent.**

*** The lease agreement has expired and our Company is in the process of renewing the same.*

**** The land is vacant land at the moment and our Company has not developed the same on account of the pending litigation on the same. For more details, please see the section "**Outstanding Litigation and Other Defaults**" on page 251. Further, our Company has the first right of refusal to acquire the land at prevailing market price.*

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

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

26. Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our or our employees / contractors work force or any other kind of disputes involving our work force.

We employ 1501 number of employees of which 528 are contract labourers at our facilities. Substantial number of our permanent employees and contract labourers are represented by labour unions. While we have entered into settlement agreements with our labour unions and believe that we enjoy satisfactory relationships with all of the labour organizations that represent our employees, we cannot guarantee that labour-related disputes will not arise. Further, we may not be able to satisfactorily renegotiate our wage settlement agreements when they expire and may face tougher negotiations or higher wage demands. In addition, existing labour agreements may not prevent a strike or work stoppage in the future. Such incidents or strikes and work stoppage by our employees could have an adverse effect on our business, financial operation and results of operations.

We have entered into contracts with independent contractors to complete specified assignments and these contractors may be required to source the labour necessary to complete such assignments. Although we do not engage these labourers directly, it is possible under Indian laws that we may be held responsible for wage payments, or benefits and amenities to labourers engaged by our independent contractors should such contractors default on wage payments or in providing benefits and amenities. Any requirement to fund such payments may adversely affect our business, financial condition and results of operations. Furthermore, under Indian law, we may be required to absorb a portion of such contract labourers as our employees. Any such order from a court or any other regulatory authority may adversely affect our business and results of our operations.

27. *We have entered into a number of related party transactions in the past including purchase of land and may continue to do so, this may increase conflicts of interest and impose certain liabilities on our Company thereby adversely affecting our financial condition.*

We have entered into a number of related party transactions, including remuneration, loans and advances given, rent, services received, dividend, commission, unsecured loan etc. Our Company has given loans and advances to their subsidiary companies.

The details of loans and advances pertaining to related parties are:

(₹ In Million)

Particulars	As on Sep 30, 2011	As on Mar 31,				
		2011	2010	2009	2008	2007
Advances to Subsidiaries	3.99	3.37	1.96	0.26	-	-

Further in the past our Company has purchased land for a consideration in the past from our Promoter/Promoter Group however we cannot guarantee that the land has been purchased on favourable terms to the Promoter/Promoter Group. For details on the land purchased refer to section titled "***Our Business***" under the heading titled "***Property***" on page 95 of this Letter of Offer.

Such transactions or any future transactions with related parties may potentially involve conflicts of interest and impose certain liabilities on our Company. For further details, see the section titled "***Financial Statements***" on page 139 of this Letter of Offer.

28. We may be subject to industrial unrest, slowdowns and increased employee cost. Further, labor disputes could lead to lost production and/or increased costs.

Employees at both our manufacturing facilities have formed trade unions and we have entered into valid and registered trade union agreements for the same. While there have been no work disruptions, strikes, lock-outs or other employee unrest for over 7 years and we believe that our relations with our employees are cordial and good, the existing trade union agreements may not prevent a strike or work stoppage in the future. Such incidents or strikes and work stoppage by our employees could have an adverse effect on our business, financial operation and results of operations.

29. We may face a risk on account of not meeting our export obligations. Our failure to fulfill these in full may make us liable to pay duties proportionate to unfulfilled obligation along with interest.

Our Company is covered under the Advance License Benefit scheme where it is obligated to export against the specific license the specific product as import of the raw material is done duty free ahead of exports. Though our Company has not failed to meet its export obligations in the past, in case the export is not done within the time limits allowed by the Government, our Company would have to pay the duties along with interests proportionate to unfulfilled obligations.

30. The unsecured borrowings and our working capital loans are repayable on demand. Any demand from lenders for repayment of such loans, may adversely affect our cash flows.

Our unsecured borrowings and working capital loans can be recalled by the lenders at any time.As of January 31, 2012, our unsecured loan, amounting to ₹52.50 million from the Promoter Group, i.e. Sucheth and Saharsh Holdings Pvt Ltd and working capital loans amounting to ₹ 1230.53 million, is repayable on demand.

The unsecured loan from the Promoter Group was received in two tranches, viz. March 31, 2011 and August 20, 2011. No amount of this loan has been repaid as on date. In order to comply with the covenant of the corporate loan, till the allotment in the rights issue is completed, the unsecured loan shall not be repaid and shall be treated as equity for the purposes of maintaining the Debt /equity ratio.

If any of these loans are recalled, this may adversely affect our business, financial condition and results of operations. For further details please refer to the chapter titled ***"Financial Indebtedness"*** on page 229 of the Letter of Offer.

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

Our Company has made and may continue to make capital investments and other commitments to our wholly owned subsidiaries in Japan and USA in future for augmenting their respective businesses. It has also entered into a joint venture with CATO Research. These investments and commitments may include capital contributions to enhance the financial condition or liquidity position of our wholly owned subsidiaries and joint ventures. Such capital investments may be financed through additional debt, including through debt of our Subsidiaries. If the business and operations of these Subsidiaries and joint venture deteriorate, our Company's investments may be required to be written down or written off. Additionally, certain advances may not be repaid or may need to be restructured or receivables may not be collected or our Company may be required to outlay further capital under its commitments to support such companies.

32. The exercise of options that have vested with certain employees of our Company under the ESOS will result in a change to our capital structure and dilution to the percentage of Equity Shares held by its other Shareholders and could also have an impact on the trading price of the Equity Shares.

The holders of the Equity Shares may experience dilution of their shareholding to the extent that we issue any Equity Shares pursuant to any options issued under the ESOS. Any such future issuance of Equity Shares or sales of Equity Shares by any of our significant shareholders may also adversely affect the trading price of the Equity Shares, and could impact our ability to raise further capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

33. Our Company has delayed in complying with certain reporting requirements as required under the Companies Act to the RoC. Such delay/non compliance in the future may render us liable statutory penalties.

Our Company has delayed in complying with certain reporting requirements as required under the Companies Act to the RoC, which include appointment/change in directors/secretaries, registration of charge, registration of a special resolution, intimation of satisfaction of charge, filing of balance sheet, return of deposit, appointment of Managing Director, intimation of DIN of a director and filing of Annual Return. However, our Company has made all the relevant filings after payment of the requisite penalty with the ROC for delayed filings. In some instances where our Company had delayed in filing of form for registration of charges with the ROC beyond a period of 60 days, our Company has obtained a condonation of delay from the Company Law Board (CLB) and thereafter filed the CLB Order with the ROC. Such delay/non compliance in the future may render us liable statutory penalties.

34. ***We have made applications for the registration of 39 patents (37 process and 2 product patents) with Indian Patent office. Further, we have also made applications for 22 process patents with WIPO. Unless our patents are approved, we cannot restrict other persons from exploiting these processes commercially, which can have material and adverse effect on our business and results operations.***

As on date, we have 2 process patents and have filed applications, for registration of 2 product and 37 process patents in India and have also filed for 22 process patents with WIPO. In addition to patents on pharmaceutical products, many drug innovators make proprietary claims with respect to the processes for the manufacture of the pharmaceutical products. In order to sell our APIs into regulated markets where process patents have been issued or sought, we must develop non-infringing processes for their manufacture or an existing process must come off patent or be determined to be non-patentable. Non-infringing process patent applications are time consuming and we are not assured of being granted such a patent. Failure to get non-infringing process patent registered will prevent us from prohibiting other persons from exploiting these processes, which may have a material adverse effect on our business prospects.

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

We have established subsidiaries in USA and Japan in 2008 and have also entered into marketing arrangement through agency agreement in 7 countries. We cannot assure that despite our commercial understanding with respect to these markets, we will be able to achieve the desired results. Our failure to successfully enter and establish our presence in Japan and other newer markets that we may enter into in future could affect our business and results of operations.

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

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

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

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

The commercial agreements entered into by us impose several contractual obligations upon us including compliance with certain quality norms, non-infringement, confidentiality, non-compete clauses and completion schedules as is typical of agreements entered into by companies in pharmaceutical sector. If we cannot perform the services undertaken by us in accordance with the requisite quality norms or if our client's proprietary rights are infringed by our employees in violation of any applicable confidentiality agreements and / or our customers perceive any deficiency or delay in service or breach of stipulated terms of these agreements, our customers may consider us liable for that act and seek damages from us.

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

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

38. ***We do not provide for a decline in the value of our unquoted investments, and this may have a material adverse effect on our business, results of operations and financial conditions.***

We have not made any provision for decline in the value of investments since it are unquoted. Further if a provision is made in future on account of permanent decrease in value of these investements, our profits will reduce to the extent of such provision. This may have an adverse impact on our business if we make material investments in future.

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

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

For further details, please refer to the chapter titled *"**Financial Statements**"* and *"**Management's Discussion and Analysis of Financial Condition and Results of Operations**"* beginning on pages 139 and 215, respectively.

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

Our Promoters and Directors may be deemed to be interested to the extent of the Equity Shares held by them or their relatives or our Group Companies, and benefits arriving from their directorship in our Company and our Subsidiaries and joint venture companies. Our Promoters are interested in the transactions entered into between our Company and themselves as well as between our Company and our Group Companies, including amounts payable as rent/ lease by our Company for certain properties taken on leasehold basis from one of our Group Company. For further details, please refer to the chapters titled *"**Our Business**", "**History and Certain Corporate***

Matters*", "****Our Management****"* and *"****Our Promoters, Promoter Group and Group Companies****"*, beginning on pages 83, 108, 117 and 132 respectively and the chapter titled *"****Financial Statements****"* beginning on page 139.

41. Our funding requirement is to finance our incremental working capital requirement, which is based on past experience and projections for the future in line with our expanding operations. These estimates are subject to change with changing business conditions and we cannot assure that our estimates will be accurate.

One of our Objects of the Issue is to finance our incremental working capital requirement. We propose to utilize approximately ₹ 95 Millions out of the proposed rights issue proceeds towards our working capital requirements. For details, please refer to the section "***Objects of the Issue***" on page 62 of this Letter of Offer.

We avail a major portion of working capital in the ordinary course of our business from our banks, as fund and non-fund based working capital limits. The working capital requirements set forth below are our estimates based on past experience and projections for the future in line with our expanding operations. The estimates of working capital have been based on additional working capital required over the period for the current years of operations, in consonance with past trends. We cannot assure you that these estimates will be accurate.

These estimates are based on the current status of the business of our Company and are subject to change in light of variations in external circumstances or costs, or in the financial condition of our Company, its business or its strategy. Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently its funding requirements and deployment of funds may also change.

B. EXTERNAL RISK FACTORS

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

The API product segment is intensely competitive. Growing competition require us to reduce the prices of our products and services in order to retain or attract customers, which may have a material adverse effect on our revenues and margins. Further, several of our competitors are larger international and national companies and have access to greater resources or may be able to develop or acquire technology or partner with innovators or customers at terms which are not presently feasible for us, due to our current scale of operations. While we are focused on research and development to develop cost and time efficiencies and to broaden our product range, in particular in certain niche segments, in the event our competitors develop better process technology or improved process yield or are able to source raw materials at competitive prices, and are therefore able to create new products or substitutes for our products at competitive prices, we may not be able to maintain our growth rate and revenues and our profitability may decline. Any of these factors may have a material adverse effect on our business and future prospects.

43. We are subject to extensive regulation and any failure to comply with these regulations could subject us to penalties or sanctions.

The regulatory environment in which we operate is also subject to change and we may be adversely affected as a result of new or revised legislation or regulations imposed by the SEBI, other governmental regulatory authorities or self regulatory organizations. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations.

Compliance with many of the regulations applicable to us involves a number of risks, particularly in areas where applicable regulations may be subject to varying interpretation. If we are found to have violated an applicable regulation, administrative or judicial proceedings may be initiated against us that may result in trading bans, censures, fines, or other adverse consequences. The imposition of any of these or other penalties could have a material adverse effect on our business, reputation, financial condition and results of operations.

We are subject generally to changes in Indian and international laws, as well as to changes in regulations and accounting principles. There can be no assurance that the laws governing the pharmaceutical sector will not change in the future or that the impact of such changes, though not quantifiable would not adversely affect our business and future financial performance.

44. *Political instability and significant changes in Government policy could adversely affect economic conditions in India generally and our Company's business in particular.*

Changes in exchange rates and controls, interest rates, Government policies, taxation, social and ethnic instability and other political and economic developments in and affecting India may have an adverse effect on our Company's results of operations. India has a mixed economy with a large public sector and an extensively regulated private sector. The role of the Central and the State Governments in the Indian economy and the effect on producers, consumers, service providers and regulators has remained significant over the years. The governments have in the past, among other things, imposed controls on the prices of a broad range of goods and services, restricted the ability of businesses to expand existing capacity and reduce the number of their employees, and determined the allocation to businesses of raw materials and foreign exchange. Since 1991, successive Governments have pursued policies of economic liberalization, including significantly relaxing restrictions in the private sector. Nevertheless, the role of the Central and State Governments in the Indian economy as producers, consumers and regulators has remained significant. There can be no assurance that its past liberalization policies or any political stability will continue in the future. Any significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India generally and our Company's business in particular.

45. *Our business and financial performance is particularly vulnerable to interest rate risk.*

Our business is vulnerable to interest rate risk as it affects our net interest income in our financing business, as well as the willingness of our customers to borrow. Any adverse movement in interest rates could materially and adversely affect our business and financial condition. Any increase in the interest rates applicable to our liabilities, without a corresponding increase in the interest rates applicable to our assets, will result in a decline in net interest income. Further, in the event of rising interest rates, borrowers may not be willing to pay us correspondingly higher interest rates on their borrowings and may choose to repay their loans if they are able to switch to more competitively priced loans offered by other players. Any inability on our part to retain customers as a result of rising interest rates may adversely impact our earnings in future periods, which could have an adverse effect our business, prospects, financial condition and results of operations.

46. *A slowdown in economic growth in India could adversely impact our business.*

We derive all of our revenues from operations in India and consequently, our performance and growth is dependent on the state of the Indian economy. The Annual Policy Statement of the RBI released in May 3, 2011 placed real GDP growth for the Fiscal 2011 at approximately 8.6%. Any slowdown in the Indian economy or in the growth of industries to which we provide financing to or future volatility in global commodity prices could adversely affect our borrowers and contractual counter parties. This in turn could adversely affect our business and financial performance and the price of the Equity Shares.

47. *Natural calamities could have a negative effect on the Indian economy and adversely affect our business and the price of our Equity Shares.*

India has experienced natural calamities such as earthquakes, tsunamis, floods and droughts in the past few years. The extent and severity of these natural disasters determines their effect on the Indian economy. For example, as a result of drought conditions in the country during Fiscal 2003, the agricultural sector recorded negative growth for that period. The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Prolonged spells of below normal rainfall or other natural calamities could have a negative effect on the Indian economy, adversely affecting our business and the price of our Equity Shares.

48. *Terrorist attacks, regional hostilities, social unrest and other acts of violence or war in India, South Asia and other regions could adversely affect our business, results of operations, financial condition and cash flows.*

Terrorist attacks and other acts of violence or war including those involving India, the United States or other countries may adversely affect the Indian and worldwide markets. On November 26, 2008, terrorists staged a coordinated attack on several prominent international hotels and various other locations in the financial centre of Mumbai. Further, terrorist acts may result in a loss of business confidence and have other consequences that could adversely affect our Company's business, prospects, financial condition and results of operations.

Increased volatility in the financial markets, including economic recession, can have an adverse impact on the economies of India and other countries.

Further, India has also experienced social unrest, communal disturbances and riots in some parts of the country during recent times. If such hostilities and tensions occur, it could have an adverse effect on the Indian economy and our Company's business, future financial performance and the trading price of the Equity Shares.

49. Recent global economic conditions have been unprecedented and challenging and have had, and continue to have, an adverse effect on the Indian economy in general, which has had, and may continue to have, a material adverse effect on our business, financial condition and results of operations

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and recession in most major economies continuing into 2009.

Continued concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for western and emerging economies. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have contributed to volatility of unprecedented levels.

As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide credit to businesses and consumers. These factors have led to a decrease in spending by businesses and consumers alike and corresponding decreases in global infrastructure.

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

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

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

The Competition Act, several provisions of which have recently been brought into effect, is designed to prevent business practices, including combinations that have an appreciable adverse effect on competition in India. Under the Competition Act, any arrangement, understanding or action in concert between enterprises, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and attracts substantial monetary penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area or market or number of customers in the market is presumed to have an adverse effect on competition. The combination regulation provisions require that acquisition of shares, voting rights, assets or control or mergers or amalgamations which cross the prescribed asset and turnover based thresholds shall be mandatorily notified to and pre-approved by the Competition Commission of India. It is unclear as to how the Competition Act and the Competition Commission of India will affect the business environment in India.

If we are affected, directly or indirectly, by any provision of the Competition Act and any adverse publicity that may be generated due to scrutiny or prosecution by the Competition Commission of India, it may have a material adverse effect on our business, financial condition and results of operations.

52. The proposed adoption of Indian Accounting Standards converged with International Financial Reporting Standards ('IND-AS') could result in our financial condition and results of operations appearing materially different than under Indian GAAP.

We may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, GoI in January 2010. The convergence of certain Indian Accounting Standards with IFRS was notified by the Ministry of Corporate Affairs on February 25, 2011. The date of implementing such converged Indian accounting standards has not yet been determined, and will be notified by the Ministry of Corporate Affairs in due course after various tax-related and other issues are resolved.

The transition to IND-AS is likely to have an impact on the revenues, profits, earnings per share and the net-worth. We have not determined with any degree of certainty the impact, such convergence will have on our financial reporting. There is no assurance that our financial condition, results from operations, cash flows or changes in shareholders' equity will not appear materially worse off under IND-AS than under Indian GAAP. Moreover, our transition may be hampered by increasing competition and increased costs for the relatively small number of IND-AS experienced accounting personnel available as more Indian companies begin to prepare IND-AS financial statements.

Prospective investors should consult their own professional advisers for an understanding of the differences between the professional standards applicable in India and IFRS and how such differences might affect the financial information contained in the Letter of Offer. Also, the transition to IND-AS may impact systems (including IT systems) and financial reporting processes, and also the manner in which certain transactions are structured. There is no assurance that transition to IND-AS will not have an adverse effect on the price of the equity shares.

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

The declaration, payment and amount of any future dividends of our Company is subject to the discretion of the Directors, and will depend upon, among other factors, on our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance as to whether our Company will pay a dividend in the future and if so the level of such future dividends.

C. RISKS ASSOCIATED WITH THE EQUITY SHARES AND THIS ISSUE

54. The equity shares of our Company are infrequently traded on the stock exchanges. This may adversely affect the trading price of our Equity Shares and their liquidity.

The equity shares of our Company are infrequently traded (as per SAST Regulations, 2011) on the Stock Exchanges There can be no guarantee that an active trading market for our Equity Shares will develop in the future and our equity shares will be frequently traded in the future. This may adversely affect the market price of our shares and also our ability to raise funds through future equity issuances.

55. The Equity Shares may not be listed on BSE and NSE in a timely manner, or at all.

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on BSE and NSE. Any failure or delay in obtaining the approval would restrict an investor's ability to dispose of its Equity Shares.

56. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

The Companies Act and related regulations, the Articles and the Listing Agreement govern the corporate affairs of our Company. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder than as a shareholder of a corporation in another jurisdiction.

57. Any trading closures at BSE or NSE may adversely affect the trading price of our equity shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in the U.S. and Europe. Indian stock exchanges have in the past experienced problems, including temporary exchange closures, broker defaults, settlement delays and strikes by brokers, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the equity shares, in both domestic and international markets. A closure of, or trading stoppage on, BSE or NSE could adversely affect the trading price of the equity shares of our Company.

In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and increased margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the equity shares of our Company could be adversely affected. A closure of, or trading stoppage on BSE or NSE could adversely affect the trading price of the equity shares. Historical trading prices, therefore, may not be indicative of the prices at which the equity shares will trade in the future.

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

We are subject to a daily 'circuit breaker' imposed by the Stock Exchanges, which may not allow transactions beyond specified increases or decreases in the price of our Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers is set by the Stock Exchanges based on the historical volatility in the price and trading volume of our Equity Shares.

The Stock Exchanges will not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker will limit the upward and downward movements in the price of our Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

59. Our Company cannot warrant that its securities will continue to be listed on the Stock Exchange.

Pursuant to the listing of our Company's securities on the Stock Exchange, our Company shall be required to comply with certain regulations and/or guidelines as prescribed by SEBI and the Stock Exchange. However, in the event that our Company fails to comply with any of the aforesaid regulations and/or guidelines, our Company cannot warrant that its securities will continue to be listed on the Stock Exchange.

60. You may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Capital gains arising from the sale of the equity shares of our Company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the STT has been paid on the transaction. The STT will be levied on and collected by an Indian stock exchange on which equity shares are sold. Any gain realized on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and as a result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to capital gains tax in India. Capital gains arising from the sale of the equity shares of our Company will be exempt from taxation in India in cases where an exemption is provided under a treaty between India and the country of which the seller is a resident.

Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdictions on gain upon a sale of the Equity Shares. For further details, please refer to the section titled "***Statement of General and Special Tax Benefits***" on page 70 of this Letter of Offer.

61. Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely impact the market price of the Equity Shares

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares, which are sought to be transferred, is not in compliance with such pricing guidelines or reporting requirements or fall under any of the exceptions referred to above, then the prior approval of the RBI will be required.

Additionally, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no objection/ tax clearance certificate from the income tax authority. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

62. Our ability to raise foreign capital may be constrained by Indian law. The limitations on foreign debt may have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

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

63. Volatility in the stock market may have an impact on the market price and trading of our Equity Shares.

Stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Equity Shares. There may be significant volatility in the market price of our Equity Shares.

If we are unable to operate profitably or as profitably as we have in the past, investors could sell our Equity Shares when it becomes apparent that the expectations of the market may not be realized, resulting in a decrease in the market price of our Equity Shares. There can be no assurance that an active trading market for our Equity Shares will be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue

64. Any future issuance of equity shares by us may dilute your shareholding and adversely affect the trading price of the Equity Shares.

Any future issuance of equity shares by us including in a primary offering or pursuant to a preferential allotment may dilute your shareholding in our Company, adversely affect the trading price of our equity shares and could impact our ability to raise capital through an issue of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Additionally, the disposal of Equity Shares by any of our major shareholders, any future issuance of equity shares by us or the perception that such issuance or sales may occur may significantly affect the trading price of the Equity Shares. We cannot assure you that we will not issue equity shares or that such shareholders will not dispose of, pledge or encumber their equity shares in the future.

Prominent Notes

1. This Issue is of 2,248,523 Equity Shares for cash at a premium of ₹ 35 per Equity Share aggregating ₹ 101.18 million on rights basis to the existing Equity Shareholders of our Company in the ratio of 5 Equity Share for every 12 Equity Share held on the Record Date i.e.March 23, 2012 in terms of this Letter of Offer.

2. Net worth of our Company as on September 30, 2011 and March 31, 2011 is ₹715.45 million and ₹ 735.55 million respestively as per our restated consolidated financial statements and is ₹ 708.64 million and ₹ 730.62 million respectively as per our restated standalone financial statements.

3. The net asset value per equity share as of September 30, 2011 and March 31, 2011 is ₹132.58 and ₹136.30 respectively as per our restated consolidated financial statements and ₹131.32 and ₹ 135.39 respectively as per our restated standalone financial statements.

4. Our Company has entered into certain related party transactions as disclosed in the section titled "***Financial Statements***" on page 139 of this Letter of Offer.

5. Other than SSHPL and Davuluri Rama Mohan Rao HUF, no other Group Company has any business or other interests in our Company. For further details, see the section titled "***Financial Statements***" on page 139 of this Letter of Offer.

6. The Promoters, Directors, immediate relatives of the Directors, members of the Promoter Group and directors of our Promoters have not undertaken/ financed, directly or indirectly, any transaction in the Equity Shares in the six months preceding the date of filing of this Letter of Offer.

7. Trading in Equity Shares for all investors shall be in dematerialised form only.

8. All information shall be made available by the Lead Manager and our Company to the public and investors at large and no selective or additional information would be available only to a section of investors in any manner whatsoever.

9. The Lead Manager and our Company shall keep our shareholders / public informed of any material changes till listing and trading permission in respect of the Rights Issue Equity Shares is received.

10. Investors may contact the Compliance Officer of our Company or the Lead Manager for any queries/complaints pertaining to the Issue.

SECTION III - INTRODUCTION

THE ISSUE

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in "***Terms of the Issue***" on page 285 of this Letter of Offer.

Rights Issue Equity Shares	2,248,523 Equity Shares
Equity Shares outstanding prior to the Issue	53,96,455 Equity Shares
Equity Shares outstanding after the Issue (assuming full subscription for and allotment of the Rights Entitlement)	76,44,978 Equity Shares
Rights Entitlement	5 Equity Share(s) for every 12 fully paid-up Equity Share(s) held on the Record Date
Record Date	March 23, 2012
Face Value per Equity Share	₹ 10 each
Issue Price per Equity Share	₹ 45each
Terms of the Issue	For more information, please see "***Terms of the Issue***" on page 285 of this Letter of Offer.
Use of Issue Proceeds	For further information, please see "***Objects of the Issue***" on page 62 of this Letter of Offer.

Terms of Payment

The full amount of ₹ 45 per Equity Share is payable on application.

Note on Outstanding Instruments

Employee Stock Options

As on date, 19,000 options have vested and none of such options have been exercised. For further details please the section "***Capital Structure***" on page 47.

SUMMARY OF INDUSTRY OVERVIEW

Unless otherwise indicated, all of the information in this section is derived from the websites of and publicly available documents from various sources, including but not limited to industry websites and publications. In particular we have relied on the report viz. "Indian Pharmaceutical Industry: Vision 2015" issued by the Organisation of Pharmaceutical Producers of India (OPPI) and Yes Bank Limited. The data may have been re-classified by us for the purpose of presentation.

Global Pharmaceutical Industry

In spite of difficult market conditions and patent expiry of several blockbuster drugs, the global pharmaceutical markets expanded to a market size of USD 856 billion in 2010. In 2011, the global pharmaceutical market is projected to grow by 5-7% y-o-y exceeding USD 880 billion. According to IMS Health Incorporated ("IMS Health"), a leading industry body, the global pharmaceutical market is expected to grow at a compound annual growth rate ("CAGR") of 5-8% through 2015 to reach market size of USD 1.1 trillion.

The Asia-Pacific region (primarily comprising India, China, Malaysia and South Korea) is expected to emerge as one of the fastest growing pharmaceutical market globally and also an Active Pharmaceutical Ingredient (API) production hub, going forward. Increased research and development activities in this region has propelled the growth in pharmaceutical industry to achieve an estimated market size of approximately USD 187 billion in 2009 and according to IMS Health, it is also expected that the emerging markets will grow at a CAGR of 14-17% through 2015 while the developed or matured markets is expected to grow at 3-6% CAGR during the same period.

Indian Pharmaceutical Industry

As per the Annual Report for the year 2010-11 released by the Department of Pharmaceuticals, the Indian Pharmaceutical Industry has grown from a mere USD 0.3 billion (₹ 237 Crores) turnover in 1980 to about USD 21.73 billion (₹ 104209 Crores) in 2009-10. The country now ranks third in terms of volume of production (10% of global share) and 14th largest by value (1.5%). One reason for lower value share is the lower cost of drugs in India raging from 5% to 50% less as compared to developed countries.

As per the D.G.C.I.S Statistics, Imports of medicinal and pharmaceutical products for the last four years have been as under:

Year	Import of Medicinal and Pharmaceutical Products (₹ Crores)
2006-07	5866.37
2007-08	6734.15
2008-09	8648.90
2009-10	9828.00

The country is almost self sufficient in case of formulations. The imports are being made on quality and economic considerations and not necessarily non-availability from domestic sources. Manufacturers of Drugs and Pharmaceuticals are free to produce any drug approved by the Drug Control authorities.

Indian Pharma Industry growth has been fuelled by exports and its products are exported to a large number of countries with a sizeable share in the advanced regulated markets of US and Western Europe.

Turnover and Exports of Indian Pharmaceutical Industry during 2009-10		
Parameter	**Amount (₹ Crores)**	**Amount (USD Billion)**
Turnover	104209	21.73
Export 2009-10	42154	8.79
Exports as a % of Turnover	40.45	

Source : *Annual Report for the year 2010 – 11 of Department of Pharmaceuticals*

India's exports of drugs and pharmaceuticals have grown from ₹ 15213 Crores in 2003-04 to ₹ 15213 Crores to ₹ 42154 Crores in 2009-10

Year	Exports	Growth
2003-04	15213	18.61%
2004-05	17228	13.25%
2005-06	21230	23.23%
2006-07	25666	20.89%
2007-08	29354	14.37%
2008-09	39821	35.66%
2009-10	42154	5.86%

Source : Direcotorate General of Commercial Intelligence and Statisitics (DGCIS) Kolkata

India currently exports drug intermediates, APIs, Finished Dosage Formulations (FDFs), bio-pharmaceuticals, Clinical Services to various parts of the world. The top 5 destinations for Indian pharmaceutical products are USA, Germany, Russia, UK and China. Comparatively low cost of Active Pharmaceuticals Ingredients (APIs), robust manufacturing capabilities, existence of regulatory approved manufacturing facilities for APIs and formulations and abundant skills available, are the main driving factors for healthy growth of Pharmaceutical Industry in India. For Indian bulk drug manufacturers, opportunities are present in two forms export of non-patented bulk drugs to regulated market of US, Europe and Japan and the contract manufacturing of patent-protected bulk drugs for patent/license holders.

SUMMARY OF BUSINESS

Our Company is a manufacturer of active pharmaceutical ingredients and peptides and a provider of chemistry related contract research and contract manufacturing services. Exports account for over 81% of the revenues of our Company, with a very strong global customer base of around 270 companies.

Our Company was incorporated on January 7, 1984 in Hyderabad and is listed on the BSE and the NSE. Our Company is led by Dr. Davuluri Rama Mohan Rao, who has 40 years of industry experience and is the Chairman and Managing Director of our Company.

Our Company manufactures 66 products across various therapeutic segments and has over 400 DMF's worldwide, having scaled up 300 processes from research to manufacturing. The total sales of our Company for the half year ended September 30, 2011 was ₹2,245.89 million, ₹ 3,935.72 million for Fiscal 2011, ₹ 2,784 million for Fiscal 2010 and ₹ 3,067 million for Fiscal 2009 .

We have two manufacturing facilities, both located in Hyderabad. Our manufacturing facilities have been inspected by USFDA, EU, TGA, PMDA and ANVISA. The Unit I manufacturing facility located at Bonthapally, which *inter alia* manufactures Ramipril, Mirtazapine, Enalapril Maleate, Sotalol HCl, Levetiracetam, Levofloxacin and any other API's, commenced operations in the year 1986 and has an installed capacity of 1,51,000 litres. The Unit II manufacturing facility located at Pashamylaram, which *inter alia* manufactures Ciprofloxacin, Ranitidine and Entacapone commenced operations in the year 1994 and has an installed capacity of 3,10,200 litres.

Additionally, while both our manufacturing facilities have in-house R&D centres, the R&D Facility at Unit I is a 40,000 sq. ft state-of-the-art R&D facility, which commenced operations in the year 2008. The R&D Facility is primarily used for process investigation, new products development and contract research and manufacturing services.

The major strengths of our company are as follows :

- Focussed independent API Manufacturer
- Facilities designed to serve regulated markets
- Diversified Offering Portfolio

The major strategies of our company are as follows:

- To grow organically our API business in the Export and domestic markets by entering into new and niche molecules that have higher barriers to entry.
- Increase penetration in the Contract research and manufacturing business
- Foraying into cGMP manufacturing of peptides
- To continue strong increase presence in regulated markets including Japan

Research and Development - Our 40,000 sq. ft. state-of-the-art R&D Facility commenced operations in the year 2008. Our R&D facility houses 11 labs and fully equipped analytical lab with all latest analytical instruments which includes NMR, GC, ICPMS, HPLCs. The R&D facility is primarily used for process investigation and development, new products development and contract research and manufacturing services, The R&D facility is recognized by the DSIR, as an approved R&D Centre and the same is valid till March 31, 2016.

Environment, Health and Safety - The mission of our Company is to function without adversely impacting the environment or compromising on the health and safety of our employee and the society.

Human Resources- As on February 15, 2012, we have a workforce of 1501 of which 973 are full-time employees and 528 contractual labourers. Of our 973 full-time employees, over 70% is skilled staff and the rest being semi-skilled and unskilled. Our manufacturing process requires an appropriate mix of skilled, semi-skilled and un-skilled workforce. This includes corporate and managerial staff, staff located at manufacturing facilities and R&D Centre. Out of this number, 190 employees are engaged in R&D activities.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth our selected historical financial information derived from our standalone financial statements for the half year ended September 30, 2011, Fiscal 2011, Fiscal 2010, Fiscal 2009, Fiscal 2008, and Fiscal 2007, and the consolidated financial statements for the half year ended September 30, 2011, Fiscal 2011, Fiscal 2010 and Fiscal 2009, all prepared in accordance with Indian GAAP, the Companies Act and the SEBI ICDR Regulations as described in the Report of the Auditor included in the section "***Financial Statements***" on page 139, and this table should be read in conjunction with the financial statements mentioned therein and the notes thereto.

Standalone Restated Summary of Assets and Liabilities

(₹ in Million)

PARTICULARS	AS AT SEPTEMBER 30, 2011	AS AT MARCH 31				
		2011	2010	2009	2008	2007
A. Fixed Assets						
Gross Block	2,513.84	2,462.19	2,354.68	2,056.49	1,085.44	890.83
Less: Accumulated Depreciation/Amortisation	951.18	877.51	725.64	589.61	515.11	460.19
Net Block	1,562.66	1,584.68	1,629.04	1,466.88	570.33	430.64
Less: Revaluation Reserve	11.58	11.99	12.80	13.84	14.94	16.04
Net Block After Adjustment of Revaluation Reserve	1,551.08	1,572.69	1,616.24	1,453.04	555.39	414.60
Capital Work-in-Progress	275.73	272.57	302.48	368.02	596.47	229.81
Total	**1,826.81**	**1,845.26**	**1,918.72**	**1,821.06**	**1,151.86**	**644.41**
B. Investments	**76.67**	**76.67**	**76.67**	**75.72**	**73.83**	**72.73**
C. Current Assets, Loans and Advances						
Inventories	872.84	799.16	719.27	704.66	554.19	493.98
Sundry Debtors	1,238.72	995.72	728.26	711.50	514.26	422.40
Cash and Bank balances	136.94	144.87	127.67	106.20	92.12	83.85
Loans and Advances	398.88	390.79	403.37	300.03	335.34	216.03
Total	**2,647.38**	**2,330.54**	**1,978.57**	**1,822.39**	**1,495.91**	**1,216.26**
D. Total Assets (A + B + C)	**4,550.86**	**4,252.47**	**3,973.96**	**3,719.17**	**2,721.60**	**1,933.40**
E. Liabilities and Provisions						
Secured Loans	2,318.42	2,295.92	2,331.82	2,003.16	1,340.85	774.34
Unsecured Loans	103.96	41.48	-	-	-	5.48
Total	**2,422.38**	**2,337.40**	**2,331.82**	**2,003.16**	**1,340.85**	**779.82**
F. Deferred Tax Liability (Net)	**-**	**-**	**-**	**39.25**	**25.65**	**34.33**
G. Current Liabilities and Provisions						
Current Liabilities	1,365.50	1,141.79	853.24	816.78	668.65	447.60
Provisions	54.34	42.66	108.97	107.58	86.90	104.93
Total	**1,419.84**	**1,184.45**	**962.21**	**924.36**	**755.55**	**552.53**
H. Total Liabilities and Provisions (E + F + G)	**3,842.22**	**3,521.85**	**3,294.03**	**2,966.77**	**2,122.05**	**1,366.68**
I. Net Worth (D - H)	**708.64**	**730.62**	**679.93**	**752.40**	**599.55**	**566.72**
Represented by						
Shareholders' Fund						
Equity Share Capital	54.67	54.67	54.67	54.67	54.67	54.67
Reserves and Surplus	667.49	687.94	638.06	711.57	559.82	530.73
Less: Revaluation Reserve	11.58	11.99	12.80	13.84	14.94	16.04
Reserves and Surplus (net of Revaluation Reserve)	**655.91**	**675.95**	**625.26**	**697.73**	**544.88**	**514.69**
Less: Miscellaneous expenditure not written off	1.94	-	-	-		2.64
Net Worth	**708.64**	**730.62**	**679.93**	**752.40**	**599.55**	**566.72**

Standalone Restated Summary of Profit and Loss

(₹in Million)

PARTICULARS	FOR HALF YR ENDED	FOR THE YEAR ENDED MARCH 31				
	SEPT 30, 2011	2011	2010	2009	2008	2007
INCOME						
Sales						
Sale of Manufactured Goods	2,245.89	3,935.72	2,784.21	3,067.22	2,177.03	2,021.70
Total Sales	**2,245.89**	**3,935.72**	**2,784.21**	**3,067.22**	**2,177.03**	**2,021.70**
Other Income	26.74	56.99	42.34	105.34	53.42	39.65
Total Income	**2,272.63**	**3,992.71**	**2,826.55**	**3,172.56**	**2,230.45**	**2,061.35**
Expenditure						
(Increase)/Decrease in Finished Goods and Work in Process	(67.01)	(31.71)	(35.55)	(138.56)	(27.98)	(55.61)
Raw Material Consumed	1,542.55	2,530.80	1,626.07	2,029.73	1,381.73	1,347.38
Manufacturing Expenses	187.07	333.51	299.21	315.82	218.41	199.77
Payments and Benefits to Employees	146.68	260.60	232.15	224.31	154.27	126.51
Administration, Selling and Other Expenses	246.22	399.87	408.60	379.86	243.18	214.94
Total Expenditure	**2,055.51**	**3,493.07**	**2,530.48**	**2,811.16**	**1,969.61**	**1,832.99**
Profit Before Interest, Depreciation and Tax	**217.12**	**499.64**	**296.07**	**361.40**	**260.84**	**228.36**
Interest and Finance Cost	163.90	298.37	256.73	143.59	99.34	75.36
Profit Before Depreciation and Tax	**53.22**	**201.27**	**39.34**	**217.81**	**161.50**	**153.00**
Depreciation/ Amortisation	73.26	154.11	135.60	73.70	54.85	53.16
Profit Before Tax and restatement	**(20.04)**	**47.16**	**(96.26)**	**144.11**	**106.65**	**99.84**
Adjustments on account of restatement (Refer Annexure 4(B)(1))	**-**	**-**	**(15.31)**	**45.81**	**(62.86)**	**7.07**
Profit before Tax, Exceptional Items and after Restatement	**(20.04)**	**47.16**	**(111.57)**	**189.92**	**43.79**	**106.91**
Exceptional items	-	-	-	-	-	-
Profit before Tax, and after Exceptional Items and Restatement	**(20.04)**	**47.16**	**(111.57)**	**189.92**	**43.79**	**106.91**

Standalone Restated Summary of Profit and Loss (continued)

(₹in Million)

PARTICULARS	FOR HALF YR ENDED	FOR THE YEAR ENDED MARCH 31				
	SEPT 30, 2011	2011	2010	2009	2008	2007
Tax expense	**-**	**(3.53)**	**(25.81)**	**26.21**	**(6.87)**	**9.46**
Effect on Tax due to Restatement (Refer Annexure 4(B)(1))	-	-	(13.29)	(11.24)	4.69	10.33
Tax expense Restated	**-**	**(3.53)**	**(39.10)**	**14.97**	**(2.18)**	**19.79**
Profit After Tax , Exceptional Items and Restatement	**(20.04)**	**50.69**	**(72.47)**	**174.95**	**45.97**	**87.12**
Balance brought forward from Previous Year as restated	**46.06**	**(4.63)**	**67.84**	**3.41**	**58.36**	**54.61**
Profits available for appropriation	**26.02**	**46.06**	**(4.63)**	**178.36**	**104.33**	**141.73**
Appropriations						
Towards Dividend	-	-	-	18.89	13.49	13.67
Towards Tax on Dividend	-	-	-	3.21	2.29	1.91
Transferred to General Reserve	-	-	-	88.42	85.14	67.79
Total Appropriations	**-**	**-**	**-**	**110.52**	**100.92**	**83.37**
Balance carried to Balance Sheet	**26.02**	**46.06**	**(4.63)**	**67.84**	**3.41**	**58.36**

SUMMARY FINANCIAL INFORMATION FROM OUR RESTATED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Restated Summary of Assets and Liabilities

(₹ in Million)

PARTICULARS	AS AT	AS AT MARCH 31		
	SEPTEMBER 30, 2011	2011	2010	2009
A. Fixed Assets				
Gross Block	2,513.84	2,462.19	2,354.68	2,056.49
Less: Accumulated Depreciation/Amortisation	951.18	877.51	725.64	589.61
Net Block	1,562.66	1,584.68	1,629.04	1,466.88
Less: Revaluation Reserve	11.58	11.99	12.80	13.84
Net Block After Adjustment of Revaluation Reserve	1,551.08	1,572.69	1,616.24	1,453.04
Capital Work-in-Progress	275.73	272.57	302.48	368.02
Total	**1,826.81**	**1,845.26**	**1,918.72**	**1,821.06**
B. Investments	**73.86**	**73.86**	**73.86**	**73.83**
C. Current Assets, Loans and Advances				
Inventories	872.84	799.16	719.27	704.66
Sundry Debtors	1,255.92	997.03	728.39	711.50
Cash and Bank balances	144.20	152.70	134.21	111.12
Loans and Advances	398.86	390.28	404.25	324.92
Total	**2,671.82**	**2,339.17**	**1,986.12**	**1,852.20**
D. Total Assets (A + B + C)	**4,572.49**	**4,258.29**	**3,978.70**	**3,747.09**
E. Liabilities and Provisions				
Secured Loans	2,318.42	2,295.92	2,331.82	2,003.16
Unsecured Loans	103.96	41.48	-	-
Total	**2,422.38**	**2,337.40**	**2,331.82**	**2,003.16**
F. Deferred Tax Liability (Net)	**-**	**-**	**-**	**39.25**
G. Minority Interest	**3.12**	**3.49**	**3.70**	**0.12**
H. Current Liabilities and Provisions				
Current Liabilities	1,376.49	1,138.71	851.48	815.47
Provisions	55.05	43.14	109.04	131.62
Total	**1,431.54**	**1,181.85**	**960.52**	**947.09**
I. Total Liabilities and Provisions (E + F + G + H)	**3,857.04**	**3,522.74**	**3,296.04**	**2,989.62**
J. Net Worth (D - I)	**715.45**	**735.55**	**682.66**	**757.47**

Consolidated Restated Summary of Assets and Liabilities (continued)

(₹ in Million)

PARTICULARS	AS AT SEPTEMBER 30, 2011	AS AT MARCH 31		
		2011	2010	2009
Represented by				
Shareholders' Fund				
Equity Share Capital	54.67	54.67	54.67	54.67
Share Application Money	-	-	-	3.74
Reserves and Surplus	674.30	692.87	640.79	712.90
Less: Revaluation Reserve	11.58	11.99	12.80	13.84
Reserves and Surplus (net of Revaluation Reserve)	**662.72**	**680.88**	**627.99**	**699.06**
Less: Miscellaneous expenditure not written off	1.94	-	-	-
Net Worth	**715.45**	**735.55**	**682.66**	**757.47**

Consolidated Restated Summary of Profit and Loss

(₹in Million)

PARTICULARS	FOR HALF YEAR ENDED	FOR THE YEAR ENDED MARCH 31		
	SEPTEMBER 30, 2011	**2011**	**2010**	**2009**
INCOME				
Sales				
Sale of Manufactured Goods	2,246.02	3,936.90	2,784.21	3,067.22
Trade Sales	-	-	-	-
Contract and Service Income	-	-	-	-
Total Sales	**2,246.02**	**3,936.90**	**2,784.21**	**3,067.22**
Other Income	26.86	57.24	42.49	105.34
Total Income	**2,272.88**	**3,994.14**	**2,826.70**	**3,172.56**
Expenditure				
(Increase)/Decrease in Finished Goods and Work in Process	(67.01)	(31.71)	(35.55)	(138.56)
Raw Material Consumed	1,542.55	2,530.80	1,626.07	2,029.73
Manufacturing Expenses	187.07	333.51	299.21	315.82
Payments and Benefits to Employees	173.18	297.31	258.24	253.16
Administration, Selling and Other Expenses	218.03	362.37	381.20	348.95
Total Expenditure	**2,053.82**	**3,492.28**	**2,529.17**	**2,809.10**
Profit Before Interest, Depreciation, Tax and Minority Interest	**219.06**	**501.86**	**297.53**	**363.46**
Interest and Finance Cost	163.90	298.37	256.73	143.63
Profit Before Depreciation, Tax and Minority Interest	**55.16**	**203.49**	**40.80**	**219.83**
Depreciation/ Amortisation	73.26	154.11	135.60	73.70
Profit Before Tax, Minority Interest and restatement	**(18.10)**	**49.38**	**(94.80)**	**146.13**
Adjustments on account of restatement (Refer Annexure 18(B)(1))	**-**	**-**	**(15.31)**	**45.81**
Profit before Tax, Minority Interest, Exceptional Items and after Restatement	**(18.10)**	**49.38**	**(110.11)**	**191.94**
Exceptional items	-	-	-	-
Profit before Tax, Minority Interest and after Exceptional Items and Restatement	**(18.10)**	**49.38**	**(110.11)**	**191.94**

Consolidated Restated Summary of Profit and Loss (continued)

(₹in Million)

PARTICULARS	**FOR HALF YEAR ENDED**	**FOR THE YEAR ENDED MARCH 31**		
	SEPTEMBER 30, 2011	**2011**	**2010**	**2009**
Tax expense	**0.43**	**(3.30)**	**(25.59)**	**26.93**
Effect on Tax due to Restatement (Refer Annexure 18(B)(1))	-	-	(13.29)	(11.24)
Tax expense Restated	**0.43**	**(3.30)**	**(38.88)**	**15.69**
Profit After Tax , Exceptional Items and Restatement and Before Minority Interest	**(18.53)**	**52.68**	**(71.23)**	**176.25**
Minority Interest	0.37	0.21	0.16	0.03
Profit After Tax , Exceptional Items and Restatement	**(18.16)**	**52.89**	**(71.07)**	**176.28**
Balance brought forward from Previous Year as restated	**50.99**	**(1.90)**	**69.17**	**3.41**
Profits available for appropriation	**32.83**	**50.99**	**(1.90)**	**179.69**
Appropriations				
Towards Dividend	-	-	-	18.89
Towards Tax on Dividend	-	-	-	3.21
Transferred to General Reserve	-	-	-	88.42
Total Appropriations	**-**	**-**	**-**	**110.52**
Balance carried to Balance Sheet	**32.83**	**50.99**	**(1.90)**	**69.17**

GENERAL INFORMATION

Our Company was incorporated on January 7, 1984 as 'Neuland Laboratories Private Limited' with the Registrar of Companies, Andhra Pradesh. Subsequently, our Company was converted from a private company to a public company in 1993 and the name of our Company was changed to 'Neuland Laboratories Limited' vide a fresh certificate of incorporation dated October 12, 1993. Our Company moved to its present registered office on July 6, 2000. For further details of our corporate history and changes in structure please refer to section titled ***'History and Certain Corporate Matters'*** on page 108 of this Letter of Offer.

Pursuant to the resolutions under Section 81(1) of the Companies Act passed by the Board of Directors of our Company at its meeting held on July 7, 2011, it has been decided to make the following offer to the Equity Shareholders of our Company:

ISSUE OF 2,248,523 EQUITY SHARES WITH A FACE VALUE OF ₹ 10 EACH FOR CASH AT A PRICE OF ₹ 45 EACH (INCLUDING A PREMIUM OF ₹ 35 EACH) AGGREGATING TO ₹ 101.18 MILLION BY OUR COMPANY TO THE EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF 5 EQUITY SHARES FOR EVERY 12 EQUITY SHARES HELD ON THE RECORD DATE, I.E., MARCH 23, 2012.

THE ISSUE PRICE FOR THE EQUITY SHARES IS 4.5 TIMES THE FACE VALUE OF THE EQUITY SHARES.

Registered and Corporate Office of our Company

Neuland Laboratories Limited
204, Meridian Plaza,
6-3-853/1 Ameerpet, Hyderabad - 500 016
Tel: +91 40 30211600, 2341 2934
Fax : +91 40 2341 2957
E-mail: ir@neulandlabs.com
Website: www.neulandlabs.com
Registration No. 01-04393
Corporate Identity No.: L85195AP1984PLC004393

Address of the Registrar of Companies

Our Company is registered with the Registrar of Companies, Hyderabad, Andhra Pradesh:

Office of the Registrar of Companies, Andhra Pradesh:
2nd Floor, CPWD Building.
Kendriya Sadan, Sultan Bazar, Koti,
Hyderabad - 500195

The Equity Shares of our Company are listed on the Stock Exchanges.

Board of Directors

S.NO.	NAME AND DIN	DESIGNATION	AGE (IN YEARS)
1.	Dr. Davuluri Rama Mohan Rao **DIN:** 00107737	Chairman and Managing Director	67
2.	Mr. Davuluri Sucheth Rao **DIN:** 00108880	Chief Executive Officer, Whole-time Director	36
3.	Mr. Davuluri Saharsh Rao **DIN:** 02753145	President – Contract Research, Whole-time Director	31

4.	Mr. GVK Rama Rao **DIN:** 02855074	Non-Executive and Non – Independent Director	80
5.	Mr. Nadeem Panjetan **DIN:** 00686989	Nominee Director	50
6.	Mr. Humayun Dhanrajgir **DIN:** 00004006	Independent Director	75
7.	Mr. Parampally Vasudeva Maiya **DIN:** 00195847	Independent Director	73
8.	Mr. Shashi Bhushan Budhiraja **DIN:** 00047679	Independent Director	80
9.	Dr. Christopher M. Cimarusti **DIN:** 02872948	Non-Executive Director	68
10.	Dr. William Gordon Mitchell **DIN:** 02222567	Independent Director	58

For further details of our Directors, see section titled "***Our Management***" on page 117.

Company Secretary and Compliance Officer

Ms. Sarada Bhamidipati
204, Meridian Plaza,
6-3-853/1 Ameerpet, Hyderabad - 500 016
Tel: +91 40 30211600, 2341 2934
Fax : +91 40 2341 2957
E-mail: ir@neulandlabs.com

Lead Manager to the Issue

SBI Capital Markets Limited
202, Maker Tower E,
Cuffe Parade,
Mumbai - 400 005
Tel: +91 22 2217 8300
Fax: +91 22 2218 8332
E-mail: neuland.rights@sbicaps.com
Investor Grievance Email: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Ms. Apeksha A. Munwanee/ Ms. Anshika Malaviya
SEBI Registration No.*: INM000003531

**The SEBI registration of SBI Capital Markets Limited was valid up to July 31, 2011. The application for renewal of the certificate of registration in the prescribed manner has been made by SBI Capital Markets Limited on April 29, 2011, to SEBI, three months before the expiry of the period of the certificate as required under Regulation 9(1) of the SEBI (Merchant Bankers) Regulations, 1992. The approval of SEBI in this regard is currently awaited.*

Registrar to the Issue / Registrar and Transfer Agent to our Company

Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar
Madhapur, Hyderabad 500081
Tel: +91 40 4465 5000
Toll Free No.: 1-800-3454001

Fax: +91 40 23420814
Investor Grievance Email: neuland.rights@karvy.com
Website:http:\\karisma.karvy.com
Contact Person: Mr.M Murali Krishna
SEBI Registration No. INR000000221

Note: Investors are advised to contact the Registrar to the Issue/Compliance Officer in case of any pre-Issue/post Issue related problems such as non-receipt of Letter of Offer/Abridged Letter of Offer/CAF/Allotment advice/share certificate(s) / refund orders. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form was submitted by the ASBA Bidders.

Legal Advisor to the Issue

Tatva Legal
Level 2, Plot No. 1246
Road No. 62, Jubilee Hills
Hyderabad – 500033
Tel: (91 40) 4468 0000
Fax: (91 40) 4468 0005
Contact Person: Ms. Ekta Bahl

Bankers to our Company

Export Import Bank of India
Floor 21, Centre One Building,
World Trade Centre, Cuffe Parade,
Mumbai - 400005,
Tel: +91-22-22185272
Fax: +91-22-22183238
E-mail: Samuel_joseph@eximbankindia.in
Contact Person: Mr. Samuel Joseph
Website: www.eximbankindia.com

State Bank of India
Overseas Branch, Plot No.241/A, Rajala
Towers, Road No.36, Jubilee Hills,
Hyderabad - 500033
Tel: +91-40-23147505
Fax: +91-40-23147502
E-mail: durgaraokoya@sbi.co.in
Contact Person: Mr. K. Durga Rao
Website: www.sbi.co.in

Indian Overseas Bank
3-5-822/5, I floor, Hyderguda,
Basheer Bagh, Hyderabad 500 029
Tel: +91-40-23421520
Fax: +91-40-23421521
E-mail: bashrbr@hydsco.iobnet.co.in
Contact Person: Mr. K. Nageswara Rao
Website: www.iob.in

Bank of India
Mid Corporate Branch
10-1-1199/2, PTI Building, I floor,
A.C. Guards, Hyderabad 500004
Tel: +91 40 23307604
Fax: +91 40 23321148

E-mail: mcb.hyderabad@bankofindia.co.in
Contact Person: K. Swayam Prakash
Website: www.bankof india.com

Auditors of our Company

M/s. K.S. Aiyar & Co.
Chartered Accountants
F-7 Laxmi Mills,
Shakti Mills Lane,
(Off Dr. E. Moses Road),
Mahalaxmi, Mumbai - 400 011
Tel: +91-22-66551770
Fax: +91-22-66551774
E-mail: mail@ksaiyar.com
Contact Person: Mr. Raghuveer M. Aiyar
Firm Registration Number: 100186W

Banker to the Issue:

HDFC Bank Limited
FIG-OPS Department, Lodha I
Think Techno Campus, O-3 Level
Next to Kanjurmarg Railway StationKanjurmarg (East),
Mumbai – 400042
Tel: +91 22 3075 2928
Fax: +91 22 2579 9801
E-mail: deepak.rane@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Deepak Rane
SEBI Registration No. INBI00000063

Self Certified Syndicate Banks

All QIBs and Non – Institutional Investors, who comply with the conditions for being an ASBA Investor, must mandatorily and Retail Individual Investors may optionally apply through the ASBA process. The Equity Shareholders are required to fill the CAF and submit the same to their Self Certified Syndicate Banks ("SCSB") which in turn will block the amount as per the authority contained in the CAF and undertake other tasks as per the specified procedure. On allotment, the amount would be unblocked and the account would be debited only to the extent required to pay for the Rights Issue Equity Shares allotted.

The list of banks that have been notified by SEBI to act as SCSBs for the Applications Supported by Blocked Amount ("**ASBA**") Process are available at the SEBI website (URL reference: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1330923506730.html). Details relating to Designated Branches of SCSBs collecting the CAF are available at the above mentioned link.

For further details on the ASBA process, please refer to details given in CAF and also refer to the section ***"Terms of the Issue"*** on page 285 of this Letter of Offer.

Monitoring Agency

As this is an Issue for less than ₹ 500 crore, there is no requirement for the appointment of a monitoring agency. The Audit Committee will monitor the utilization of the proceeds of the Issue.

Expert Opinion

Except as stated in the sections "***Auditors Report on Restated Consolidated and Standalone Financial Statements"*** and "***Statement of General and Special Tax Benefits"*** on pages 139 and 70, respectively, provided by K.S.Aiyar & Co., Statutory Auditors, no expert opinion has been obtained by our Company in relation to this Letter of Offer.

Statement of responsibilities of the Lead Manager

SBI Capital Markets Limited is the sole Lead Manager to the Issue and all the responsibilities relating to coordination and other activities in relation to the Issue shall be performed by it. The various activities have been set forth below.

SR. NO.	ACTIVITIES
1	Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments, etc. in conformity with SEBI ICDR Regulations. Undertaking liaison with the Stock Exchanges, as may be required under the prevailing framework of guidelines issued by SEBI and the Stock Exchanges.
2	Undertaking due diligence activities and together with the legal counsels assist in drafting and design of the Draft Letter of Offer and of the advertisement or publicity material including newspaper advertisement and brochure or memorandum containing salient features of the Draft Letter of Offer.
3	Selection of various agencies connected with the Issue, such as registrars to the Issue, printers, advertising agencies, etc.
4	Assisting, together with other advisors and legal counsels in securing all necessary regulatory approvals for the Issue and assisting in filing of the Issue related documents with SEBI, Stock Exchanges or any other authority whatsoever.
5	Marketing of the Issue, which shall cover, *inter alia*, (i) arrangements for selection of ad-media, (ii) bankers to the Issue, (iii) collection centers as per Schedule III of the SEBI ICDR Regulations, , and (iv) distribution of publicity and Issue material including application form, Draft Letter of Offer and brochure and deciding upon the quantum of Issue material.
6	Post-Issue activities, which shall involve essential follow-up steps including follow-up with bankers to the Issue and SCSBs to get quick estimates of collection and advising the Issuer about the closure of the Issue, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or de-mat credit and refunds and coordination with various agencies connected with the post-Issue activity such as registrars to the issue, bankers to the issue, SCSBs, etc.

Credit rating

As this is a rights issue of Equity Shares and no convertible or debt instruments are being issued, a credit rating is not required.

Debenture Trustee

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

Listing of Equity Shares

The existing Equity Shares are listed on the Stock Exchanges. We have received in-principle approvals for listing of the Equity Shares to be issued pursuant to this Issue from the BSE and the NSE by letters dated October 17, 2011, and October 21, 2011, respectively.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges mentioned above, our Company shall forthwith repay, without interest, all monies received from applicants in pursuance of the Letter of Offer. If such money is not repaid within eight days from the day our Company becomes liable to repay it, our Company and every Director of our Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under Section 73 of the Companies Act.

Issue Schedule

The subscription will open upon the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below.

Issue Opening Date: March 31, 2012 (Saturday)
Last date for receiving requests for SAFs: April 07, 2012 (Saturday)
Issue Closing Date: April 16, 2012 (Monday)

The Board or a duly authorised committee thereof may however decide to extend the Issue period, as it may determine from time to time, but not exceeding 30 days from the Issue Opening Date.

Appraisal Reports

The Net Proceeds are not proposed to be utilized for any project hence our Company has not obtained any appraisal of the use of proceeds of the Issue by any bank or financial institution.

Principal Terms of Loans and Assets charged as security

For details of the principal terms of loans and assets charged as security, see section "***Financial Indebtedness***" on page 229 of this Letter of Offer.

Intent and Extent of Promoters to the Rights Issue

The Promoters hereby confirm and undertake to subscribe to the full extent of their entitlement in the proposed Rights Issue, either by themselves or through one or more Promoter Group, whether within or outside India; and either singly or jointly amongst any of them.

The Promoters (either through one or more Promoter Group, whether within or outside India; and either singly or jointly amongst any of them) also intend to subscribe to any unsubscribed portion of the Issue such that not less than 90% of the Issue is subscribed. As a result of this subscription and consequent allotment, the Promoters and one or more Promoter Group may acquire Equity Shares over and above their Rights Entitlement, which may result in an increase of Promoter's shareholding above its current shareholding and including their allotment pursuant to Rights Entitlement of equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoters through this Issue, if any, and allotment of Equity Shares will not result in a change of control of the management of our Company and shall be in compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and other applicable regulations therein.

As such, there is no intention other than meeting the requirements indicated in the section on "***Objects of the Issue***" on page 62 of this Letter of Offer, there is no other intention/purpose for this Issue, including no intention to de-list our Company, even if, as a result of allotments to the Promoter in this Issue, their shareholding in our Company exceeds its current shareholding. The Promoters shall subscribe to the above mentioned unsubscribed portion as per the relevant provisions of law. Pursuant to this allotment to the Promoter of any unsubscribed portion, over and above its Rights Entitlement, our Company and the Promoter undertake to comply with the Listing Agreement and other applicable laws. The subscription by the Promoters and/or members of the Promoter Group for the Equity Shares in the Issue will be in continuous compliance with the minimum public shareholding requirement specified under Clause 40A of the Listing Agreements and our Company will take such steps as may be necessary to ensure compliance with Clause 40A of the Listing Agreements.

In this regard, the Promoters have confirmed vide an undertaking dated February 24, 2012 stating that in any circumstance the post issue public shareholding in our Company shall not fall below the specified limit of 25% as stipulated in clause 40A of the Listing Agreement.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, or the subscription level falls below 90%, after the Issue Closing Date on the account of cheques being returned unpaid or withdrawal of applications, our Company shall refund the entire subscription amount received within 15 days from the Issue Closing Date. If there is delay in the refund of the subscription amount by more than eight days after our Company becomes liable to pay the subscription amount (i.e., 15 days after the Issue Closing Date), our Company will pay interest for the delayed period, as prescribed under subsections (2) and (2A) of Section 73 of the Companies Act, 1956.

CAPITAL STRUCTURE

The capital structure of our Company and related information as on the date of this Letter of Offer, prior to and after this Issue, is set out below:

(in ₹, Millions)

PARTICULARS	AGGREGATE NOMINAL VALUE	AGGREGATE VALUE AT ISSUE PRICE
A. AUTHORISED SHARE CAPITAL		
10,000,000 Equity Shares of ₹ 10 each	100.00	
300,000 Cumulative Redeemable Preference Shares of ₹ 100 each	30.00	
300,000 Preference Shares of ₹ 100 each	30.00	
B. ISSUED SHARE CAPITAL		
5,590,000 Equity Shares of ₹ 10 each	55.90	
C. SUBSCRIBED SHARE CAPITAL		
5,499,731 Equity Shares of ₹ 10 each	54.99	
D. PAID UP SHARE CAPITAL		
5,396,455 Equity Shares of ₹ 10 each	53.96	
103,276 forfeited Equity Shares of ₹ 10 each*	0.71	
E. PRESENT ISSUE IN TERMS OF THIS LETTER OF OFFER		
2,248,523 Equity Shares at an Issue Price of ₹ 45 per Equity Share (premium of ₹ 35 per Equity Share)	22.49	101.18
F. ISSUED, SUBSCRIBED AND PAID UP CAPITAL AFTER THE ISSUE (ASSUMING FULL SUBSCRIPTION FOR AND ALLOTMENT OF THE RIGHTS ENTITLEMENT)		
76,44,978 Equity Shares	76.45	
G. SECURITIES PREMIUM ACCOUNT		
Before the Issue	**360.54**	
After the Issue	**439.24**	

** 103276 Equity Shares of our Company were forfeited on October 25, 2005 for failure to pay the call is respect of such shares. Our Company has received an amount of ₹ 706350 with respect to such shares.*

This Issue has been authorised by our Board of Directors pursuant to its resolution dated July 7, 2011.

Details of increase in the Authorized Share Capital since incorporation:

Sr. No.	Particulars	Date of Shareholders Resolution
1.	The initial authorized share capital of ₹ 500,000 divided into 4000 equity shares of ₹100 each and 1000 Redeemable Cumulative Preference Shares of ₹100 each was increased to ₹ 1,500,000 divided into 14,000 equity shares of ₹ 100 each and 1000 redeemable cumulative preference shares of ₹ 100 each	August 9, 1984
2.	The authorized share capital of ₹ 1,500,000 divided into 14,000 equity shares of ₹ 100 each and 1000 redeemable cumulative preference shares of ₹ 100 each was increased to ₹ 4,000,000 divided into 39,000 equity shares of ₹ 100 each and 1000 redeemable cumulative preference shares of ₹ 100 each	February 27, 1992
3.	The authorized share capital of ₹ 4,000,000 divided into 39,000 equity shares of ₹ 100 each and 1000 redeemable cumulative preference shares of ₹ 100 each was increased to ₹ 40,000,000 divided into 4,000,000 equity shares of ₹ 10 each.	February 10, 1993
4.	The authorized share capital of ₹ 40,000,000 divided into 4,000,000 equity shares of ₹ 10 each was increased to ₹ 70,000,000 divided into 4,000,000 equity shares of ₹ 10 each and 300,000 cumulative redeemable preference shares of ₹100 each.	September 9, 1995
5.	The authorized share capital of ₹ 70,000,000 divided into 4,000,000 equity shares of ₹ 10 each and 300,000 cumulative redeemable preference shares of ₹100 each was increased to ₹ 90,000,000 divided into 6,000,000 equity shares of ₹ 10 each and 300,000 cumulative redeemable preference shares of ₹100 each.	November 24, 1995
6.	The authorized share capital of ₹ 90,000,000 divided into 6,000,000 equity shares of ₹ 10 each and 300,000 Cumulative redeemable preference shares of ₹100 each was increased to ₹ 120,000,000 divided into 6,000,000 equity shares of ₹ 10 each and 300,000 cumulative redeemable preference shares of ₹100 each and 300,000 preference shares of ₹ 100 each either cumulative or non-cumulative and redeemable or otherwise.	September 26, 1998
7.	The authorized share capital of ₹120,000,000 divided 6,000,000 equity shares of ₹ 10 each and 300,000 cumulative redeemable preference shares of ₹100 each and 300,000 preference shares of ₹ 100 each either cumulative or non-cumulative and redeemable or otherwise was increased to ₹ 160,000,000 divided into 10,000,000 equity shares of ₹ 10 each and 300,000 cumulative redeemable preference shares of ₹100 each and 300,000 preference shares of ₹ 100 each either cumulative or non-cumulative and redeemable or otherwise.	December 18, 1999

NOTES TO THE CAPITAL STRUCTURE

1. Share Capital History of our Company:

(a) Equity Shares:

The following is the history of the Equity Share Capital of our Company:

Date of allotment	No. Of equity shares	Face value (₹)	Issue price (₹)	Nature of consid-eration	Nature of allotment	Cumulative number of equity shares	Cumulative Equity share Capital
December 8, 1984	5420	100	100	Cash	Allotment including allotment to the subscribers to the memorandum	5420	542000
May 24, 1985	4320	100	100	Cash	Further issue	9740	974000
March 24, 1992	9740	100	100	Bonus	Bonus issue of one equity share for every one equity share held	19480	1948000
February 10, 1993	19480	10	10	-	The equity shares had been subdivided from face value of ₹ 100 each to face value of ₹ 10 per equity Share	194800	1948000
March 27, 1993	584400	10	10	Bonus	Bonus issue of three equity shares for each equity share held	779200	7792000
August 12, 1993	292200	10	10	Cash	Rights Issue of three equity shares for every two equity Share held	1071400	10714000
August 12, 1993	11080	10	10	Pursuant to scheme of amalgam ation	Equity shares issued to the shareholders of NDPL in the ratio of 1 fully paid up equity share for every 7 fully paid up equity share in NDPL	1082480	10824800
August 12, 1993	33240	10	10	Bonus	Bonus issue of three equity shares issued to the shareholders of erstwhile NDPL, for each equity share held by them in our Company*	1115720	11157200
October 22, 1993	16620	10	10	Cash	Rights Issue of three equity shares issued to the shareholders of erstwhile NDPL, for every two equity share held by them in our Company*	1132340	11323400
June 14, 1994	1867660	10	45	Cash	Equity shares allotted pursuant to the initial public offer	3000000	30000000
11 May , 1996#	1409731	10	60	Cash	Rights Issue of one equity share for every two equity share held	4409731	44097310
January 28, 2000	270000	10	217.5	Cash	Preferential Allotment to Permex Investment Holding Company Limited	4679731	46797310
March 17, 2000	820000	10	217.5	Cash	Preferential Allotment to	5499731	54997310

					Unipharrm Limited		
Total	**5499731#**						

[#]*Of this 103276 equity shares of ₹10 each were forfeited on October 25, 2005 for failure to pay the calls in respect of such shares. After the forfeiture, the cumulative number of equity shares of our Company now stands at 5396455.*
**Pursuant to the scheme of amalgamation, the shareholders of the erstwhile NDPL were issued and allotted 33240 bonus shares and 16620 equity shares on a rights basis.*

(b) Preference Shares:

The following is the Preference Share Capital history of our Company:

Date of allotment	No. Of preference shares	Face value (₹)	Issue price (₹)	Cumulative preference capital	Nature of consider Ation	Nature of allotment	Remarks
January 6, 1998	300000	100	100	30,000,000	Cash	14.5% Cumulative redeemable preference shares allotted to IDBI	Redeemed in the year 2002-2003

(c) Shares allotted pursuant to scheme of amalgamation

Date of allotment	No. Of equity shares	Face value (₹)	Issue price (₹)	Nature of consideration	Nature of allotment
August 12, 1993	11080	10	10	For consideration other than cash Pursuant to scheme of amalgamation	Equity shares issued in the ratio of 1 fully paid up equity share for every 7 fully paid up equity share in Neuland Drugs and Pharmaceuticals Private Limited

*Neuland Drugs and Pharmaceuticals Private Limited merged with our Company as per a Scheme of Amalgamation under Section 394 of the Companies Act, 1956 with effect from April 1, 1992. Consequent to the merger, the erstwhile shareholders of Neuland Drugs and Pharmaceuticals Private Limited were issued and allotted 11,080 Equity Shares of our Company in the ratio of one fully paid up equity share for every seven fully paid up equity shares in Neuland Drugs and Pharmaceuticals Private Limited, on August 12, 1993. The shareholders of the erstwhile NDPL were also issued and allotted 33240 equity shares as bonus shares on August 12, 1993 and 16,620 Equity Shares of our Company by way of a rights shares, on October 22, 1993. The details of the Scheme of Arrangement is detailed in the section "**History and Certain Corporate Matters**" on page 108.*

2. Shareholding Pattern

As on December 31, 2011, the total number of members of our Company was 5091. The shareholding pattern of our Company as on December 31, 2011 is as follows:

Category code	Category of shareholder	Number of share holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					% of (A+B)	% of (A+B+C)	Number of shares	%
A	**Promoter and Promoter Group**							
1	INDIAN							
a	Individual / HUF	11	1241929	1241929	23.01	23.01	200000	16.10
b	Central Government / State Government	--	--	--	--	--	--	--
c	Bodies Corporate	1	392011	392011	7.26	7.26	351000	89.54
d	Financial Institutions	--	--	--	--	--	--	--

	/ Banks							
e	Others	--	--	--	--	--	--	--
	Sub Total A(1) :	**12**	**1633940**	**1633940**	**30.28**	**30.28**	**551000**	**33.72**
2	**FOREIGN**							
a	Individuals (NRIs / Foreign Individuals)	2	180172	180172	3.3387	3.3387	0	0
b	Bodies Corporate	--	--	--	--	--	--	--
c	Others							
	-Foreign Bodies Corporates	--	--	--	--	--	--	--
	Sub Total A(2) :	**2**	**180172**	**180172**	**3.34**	**3.34**	**0**	**0**
	Total A= A(1) + A (2)	**14**	**1814112**	**1814112**	**33.62**	**33.62**	**551000**	**30.37**
B	**PUBLIC SHAREHOLDING**							
1	**INSTITUTIONS**							
a	Mutual Funds / UTI	2	400	0	0.01	0.01	--	--
b	Financial Institutions / Banks	1	500	0	0.01	0.01	--	--
c	Central Government / State Government (s)	--	--	--	--	--	--	--
d	Venture Capital Funds	--	--	--	--	--	--	--
e	Insurance Companies	--	--	--	--	--	--	--
f	Foreign Institutional Investors	1	98000	98000	1.82	1.82	--	--
g	Foreign Venture Capital Investors	--	--	--	--	--	--	--
h	Others	--	--	--	--	--	--	--
	Sub Total B(1) :	**4**	**98900**	**98000**	**1.83**	**1.83**	**--**	**--**
2	**NON - INSTITUTIONS**							
a	Bodies Corporate	190	405033	400482	7.51	7.51	--	--
b	Individuals							
	(i) Individual holding nominal share capital up to ₹ 1 lakh	4793	1162378	1045213	21.54	21.54	--	--
	(ii) Individual holding nominal share capital in excess of ₹ 1 lakh	20	442372	442372	8.20	8.20	--	--
c	**OTHERS**							
	-Clearing Members	10	253	253	0.00	0.00	--	--
	-NRI / OCB / FC	59	1473007	321307	27.30	27.30	--	--
	-Trusts	1	400	400	0.01	0.01	--	--
	Sub Total B(2) :	**5073**	**3483443**	**2210027**	**64.55**	**64.55**	**--**	**--**
	Total B = B(1) + B (2)	**5077**	**3582343**	**2308027**	**66.38**	**66.38**	**--**	**--**
	Total (A + B) :	**5091**	**5396455**	**4122139**	**100.00**	**100.00**	**551000**	**10.21**
C	Shares Held by Custodians, against which Depository Receipts have been issued	--	--	--	--	--	--	--
	GRAND TOTAL (A + B + C) :	**5091**	**5396455**	**4122139**	**100.00**	**100.00**	**551000**	**10.21**

3. Shareholding of Promoter/Promoter Group

The shareholding belonging to the category "Promoter and Promoter Group" as on December 31, 2011 is as follows:

Name of the shareholder	Pre-issue		Pledged shares		
	No. of equity shares	%	No of equity shares	% of total pre-issue shares held	%of the total pre-issueshare capital of our company
A Promoters					
Dr. Davuluri Ramamohan Rao	704913	13.06	200000#	28.37	3.71
Mr. Davuluri Sucheth Rao	110968	2.06	-	-	-
Mr. Davuluri Saharsh Rao	66150	1.23	-	-	-
Mr. GVK Rama Rao	17600	0.33	-	-	-
B. Immediate relatives of promoters					
Mrs. Davuluri Vijaya Rao	151105	2.80	-	-	-
Mrs. Davuluri Rohini Niveditha Rao	41030	0.76	-	-	-
Mr. Gannabathula Veeravenkata Satyanarayanamurty	18394	0.34	-	-	-
Mrs. Gannabathula Subbayamma	13005	0.24	-	-	-
Mr. Gannabathula Nageswara Rao	9000	0.17	-	-	-
Mrs. Gannabathula Uma Bala	3764	0.07	-	-	-
C. Company in which 10% or more of the share capital is held by the promoter/his immediate relative, firm or HUF in which the promoter or his immediate relative is a member.					
Sucheth and Saharsh Holdings Private Limited	392011	7.26	351000##	89.54	6.50
D. in which the Company mentioned in (C) above holds 10% or more of the share capital	-	-	-	-	-
E. HUF in which aggregate share of the promoter and his immediate relatives is equal or more than 10% of the total.			-	-	-
Davuluri Rama Mohan Rao HUF	106000	1.96	-	-	-
F. Persons whose shareholding is aggregated for the purpose of disclosing in the prospectus under the heading "shareholding of the promoter group"					
Mr. Suryanarayana M Siram	100088	1.85	-	-	-
Mr. Velugubanti S Prasadarao	80,084	1.48	-	-	-
TOTAL	**1814112**	**33.62**	**551000**	**-**	**10.21**

 # 1,00,000 equity shares have been pledged in favour of SBI and 1,00,000 equity shares have been pledged in favour of SBI Global Factors Limited, for loans availed by our Company.
162,000 equity shares have been pledged to Abirami Financial Services India Limited and 189,000 equity shares have been pledged to Sumeru Soft Private Limited.

4. **History of Promoter Shareholding**

Dr. Davuluri Rama Mohan Rao

Date of Allotment/ Transfer	No. of Equity Shares acquired/ allotted/ transferred	Cumulative number of Equity Shares	Face Value (₹)	Issue /Acquisition/ Transfer Price per Equity share (₹)*	Nature of Consideration	Nature of Transaction
December 8, 1984	1670	1,670	100.00	100.00	Cash	Allotment
March 24, 1992	1670	3,340	100.00	0.00	-	Bonus1:1
March 27, 1993	100200	133,600	10.00	0.00	-	Bonus3:1
August 12, 1993	50108	183,708	10.00	10.00	Cash	Rights3:2
August 12, 1993	210	183,918	10.00	0.00	Other than Cash	Amalgamation1:7
August 12, 1993	630	184,548	10.00	0.00	-	Bonus3:1
October 22, 1993	315	184,863	10.00	10.00	Cash	Rights3:2
June 14, 1994	20660	205,523	10.00	45.00	Cash	Public Issue
August 23, 1994	(300)	205,223	10.00	213.33	Cash	Sale
September 30, 1994	(8500)	196,723	10.00	218.72	Cash	Sale
October 22, 1994	(300)	196,423	10.00	236.67	Cash	Sale
November 30, 1994	(3700)	192,723	10.00	227.14	Cash	Sale
December 15, 1994	(100)	192,623	10.00	220.00	Cash	Sale
December 26, 1994	(600)	192,023	10.00	210.00	Cash	Sale
January 31, 1995	(2600)	189,423	10.00	184.65	Cash	Sale
February 25, 1995	(2000)	187,423	10.00	168.75	Cash	Sale
March 25, 1995	(1500)	185,923	10.00	138.33	Cash	Sale
May 4, 1995	(3800)	182,123	10.00	160.92	Cash	Sale
May 20, 1995	(600)	181,523	10.00	143.33	Cash	Sale
June 19, 1995	(900)	180,623	10.00	145.69	Cash	Sale
July 15, 1995	(300)	180,323	10.00	111.33	Cash	Sale
July 31, 1995	(1000)	179,323	10.00	115.58	Cash	Sale
September 9, 1995	(4200)	175,123	10.00	126.64	Cash	Sale
November 15, 1995	(1100)	174,023	10.00	168.00	Cash	Sale
January 30, 1996	(100)	173,923	10.00	84.00	Cash	Sale
January 30, 1996	200	174,123	10.00	120.00	Cash	Purchase
February 12, 1996	(100)	174,023	10.00	128.00	Cash	Sale
March 11, 1996	(100)	173,923	10.00	104.00	Cash	Sale
April 20, 1996	(100)	173,823	10.00	67.00	Cash	Sale
May 11, 1996	242800	416,623	10.00	60.00	Cash	Rights1:2
November 8, 1996	(200)	416,423	10.00	170.00	Cash	Sale
July 28, 1997	2000	418,423	10.00	18.15	Cash	Purchase
August 5, 1997	25300	443,723	10.00	17.00	Cash	Purchase
September 6, 1997	(100)	443,623	10.00	25.00	Cash	Sale
October 18, 1997	(100500)	343,123	10.00	0.00	-	Gift
October 18, 1997	(42000)	301,123	10.00	30.00	Cash	Sale
September 16, 1998	13500	314,623	10.00	30.00	Cash	Purchase
November 9, 1999	1540	316,163	10.00	-.	-	Transmission
December 31, 1999	(800)	315,363	10.00	220.00	Cash	Sale
January 4, 2000	(10000)	305,363	10.00	328.65	Cash	Sale
March 31, 2000	(200)	305,163	10.00	230.00	Cash	Sale
May 10, 2000	2000	307,163	10.00	121.75	Cash	Purchase
August 4, 2000	43600	350,763	10.00	32.94	Cash	Purchase
February 13, 2001	33500	384,263	10.00	0.00	-	Gift
July 11, 2001	18000	402,263	10.00	15.00	Cash	Purchase

July 18, 2001	50000	452,263	10.00	38.00	Cash	Purchase
December 19, 2001	229000	681,263	10.00	60.00	Cash	Purchase
April 25, 2002	(81800)	599,463	10.00	45.33	Cash	Sale
August 5, 2002	(8900)	590,563	10.00	60.00	Cash	Sale
October 3, 2002	(39000)	551,563	10.00	60.00	Cash	Sale
March 12, 2003	(5600)	545,963	10.00	60.00	Cash	Sale
July 1, 2003	(2200)	543,763	10.00	60.00	Cash	Sale
April 12, 2005	100000	643,763	10.00	20.00	Cash	Purchase
August 25, 2005	1000	644,763	10.00	162.86	Cash	Purchase
August 29, 2005	2269	647,032	10.00	161.13	Cash	Purchase
September 1, 2005	3300	650,332	10.00	155.03	Cash	Purchase
February 3, 2006	8000	658,332	10.00	122.21	Cash	Purchase
March 22, 2007	10000	668,332	10.00	144.39	Cash	Purchase
April 9, 2007	31487	699,819	10.00	156.86	Cash	Purchase
April 10, 2007	200	700,019	10.00	156.86	Cash	Purchase
November 26, 2008	4824	704,843	10.00	102.00	Cash	Purchase
December 5, 2008	70	704,913	10.00	102.00	Cash	Purchase
Total	**704,913**					

Davuluri Sucheth Rao

Date of Allotment/Transfer	**No.of Equity Shares acquired /allotted/ transferred**	**Cumulative number of Equity Shares**	**Face Value (₹)**	**Issue/Acquisition/Transfer Price per Equity share (₹)***	**Nature of Consideration**	**Nature of Transaction**
January 27, 1993	400	400	100.00	55.44	Cash	Purchase
March 27, 1993	12,000	16,000	~10.00	-	-	Bonus3:1
August 12, 1993	6,000	22,000	10.00	10.00	Cash	Rights3:2
August 12, 1993	280	22,280	10.00	-	Other than cash	Amalgamation 1:7
August 12, 1993	840	23,120	10.00	-	-	Bonus3:1
October 22, 1993	420	23,540	10.00	10.00	Cash	Rights3:2
March 25, 1995	500	24,040	10.00	200.00	Cash	Purchase
August 19, 1997	2,000	26,040	10.00	17.00	Cash	Purchase
October 18, 1997	33,500	59,540	10.00	0.00	-	Gift
July 11, 2001	20,000	79,540	10.00	13.00	Cash	Purchase
February 3, 2006	8,000	87,540	10.00	121.57	Cash	Purchase
December 19, 2006	5,500	93,040	10.00	162.26	Cash	Purchase
February 22, 1997	1,300	94,340	10.00	160.58	Cash	Purchase
September 22, 2008	6,600	100,940	10.00	149.91	Cash	Purchase
October 8, 2008	40	100,980	10.00	138.35	Cash	Purchase
November 21, 2008	9,988	110,968	10.00	99.82	Cash	Purchase
Total	**110,968**					

Davuluri Saharsh Rao

Date of Allotment/Transfer	**No.of Equity Shares acquired /allotted/ transferred**	**Cumulative number of Equity Shares**	**Face Value (₹)**	**Issue/Acquisition/Transfer Price per Equity share(₹)***	**Nature of Consideration**	**Nature of Transaction**
January 27, 1993	400	400	100.00	55.44	Cash	Purchase

March 27, 1993	12,000	16,000	10.00	0.00	-	Bonus3:1
August 12, 1993	6,000	22,000	10.00	10.00	Cash	Rights3:2
August 12, 1993	280	22,280	10.00	0.00	Other than cash	Amalgamation 1:7
August 12, 1993	840	23,120	10.00	0.00	-	Bonus3:1
October 22, 1993	420	23,540	10.00	10.00	Cash	Rights3:2
March 25, 1995	500	24,040	10.00	200.00	Cash	Purchase
August 19, 1997	1,900	25,940	10.00	17.00	Cash	Purchase
October 18, 1997	33,500	59,440	10.00	0.00	-	Gift
June 6, 2000	6,000	65,440	10.00	0.00	-	Gift
February 13, 2001	(33,500)	31,940	10.00	0.00	-	Gift
July 11, 2001	17,000	48,940	10.00	13.53	Cash	Purchase
November 19, 2008	100	49,040	10.00	105.00	Cash	Purchase
November 20, 2008	2,500	51,540	10.00	101.32	Cash	Purchase
November 21, 2008	5,440	56,980	10.00	99.94	Cash	Purchase
November 24, 2008	50	57,030	10.00	100.00	Cash	Purchase
November 25, 2008	792	57,822	10.00	91.25	Cash	Purchase
November 28, 2008	1,100	58,922	10.00	93.00	Cash	Purchase
December 1, 2008	240	59,162	10.00	95.05	Cash	Purchase
December 2, 2008	1,463	60,625	10.00	93.29	Cash	Purchase
December 5, 2008	115	60,740	10.00	93.34	Cash	Purchase
December 16, 2008	25	60,765	10.00	96.15	Cash	Purchase
December 18, 2008	1,175	61,940	10.00	102.99	Cash	Purchase
December 19, 2008	50	61,990	10.00	100.00	Cash	Purchase
January 1, 2009	50	62,040	10.00	107.52	Cash	Purchase
January 2, 2009	2,070	64,110	10.00	109.15	Cash	Purchase
January 5, 2009	331	64,441	10.00	109.70	Cash	Purchase
January 12, 2009	105	64,546	10.00	107.00	Cash	Purchase
January 13, 2009	600	65,146	10.00	108.52	Cash	Purchase
January 14, 2009	300	65,446	10.00	108.99	Cash	Purchase
January 15, 2009	500	65,946	10.00	108.72	Cash	Purchase
January 20, 2009	200	66,146	10.00	105.74	Cash	Purchase
February 2, 2009	4	66,150	10.00	108.17	Cash	Purchase
Total	**66,150**					

Mr. GVK Rama Rao

Date of Allotment/Transfer	No.of Equity Shares acquired /allotted/ transferred	Cumulative number of Equity Shares	Face Value (₹)	Issue/Acquisition/Transfer Price per Equity share(₹)	Nature of Consideration	Nature of Transaction
December 08, 1984	160	160	100	100	Cash	Allotment
March 04, 1992	160	320	100	-	-	Bonus 1:1
March 27, 1993	9,600	12,800	10	-	-	Bonus 3 : 1
August 12, 1993	4,800	17,600	10	10	Cash	Rights 3:2
Total	**17,600**					

Note: The equity shares had been subdivided from face value of ₹ 100 each to face value of ₹ 10 per equity Share on February 10, 1993.
Note: All Purchases by Dr. Davuluri Rama Mohan Rao, Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao in the year 2009 were market purchases.

5. Promoters Undertaking

The Promoters have confirmed vide their letter of undertaking dated September 19, 2011, that the Promoters (either through one or more Promoter Group, whether within or outside India; and either singly or jointly amongst any of them) intend to subscribe to the full extent of their entitlement in the Issue. The Promoters further undertake to apply for (either by themselves or through one or more Promoter Group; and either singly or jointly amongst any of them) any such Equity Shares in the Issue to the extent of any undersubscribed portion of the Issue, subject to applicable law, to ensure that at least 90% of the Issue is subscribed. As a result of this subscription and consequent allotment, the Promoters and one or more Promoter Group may acquire Equity Shares over and above their Rights Entitlement, which may result in an increase of Promoter's shareholding above its current shareholding and including their allotment pursuant to Rights Entitlement of equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoters through this Issue, if any, will not result in a change of control of the management of our Company.

As such, there is no intention other than meeting the requirements indicated in the "***Objects of the Issue***" as mentioned on page 62 of this Letter of Offer, there is no other intention/purpose for this Issue, including no intention to de-list our Company, even if, as a result of allotments to the Promoter/ Promoter Group in this Issue, their shareholding in our Company exceeds their current shareholding. The Promoters shall subscribe to the above mentioned unsubscribed portion as per the relevant provisions of law. Pursuant to this allotment to the Promoter of any unsubscribed portion, over and above its Rights Entitlement, our Company and the Promoter undertake to comply with the Listing Agreement and other applicable laws.The subscription by the Promoters and/or members of the Promoter Group for the Equity Shares in the Issue will be in continuous compliance with the minimum public shareholding requirement specified under Clause 40A of the Listing Agreements and our Company will take such steps as may be necessary to ensure compliance with Clause 40A and other clauses of the Listing Agreements.

In this regard, the Promoters have confirmed vide an undertaking dated February 24, 2012 stating that in any circumstances the post issue public shareholding in our Company shall not fall below the specified limit of 25% as stipulated in clause 40A of the Listing Agreement.

6. Acquisition or Transfer of Shares by Directors, Promoter/ Promoter Group

There have been no acquisitions or transfers of Equity Shares by our Directors (or their immediate family members as defined in Regulation 2 (1) (zc) (ii) of the SEBI ICDR Regulations), the Promoters, directors of the Promoters and the members of the Promoter Group and neither have they financed the purchase of our Equity Shares by any person in the last six (6) months preceding the date of filing of this Letter of Offer.

7. Locked-in Shares

As on date of the Letter of Offer, none of the shares of our Company are locked-in.

8. Top Ten Shareholders

(a) The top ten shareholders of our Company and the number of Equity Shares held by them as on the date of this Letter of Offer*:

Sr. No.	Name of shareholder	Number of shares	% age holding
1.	Unipharm Limited	820000	15.20
2.	Dr. Davuluri Rama Mohan Rao	704913	13.06
3.	Sucheth And Saharsh Holdings Private Limited	392011	7.26
4.	Permex Investment Holding Company Limited	270000	5.00
5.	Mrs. Davuluri Vijaya Rao	151105	2.80
6.	American Overseas Technologies	133090	2.47
7.	Mr. Davuluri Sucheth Rao	110968	2.06
8.	Davuluri Rama Mohan Rao HUF	106000	1.96

9.	Mr. Suryanarayana M Siram	100088	1.85
10.	Ares Diversified	98000	1.82
	Total	**2886175**	**53.48**

** As per the beneficial position on March 9, 2012*

(b) The top ten shareholders of our Company and the number of Equity Shares held by them ten days prior to filing of this Letter of Offer are as follows*:

Sr. No	Name of shareholder	Number of shares	% age holding
1.	Unipharm Limited	820000	15.20
2.	Dr. Davuluri Rama Mohan Rao	704913	13.06
3.	Sucheth And Saharsh Holdings Private Limited	392011	7.26
4.	Permex Investment Holding Company Limited	270000	5.00
5.	American Overseas Technologies	133090	2.47
6.	Mrs. Davuluri Vijaya Rao	151105	2.80
7.	Mr. Davuluri Sucheth Rao	110968	2.06
8.	Davuluri Rama Mohan Rao HUF	106000	1.96
9.	Mr. Suryanarayana M Siram	100088	1.85
10.	Ares Diversified	98000	1.82
	Total	**2886175**	**53.48**

** As per the beneficial position on March 2, 2012*

(c) The top ten shareholders of our Company and the number of Equity Shares held by them two years prior to filing this Letter of Offer were as follows*:

Sr. No	Name of shareholder	Number of shares	% age holding
1.	Unipharm Limited	820000	15.20
2.	Dr. Davuluri Rama Mohan Rao	704913	13.06
3.	Sucheth And Saharsh Holdings Private Limited	392011	7.26
4.	Permex Investment Holding Company Limited	270000	5.00
5.	Anmol Finpro Private Limited	214911	3.98
6.	Mrs. Davuluri Vijaya Rao	151105	2.80
7.	American Overseas Technologies	133090	2.47
8.	Daivi Ventures	129076	2.39
9.	Mr. Davuluri Sucheth Rao	110968	2.06
10.	Davuluri Rama Mohan Rao HUF	106000	1.96
	Total	**3032074**	**56.19**

** As per the beneficial position on March 12, 2010*

9. Statement showing the category of "Public" and Holding more than 1% of total number of Equity Shares:

Each person or entity known to our Company, other than the Promoters and Promoter Group entities, who or which beneficially own more than 1% of the outstanding Equity Shares as on December 31, 2011 is listed below. Each shareholder identified below is both the holder on record and the beneficial owner with sole power to vote and invest the Equity Shares listed next to its name below:

Sr. No.	Name of shareholder	Number of shares	% Holding
1.	Unipharm Limited	820000	15.20
2.	Permex Investment Holding Company Limited	270000	5.00
3.	American Overseas Technologies	133090	2.47
4.	Zen Securities Limited	156556	2.90
5.	Ares Diversified	98000	1.82
6.	Mr. Amitabh Harivansh Rai Bachchan	92530	1.71
7.	Mr. Aiyappan K V	81000	1.50
8.	Ind Finance And Securities Trust Private Limited	62611	1.16
	Total	**1713787**	**31.76**

10. Employee Stock Option Scheme

We have instituted an employee stock option scheme to secure greater employee participation, motivating the employees to contribute to the growth and profitability of our Company and enable them to participate in the long term growth and financial success of the organization.

The Employee Stock Option Scheme ("**ESOS**") of our Company was approved by the Members of our Company at the Annual General Meeting on July 20, 2007

In terms of the ESOS, our Company is entitled to grant employee stock options for upto 161,893 Equity Shares, which represents 3% of the pre-Issue paid up equity capital of our Company. Pursuant thereto, our Company granted 34,500 stock options to its employees and the employees of its subsidiaries under the Employee Stock Options Scheme, which upon exercise would represent 0.63% of the pre-Issue paid up equity capital of our Company. As on February 29, 2012, 15,500 options have lapsed as on account of resignation / retirement of employees from our Company and our subsidiary companies, which has been noted by our Remuneration/Compensation Committee and 19,000 are subsisting. The grant price plan as on November 20, 2008 was ₹ 104 per share. All the stock options have vested with the employees to whom they were issued, with the last exercise date being November 19, 2016. None of the stock options granted have been exercised till date.

Our Company did not grant any options during the year ending March 31, 2011 and for the period thereafter ending February 29, 2012.

There has been no variance to the terms of the Employee Stock Option Scheme since the same was approved by the Members of our Company at the Annual General Meeting on July 20, 2007.

Particulars	**Financial year ending March 31, 2011**	**Financial year ending March 31, 2010**	**Financial year ending March 31, 2009**
Options granted	Nil	Nil	34500
Pricing Formula	The price was decided by the Board, which is not less than the face value per share per option.	The price was decided by the Board, which is not less than the face value per share per option.	The price was decided by the Board, which is not less than the face value per share per option.
Options vested	Nil	34500	Nil
Exercise Price options	Nil	Nil	Nil
Options Exercised	Nil	Nil	Nil
Total number of shares arising as a result of exercise of the options	Nil	Nil	Nil
Options lapsed	6000	5500	Nil
Money realized by exercise of the options	Nil	Nil	Nil
Total Number of options in force	23000	29000	Nil
Employee wise details of options granted to senior management personnel	List given below	List given below	List given below
Any other employee who receives a grant in any one year of option announcing 5% or more of option granted during that year.	Nil	Nil	Nil
Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued Equity Shares (excluding outstanding warrants and conversions) at the time of grant	Nil	Nil	Nil
Diluted earning per share pursuant to issue of shares on exercise of options in accordance AS 20 'Earnings Per	Before Adjustment – ₹ 9.38	Before Adjustment – ₹ (13.05) After Adjustment –	Before Adjustment – ₹ 21.81

Share' on standalone basis	After Adjustment – ₹ 9.43	₹ (13.03)	After Adjustment – ₹ 21.54
Weighted average exercise price of options granted during the year	104	104	104
Method and significant assumptions used to estimate the fair value of options granted during the year	The Black-Scholes option-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since option-pricing models require use of substantive assumptions, changes therein can materially affect fair value of options. The option pricing models do not necessarily provide a reliable measure of fair value of options.		
Risk free interest rate	7%	7%	7%
Expected life	7 years	7 years	7 years
Expected volatility	1.21%	1.46%	1.21%
Expected dividends	0.58%	Nil	1.75%
Price of underlying shares in market at the time of option grant	104.70	104.70	104.70
The details of the number of shares issued under the Employee Stock Option Scheme and the price at which such shares are issued.	No shares were allotted during the year	No shares were allotted during the year	NA
Consideration received against issuance of shares.	NA	NA	NA

Name of senior management	Number of options granted	Number of options in force	Date of resignation
Mr. Thomas M. Speace	2500	2500	N.A.
Mr. Y Sudheer	1500	1500	N.A.
Dr. Mohmed Khalid Anwer	1500	1500	N.A.
Mr. N Sundar	1500	1500	N.A.
Mr. G S N Murthy	1500	1500	N.A.
Mr. Shaik Meera Sharif	1000	1000	N.A.
Mr. D Srinivasa Chary	1000	1000	N.A.
Mr. A Venkataswamy	1000	1000	N.A.
Mr. D S Krishna Mohan	1000	1000	N.A.
Mr. G Rama Krishna Rao	1000	1000	N.A.
Mr. P Srinivasulu	500	500	N.A.
Mr. S D P L Narayana	500	500	N.A.
Mr. Tadinada Ravikant	500	500	N.A.
Mr. T V V S Rayudu	500	500	N.A.
Mr. T K Mathew	500	500	N.A.
Mr. T V Bangaram	500	500	N.A.
Mr. A V L Narayana	500	500	N.A.
Mr. G Kalyan Chakravarthy	500	500	N.A.
Mr. P Arun Kumar	500	500	N.A.
Mrs. H S Tulasi	500	500	N.A.
Mr. K Ganga Rao	500	500	N.A.
Mr. V Himesh*	500	Nil	September 5, 2011
Mr. Nagalla Srinivas*	500	Nil	May 31, 2011
Mr. S Ganapathi Rao*	1500	Nil	April 29, 2011
Mr. A Narayana Murthy*	500	Nil	April 02, 2010
Dr. R Arul*	1500	Nil	April 02, 2010
Mr. A Raghavendracharyulu#	1500	Nil	June 30, 2010
Mr. G Chandra Sekhar*	500	Nil	August 06, 2010
Dr. Sanjay Bhawsar*	1000	Nil	August 31, 2010
Mr. D Janardhan Rao*	500	Nil	November 4, 2010
Mr. G Suri Patrudu*	500	Nil	November 13, 2010

Mr. Gali Uday Sreenath*	500	Nil	January 25, 2011
Mr. B Ashok Kumar Reddy*	1000	Nil	February 7, 2011
Mr. T M Talaulikar*	1500	Nil	December 31, 2009
Dr. Tirupataiah. Ch.*	1500	Nil	May 09, 2009
Mr. B. Mallikarjun*	500	Nil	October 15, 2009
Mr. M Venkattamayya*	500	Nil	October 15, 2009
Dr. Sujit Das Adhikari*	500	Nil	January 30, 2009
Mr. Quaisar Anwar*	500	Nil	March 12, 2008
Mr. Nelson E. Lawrence B*	500	Nil	February 27, 2009
Total	**34500**	**19000**	

**Resigned, # Retired*

The impacts on the profits and on the Earnings Per Share of the last three financial years pursuant to the accounting policies set out in clause 13 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is given below:

(₹ in million)

Particulars	**Year ending March 31, 2009**	**Year ending March 31, 2010**	**Year ending March 31, 2011**
Impact of Profits/ (Loss) on account of employee stock compensation expenses	1.47	(1.54)	(0.28)
Impact on EPS on account of Employee stock compensation expenses	0.03	0.29	0.02

11. Other than as mentioned in this chapter, our Company has not made any issue of shares during the preceding one year from the date of filing of this Letter of Offer. No Equity Shares have been issued during the preceding one year from the date of filing of this Letter of Offer in favour of any Promoter or member of the Promoter Group. Further, none of the Equity Shares have been issued for consideration other than cash other than as specified herein. Except as provided herein, no person, including the equity shareholders of our Company hold any warrant, option or convertible loan or debenture which would entitle them to acquire further Equity Shares in our Company. Our Company has not issued and allotted any of the redeemable preference shares.

12. The present Issue being a rights issue, as per Regulation 34(c) of the SEBI ICDR Regulations, the requirements of promoters' contribution and lock-in are not applicable.

13. As on March 9, 2012 the total number of holders of Equity Shares is 5,066.

14. Except for the initial public offering of our Company which closed on April 28, 1994 and the rights issue which closed on March 30, 1996, our Company has not made any public issue or rights issue of any kind or class of securities of our Company since incorporation.

15. Our Company has not revalued the assets during the last five (5) Financial Years.

16. Except as stated in this chapter, no Equity Shares are pledged or encumbered:

17. Our Company has not issued any Depository Receipts.

18. All the Equity Shares of our Company are fully paid up and there are no partly paid up Equity Shares as on the date of this Letter of Offer. Further, the Rights Equity Shares when issued shall be fully-paid up.

19. Neither the Lead Manager nor its associates hold any securities of our Company.

20. The Directors of our Company or the Lead Manager to the Issue have not entered into any buy-back, standby or similar arrangements for any of the securities being issued through this Letter of Offer.

21. Our Company undertakes that at any given time, there shall be only one denomination of Equity Shares and our Company shall comply with such disclosure and accounting norms as may be prescribed by SEBI.

22. The terms of issue to Non-resident equity shareholders or applicants have been presented under the section "***Terms of the Issue"*** on page 285 of this Letter of Offer.

23. Neither our Company nor the Promoters shall make any payments, direct or indirect, such as discounts, commissions, allowances or otherwise under the Issue.

24. All preferential allotments made by our Company after being a listed company have been made in compliance with the relevant provisions of applicable law.

25. None of the sundry debtors of our Company are related to our Company or our Directors or Promoters.

26. There are restrictive covenants pertaining to change in the capital structure of our Company in the agreements entered into by our Company with certain lenders for short-term and long-term borrowings. For further details, see the section "***Financial Indebtedness"*** on page 229 of this Letter of Offer.

27. We shall intimate the Stock Exchanges about any transactions in Equity Shares by the Promoter and the Promoter Group during the period between the date of filing of the Letter of Offer with the Stock Exchanges and the date of closure of the Issue, within 24 hours of the transaction.

28. Our Company does not have any proposal or intention to alter the equity capital structure by way of split/ consolidation of the denomination of the shares, or the issue of securities on a preferential basis or issue of bonus or rights or further public issue of securities or qualified institutions placement within a period of six (6) months from the date of opening of the Issue. However, if business needs of our Company so require, our Company may alter the capital structure by way of split / consolidation of the denomination of the Equity Shares / issue of Equity Shares on a preferential basis or issue of bonus or rights or public or preferential issue of Equity Shares or any other securities during the period of six (6) months from the date of opening of the Issue or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required.

29. Except as disclosed in the section "***Our Management***" at page 117, none of our Directors or key managerial personnel hold any Equity Shares.

30. If our Company does not receive the minimum subscription of 90% of the Issue, or the subscription level falls below 90%, after the Issue Closing Date on the account of cheques being returned unpaid or withdrawal of applications, our Company shall refund the entire subscription amount received within 15 days from the Issue Closing Date. If there is delay in the refund of the subscription amount by more than eight days after our Company becomes liable to pay the subscription amount (i.e., 15 days after the Issue Closing Date), our Company will pay interest for the delayed period, as prescribed under subsections (2) and (2A) of Section 73 of the Companies Act, 1956.

31. The Equity Shares offered through the Issue shall be fully paid-up Equity Shares.

OBJECTS OF THE ISSUE

The Objects of the Issue are to finance working capital requirement of our Company. The Objects of the Issue is in connection with our Company's current business activities and matters related thereto.

We intend to utilize the Issue Proceeds for the following objects:

1. To meet incremental Working Capital requirement
2. To meet Issue expenses

The main objects clause and objects incidental or ancillary to the main objects clause set out in the Memorandum enables our Company to undertake the existing activities and the activities for which funds are being raised by this Issue. Further, we confirm that the activities carried out by us till the date has been in accordance with the objects clause of our Memorandum.

State Bank of India ("SBI") vide sanction letter no. RM/11-12/048 dated April 20, 2011 has sanctioned a corporate loan ("Corporate Loan") of up to ₹150 million to our Company for meeting its working capital requirements. The disbursement of the Corporate Loan by SBI is subject to infusion of additional capital of ₹ 100 million by our Company on pro-rata basis (1.5:1). One of the objects of the Issue is to comply with this condition of infusion of additional capital through the proposed Rights Issue to avail the corporate loan sanctioned by SBI.

The net proceeds from the issue and allotment of the Equity Shares in the Issue from Shareholders and other eligible applicants, after deducting the Issue expenses, will be utilized by our Company for meeting its incremental working capital requirement and general corporate purposes.

The details of the Proceeds of the Issue and Issue Expenses are summarized below:

Proceeds of the Issue

The gross proceeds of the Issue are ₹101.18 millions. The net proceeds of the Issue, after deduction of Issue expenses, are estimated to be approximately ₹95 millions, which are summarised in the table below:

(₹. in Millions)

Particulars	Amount
Gross Proceeds to be raised through the Issue ("Issue Proceeds")*	101.18
Less: Issue Expenses	6.18
Net proceeds of the Issue ("**Net Proceeds")**	95.00

**considering full subscription and allotment in the issue*

Total Funds Requirement:

(₹. in Millions)

Sr. No.	Particulars	FY12E and FY13E
1	Incremental working capital requirement	245.00
2	Estimated Issue Expenses	6.18
	Total	**251.18**

Means of Finance

(₹. in Millions)

Particulars	Estimated Amount
Issue Proceeds	101.18
Corporate Loan from SBI*	150.00
Total	**251.18**

**State Bank of India, in its sanction letter, dated April 20, 2011 has sanctioned a corporate loan of up to ₹150 million. After receipt of Issue Proceeds, our Company would draw to the extent within the sanctioned limit that would be required to meet the incremental working capital requirements.*

Accordingly, we confirm that the requirement for us to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the proposed Issue has been complied with.

In case of a shortfall in the Net Proceeds, we may explore options including seeking debt from existing and/or future lenders.

The working capital requirements are internal management estimates based on additional working capital required over the period for the current years of operations, in consonance with past trends. The estimates are based on the current status of the business of our Company and are subject to change in light of variations in external circumstances or costs, or in the financial condition of our Company, its business or its strategy. The management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently its funding requirements and deployment of funds may also change.

Funds Requirements and Utilization

The Issue Proceeds are estimated to be approximately ₹ 101.18 millions. The details in relation to Objects of the Issue are set forth herein below.

1. <u>Incremental Working Capital Requirement</u>

We avail a major portion of working capital in the ordinary course of our business from our banks, as fund and non-fund based working capital limits. The working capital requirements set forth below are our estimates based on past experience and projections for the future in line with our expanding operations.

As on January 31, 2012, our Company's working capital facility consisted of aggregate fund based limits of ₹ 1270 million and aggregate non-fund based limits of ₹ 692 million (gross of margin). For further details of the working capital facilities availed by us, please see the section titled "***Financial Indebtedness***" beginning on page 229 of the Letter of Offer.

Our Company's existing and estimated working capital requirements and funding on a standalone basis is as follows:

Sr. No	**Description**	**Historical FY2011 holding Period (in days of Sale)**	**FY2011 (₹. In mn)**	**Estimated holding Period (in days of Sale)**	**FY2012 (₹. In mn)**	**Estimated holding Period (in days of sale)**	**H1 FY2013 (₹ In mn)**
A.	**Current Assets**						
	Inventories	74	799	66	877	66	877
	Sundry Debtors	89	964	84	1112	80	1062
	Cash and Bank Balances	13	145	12	153	13	173
	Loans & Advances	30	329	23	307	23	306
	Total (A)		**2237**		**2449**		**2418**
B.	**Current Liabilities and Provisions**						
	Current Liabilities	80	860	71	938	71	937
	Provisions	4	38	3	44	3.4	47
	Total (B)		**898**		**982**		**984**
	Total Working Capital Requirement **(A) – (B)**		1339		1467		1434
	Less: Current Fund Based bank limit and unsecured loan from Promoter Group Company		1170		1222		1020
	Working Capital		169		245		414

	Requirement						
	Incremental Working Capital				**76**		**169**
	Total Incremental Working Capital						**245**

2. **Issue expenses**

The Issue related expenses include, among others, fees to the lead manager, registrar to the Issue, legal advisor and auditors, advertising and publicity expenses, printing and stationery expenses. The estimated expenses of the Issue are as follows:

Particulars	**Estimated Expense (₹. millions)**	**Expense (% of the total expenses)**	**Expense (% of the Issue size)**
Fees to the Lead Manager	3.00	48.54	2.97
Fees to the Registrar to the Issue	0.10	1.62	0.10
Fees to the Legal advisors	0.60	9.71	0.59
Fees to the Auditors	0.91	14.72	0.90
Advertising and Publicity Expenses	0.16	2.59	0.16
Printing, Postage, Stationery Expenses	0.47	7.61	0.46
Contingency, Stamp duty, Listing Fees, etc	0.94	15.21	0.93
Total	**6.18**	**100.00**	**6.11**

General Corporate Purposes

Our Company intends to deploy the balance Net Proceeds, if any, in case of change in the estimated issue expenses for general corporate purposes, including but not restricted to, strategic initiatives, meeting any changes in working capital requirements, marketing and otherwise meeting the exigencies faced in the ordinary course of business, or any other purposes as approved by the Board.

Deployment of Funds

The entire Net Issue Proceeds as well as the conversion amount of loan into equity will be utilised towards meeting the Incremental Working Capital and General corporate Purposes (if any) in Fiscal 2012 amd Fiscal 2013. In the event estimated utilization out of the Net Proceeds of the Issue in the current fiscal is not completely met, the same shall be utilized in the next fiscal.

An amount of ₹ 76.70 million has been deployed towards Funds Requirements, as on March 10, 2012. The same has been certified by our statutory auditors, M/s. K. S. Aiyar and Co., Chartered Accountant *vide* certificate dated March 13, 2012.

(in ₹ million)

Fund Requirement	**Amount deployed**	**Total Amount Deployed**
Incremental Working Capital Requirement *:*		**74.60**
Drawn against Corporate Loan from State Bank of India against the sanctioned limit of ₹150 million	78.75*	
Less: Principal Amount Repaid upto March 10, 2012	4.15	
Issue Expenses		**2.10**
Fees to the Lead Manager	*1.50*	
Fees to the Legal advisors	*0.40*	
Printing & Ad expenses	*0.10*	
Others	*0.10*	
Total		**76.70**

This amount was disbursed against a unsecured loan of ₹ 52.50 million (at 16% per annum) from our Promoter Group Company; Sucheth and Saharsh Holdings Pvt Ltd till such time the additional equity required is infused in our Company. For more details, please refer to* *"Financial Indebtedness"*** *on page no 229.*

Bridge Loan

Our Company has not entered into any bridge loan facility that will be repaid from the Net Proceeds.

Interest of Directors or Key Management Personnel in the Objects of the Issue

Our Company has no material existing or anticipated transactions in relation to utilization of the issue proceeds with directors, Key Management Personnel, Associates and Group Companies except to the extent of complying with the sanction terms of the Corporate Loan.

No part of the proceeds of the Issue will be paid by us as consideration to our Promoter, Promoter Group, Directors, associates, group companies or key management personnel as an incentive except in the usual course of business such as toward payment of salaries. No part of the proceeds of the Issue shall be utilised to repay the unsecured loan of the Promoters.

Interim use of proceeds

The management of our Company, in accordance with the policies formulated by it from time to time, will have flexibility in deploying the proceeds received from the Issue. Pending utilization of the Issue Proceeds for the purposes described above our Company intends to temporarily invest the funds, if available, in interest bearing liquid instruments including investments in mutual funds and other financial products, such as principal protected funds, derivative linked debt instruments, other fixed and variable return instruments, listed debt instruments, rated debentures or deposits with banks as may be approved by the Board. Such investments would be in accordance with the investment policies approved by the Board from time to time.

Monitoring of Utilisation of Funds

We have not appointed a monitoring agency to monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head along with details, for all such proceeds of the Issue that have not been utilized. We will indicate investments, if any, of unutilized proceeds of the Issue in our financial statements for the relevant Financial Years subsequent to the listing of securities through this Issue.

Our audit committee will also monitor the utilization of the Issue Proceeds. Further, Pursuant to clause 43A of the Listing Agreement, our Company will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of Issue Proceeds from the Objects stated in the Letter of Offer.
For risks associated with respect to the objects of this Issue, please see "***Risk Factors***" beginning on page 11 of the Letter of Offer.

BASIS FOR ISSUE PRICE

*The Issue Price would be determined by our Board of Directors in consultation with the Lead Manager. Investors are advised to read the sections "**Risk Factors**" and "**Financial Statements**" on pages 11 and 139, respectively, to have a more informed view before making the investment decision.*

The face value of our Equity Shares is ₹ 10 and the Issue Price of ₹ 45 each is 4.5 times the face value of our Equity Shares.

Qualitative Factors:

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

- Research and Development Capabilities
- Manufacturing infrastructure equipped for regulated market supplies and to deliver multiple products
- Diversified customer base
- Dynamic Promoters, experienced Management and well-qualified workforce
- Evolving and integrated business model

For detailed discussion on the qualitative factors which form the basis for computing the price, please refer the section titled *"**Our Business**"* beginning on page 83.

Quantitative Factors:

The information presented in this section for the years ended March 31, 2009, 2010 and 2011 and the half year ended on September 30, 2011 is derived from our standalone and consolidated audited restated financial statements prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI ICDR Regulations. For details, please refer section titled *"**Financial Statements**"* beginning on page 139.

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

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

Financial Period	Weight	Standalone		Consolidated	
		Basic eps (in ₹)	Diluted eps (in ₹)	Basic eps (in ₹)	Diluted eps (in ₹)
Fiscal 2009	1	32.42	32.36	32.66	32.60
Fiscal 2010	2	(13.43)	(13.41)	(13.20)	(13.18)
Fiscal 2011	3	9.39	9.38	9.76	9.75
Weighted Average		**5.62**	**5.61**	**5.92**	**5.92**
Half year ended September 30, 2011		(3.71)	(3.71)	(3.37)	(3.36)

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

2. Price Earnings Ratio ('P/E Ratio') in relation to the Issue Price of ₹45 per share of ₹10 each

Particulars	At the Issue price of ₹ 45
Standalone Basis	
Based on weighted average basic EPS	8.01
Based on weighted average diluted EPS	8.02
Based on EPS as on March 31, 2011	4.79
Consolidated Basis	
Based on weighted average basic EPS	7.60
Based on weighted average (diluted EPS)	7.60
Based on EPS as on March 31, 2011	4.61

3. Return on Networth

Financial Period	Weight	Standalone basis Ronw (%)	Consolidated basis Ronw (%)
Fiscal 2009	1	23.25	23.27
Fiscal 2010	2	(10.66)	(10.43)
Fiscal 2011	3	6.94	7.16
Weighted Average		**3.79**	**3.98**
Half year ended September 30, 2011		(2.83)	(2.59)

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

4. Minimum Return on Increased Net Worth required to maintain Pre-Issue annualised diluted EPS for the year ended March 31, 2011 on Issue Price of ₹45

BASIS	%
On Standalone Basis	8.63%
On Consolidated Basis	8.92%

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

5. Net Asset Value ('NAV') per Equity Share

NAV after this Issue (standalone): ₹ 108.80 per Equity Share
NAV after this Issue (consolidated): ₹ 109.45 per Equity Share
Issue Price: ₹ 45 per Equity Share

NAV per Equity Share for the years ended March 31, 2009, 2010, 2011 and the half year ended on September 30, 2011 is as follows:

(in ₹)

Financial Period	Weight	Standalone Net asset Value per Equity Share	Consolidated net asset Value per Equity Share
Fiscal 2009	1	139.42	140.36
Fiscal 2010	2	126.00	126.50
Fiscal 2011	3	135.39	136.30
Weighted Average		**132.93**	**133.71**
Half year ended on September 30, 2011		131.32	132.58

6. Comparison of Accounting Ratios

Comparison with other Industry Peers on Standalone Basis

Table A:

Fiscal 2011	Face Value (₹)	Basic EPS (₹)	Diluted EPS (₹)	Nav per share (₹)	P/E	RONW (%)
Neuland Laboratories Limited#	**10**	**9.39**	**9.38**	**135.39**	**7.92**	**6.94**
Peer Group (1)						

Hikal Ltd.	10	26.94	26.37	189.95	10.53	14.18
Aarti Drugs Ltd.	10	18.56	18.56	129.26	4.87	14.36
Dishman Pharmaceuticals and Chemicals Limited	2	4.97	4.97	79.26	10.35	6.27

The EPS, RoNW and Net Asset Value figures for our Company are based on the restated standalone financial statements for the year ended March 31, 2011.

(1) Source

a) *P/E ratio calculated as closing market price of equity shares on BSE as on March 09, 2012 divided by the diluted EPS*

b) NAV per share is the Net Worth of our Company minus revaluation reserve/outstanding number of shares.

c) RoNW is computed as net profit after tax divided by net worth

d) Diluted EPS has been taken after considering extraordinary item

e) Net worth has been calculated after excluding revaluation reserve and miscellaneous expenses to the extent not written off

Source: Financial Results of our Company and industry peers for the latest year ending taken from the *annual reports of our Company available on their websites.*

Comparison with other Industry Peers on Consolidated Basis

Table B:

Fiscal 2011	**Face Value (₹)**	**Basic EPS (₹)**	**Diluted EPS (₹)**	**Nav per share (₹)**	**P/E**	**Ronw (%)**
Neuland Laboratories Limited#	**10**	**9.76**	**9.75**	**136.30**	7.62	**7.16**
Peer Group (1)						
Hikal Ltd.	10	22.50	22.05	177.06	12.59	12.72
Aarti Drugs Ltd.	10	19.58	19.58	134.75	4.61	14.53
Dishman Pharmaceuticals and Chemicals Limited	2	9.92	9.92	108.26	5.19	9.17

The EPS, RoNW and Net Asset Value figures for our Company are based on the restated consolidated financial statements for the year ended March 31, 2011.

(1) Source

a) *P/E ratio calculated as closing market price of equity shares on the BSE as on March 09, 2012 divided by the diluted EPS*

b) NAV per share is the Net Worth of our Company minus revaluation reserve/outstanding number of shares.

c) RoNW is computed as net profit after tax divided by net worth

d) Diluted EPS has been taken after considering extraordinary item

e) Net worth has been calculated after excluding revaluation reserve and miscellaneous expenses to the extent not written off

Source: Financial Results of our Company and industry peers for the latest year ending taken from the *annual reports of our Company available on their websites*

Price Earnings (P/E) ratio of the industry peers*

Highest	10.53
Lowest	4.87
Average	8.42

**Peer Group comprises of the identified peer group as stated above – Hikal Limited, Aarti Drugs Ltd, and Dishman Pharmaceuticals and Chemicals Limited*

P/E ratio of the peers is calculated as closing market price of equity shares on the BSE as on March 09 , 2012 divided by the diluted EPS;

Diluted EPS: Source:Standalone Financial Results of the Company and industry peers for the latest year ending taken from the annual reports of the Company available on their website. Diluted EPS has been taken after considering extraordinary item

On the basis of the above quantitative and qualitative parameters, our Company and the Lead Manager are of the opinion that the Issue Price of ₹ 45 Equity Share is justified. Investors should also see sections "***Risk Factors***" and "***Financial Statements***", on pages 11 and 139, respectively, including important profitability and return ratios, to have a more informed view. The trading price of the Equity Shares of our Company could decline due to the factors mentioned in the section "***Risk Factors***" on page 11, and you may lose all or part of your investments.

STATEMENT OF GENERAL AND SPECIAL TAX BENEFITS

STATEMENT OF TAX BENEFITS

To,
The Board of Directors,
Neuland Laboratories Limited
204-Meridian Plaza,
Ameerpet,
Hyderabad - 500016

Dear Sirs,

Re.: Statement of Possible Tax Benefits Available to Neuland Laboratories Limited and to its Shareholders

We hereby report that the enclosed annexure states the possible tax benefits available to Neuland Laboratories Limited ("**Company**") and its shareholders under the current tax laws in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

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

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

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

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

We have no objection if the attached annexure i.e. Statement of Possible Tax Benefits Available to the Company is incorporated in the Letter of Offer (LoF) to be submitted to the concerned stock exchanges.

Our views expressed herein are based on the facts and assumptions indicated by you. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. The views are exclusively for the use of Neuland Laboratories Limited. We shall not be liable for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

Thanking you,

Yours faithfully,

For K. S. Aiyar & Co,
Chartered Accountants
Registration No: 100186W

Raghuvir M. Aiyar
Partner
Membership No.: 38128

Place: Mumbai
Date: March 13, 2012

ANNEXURE

Statement of Possible Tax Benefits Available to Neuland Laboratories Limited and to its Shareholders

Statement of special tax benefits:

Under section 35(2AB) of the IT Act, the specified expenditure incurred on scientific research on approved in-house research and development facility is eligible for weighted deduction. The Company has in-house research facility approved by Department of Scientific and Industrial Research, Ministry of Sciences and Technology, Government of India. The Company shall be entitled to weighted deduction of 200% of the amount of expenditure on scientific research (not being expenditure in the nature of cost of any land or building) in computing taxable income, subject to fulfilment of conditions laid down u/s. 35(2AB) of the Act. It may be noted that such weighted deduction under section 35(2AB) is admissible only up to Assessment Year 2012-13 (i.e. year ending on March 31, 2012).

Statement of general tax benefits:

These are the general tax benefits available to the all companies and shareholders, subject to compliance with relevant provisions.

A. Under the Income Tax Act, 1961 ("the Act")

I. Benefits available to the Company

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1st April, 2003 by domestic companies) received on the shares of any company is exempt from tax.

2. As per section 10(35) of the Act, the following income will be exempt in the hands of the Company:
   a) Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or
   b) Income received in respect of units from the Administrator of the specified undertaking; or
   c) Income received in respect of units from the specified company:

   However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified Company or of a mutual fund, as the case may be.

   For this purpose (i) "Administrator" means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) "Specified Company" means a Company as referred to in section 2(h) of the said Act.

3. As per section 2(29A) read with section 2(42A), shares held in a company or a Unit of a Mutual Fund specified under clause (23D) of section 10 are treated as long term capital asset if the same are held by the assessee for more than twelve months period immediately preceding the date of its transfer. Accordingly, the benefits enumerated below in respect of long term capital assets would be available if the shares in a company or a Unit of a Mutual Fund specified under clause (23D) of section 10 are held for more than twelve months.

4. As per section 10(38) of the Act, Long term capital gains arising to the company from the transfer of long term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax will be exempt in the hands of the Company.

   For this purpose, "Equity Oriented Fund" means a fund –
   (i) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such funds; and
   (ii) which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

As per section 115JB, while calculating "book profits" the Company will not be able to reduce the long term capital gains to which the provisions of section 10(38) of the Act apply and will be required to pay Minimum Alternate Tax at the rate of 18.5% (plus applicable surcharge and cess) of the book profits.

5. The Company is entitled to claim additional depreciation at the rate of 20% (10% if the assets are used for less than 182 days) of cost, in accordance with provisions of section 32(1)(iia), for purchase of new plant and machinery acquired and installed after 31st March, 2005.

   However, additional depreciation is not available in respect of -
   a) any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person; or

   b) any machinery or plant installed in any office premises or any residential accommodation,including accommodation in the nature of a guest-house; or

   c) any office appliances or road transport vehicles; or

   d) any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise) in computing the income chargeable under the head "Profits and gains of business or profession" of any one previous year.

6. In accordance with and subject to the provisions of section 35, the Company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.

7. The Company will be entitled to amortize preliminary expenditure, being expenditure incurred on public issue of shares, under section 35D(2)(c)(iv) of the Act, subject to the limit specified in section 35D(3).

8. As per 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 a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. It may be noted that investment in the long term specified asset by an assessee during any financial year cannot exceed ₹ 5 millions.

   However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

   A "long term specified asset" for making investment under this section on or after April 1, 2007 means any bond, redeemable after three years and issued on or after the April 1, 2007 by:

   (i) National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or
   (ii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

9. As per section 71 read with 74 of the Act short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

10. As per Section 80JJAA, and subject to the conditions laid down therein, of the Act further deduction allowable is equal to thirty per cent of additional wages paid to the new regular workmen employed by it in the previous year for three assessment years including the assessment year relevant year relevant to the previous year in which such employment is provided.

For this purpose, "additional wages" means the wages paid to the new regular workman in excess of one hundred workmen employed during the previous year. However, in the case of an existing undertaking, the additional wages shall be 'nil' if the increase in the number of regular workmen employed during the year is less than ten per cent of existing number of workmen employed in such undertaking as on the last day of the preceding year.

11. As per section 111A of the Act, short term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge and cess).

12. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds [other than exempt under the provision of section 10(38)] will be charged to tax at the concessional rate of 20% (plus applicable surcharge and cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10% (plus applicable surcharge and cess) without indexation benefits, at the option of the Company. Under section 48 of the Act, the long term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/ improvement.

13. Under section 115JAA(1A) of the Act, credit is allowed in respect of any Minimum Alternate Tax ('MAT') paid under section 115JB of the Act for any assessment year commencing on or after April 1, 2006. Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for up to 10 years succeeding the year in which the MAT credit is allowable.

14. Under section 115-O(1A) of the Act, credit is allowed in respect of any dividend received by the Company in computation of amount liable to tax u/s. 115-O, if such dividend is received from its subsidiary during the financial year and the subsidiary has paid tax u/s. 115-O in relation to such dividend, provided the Company is not subsidiary of any other company.

15. As per section 72 of the Act, in case of loss under the head "Profit and Gains from Business or Profession", it can be set-off against other income and the excess loss after set-off can be carried forward for set-off against business profits of the next eight Assessment Years.

16. Under section 32(2) of the Act, the unabsorbed depreciation, if any, can be adjusted against any other income and can be carried forward for set-off against the income of future years.

II. Benefits available to Resident Shareholders

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1st April 2003 by the domestic companies) received on the shares of the Company is exempt from tax.

2. As per section 2(29A) read with section 2(42A), shares held in a company are treated as long term capital asset if the same are held by the assessee for more than twelve months period immediately preceding the date of its transfer. Accordingly, the benefits enumerated below in respect of long term capital assets would be available if the shares are held for more than twelve months.

3. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of the shareholder.

4. As per 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 a long term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. It may be noted that investment made in the long term specified asset by an assessee during any financial year cannot exceed ₹ 5 millions

However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A “long term specified asset” means any bond, redeemable after three years and issued on or after 1st April 2007:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or
(ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

5. As per section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) will be exempt from capital gains tax if the net consideration is utilized, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:
    a) if the individual or HUF-
        - owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
        - purchases another residential house within a period of one year after the date of transfer of the shares; or
        - constructs another residential house within a period of three years after the date of transfer of the shares; and

    b) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from house property”.

    If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain, the same proportion as the cost of the new residential house bears to the net consideration, will be exempt.

    If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, will be deemed to be income chargeable under the head “Capital Gains” of the year in which the residential house is transferred.

6. As per section 71 read with section 74 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ long-term capital gains.

7. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge and cess).

8. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of shares of the Company [other than exempt under the provision of section 10(38)] will be charged to tax at the rate of 20% (plus applicable surcharge and cess) after considering indexation benefits or at 10% (plus applicable surcharge and cess) without indexation benefits, whichever is less. Under section 48 of the Act, the long term capital gains arising out of sale of shares will be computed after indexing the cost of acquisition / improvement.

III. Benefits available to Non-Resident Indians/Non-Resident Shareholders (Other than FIIs)

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1st April 2003 by the Company) received on the shares of the Company is exempt from tax.

2. As per section 2(29A) read with section 2(42A), shares held in a company are treated as long term capital asset if the same are held by the assessee for more than twelve months period immediately preceding the date of its transfer. Accordingly, the benefits enumerated below in respect of long term capital assets would be available if the shares are held for more than twelve months.

3. As per section 10(38) of the Act, long term capital gains arising from the transfer of long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of the shareholder.

4. As per first proviso to section 48 of the Act, in case of a non resident shareholder, the capital gain/loss arising from transfer of shares of the Company, acquired in convertible foreign exchange, is to be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer, into the same foreign currency which was initially utilized in the purchase of shares. Cost Indexation benefit will not be available in such a case.

5. As per 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 a long term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. It may be noted that investment made in the long term specified asset by an assessee during any financial year cannot exceed ₹ 5 millions.

   However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

   A "long term specified asset" means any bond, redeemable after three years and issued on or after 1st April 2007:

   (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or
   (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

6. As per section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) will be exempt from capital gains tax if the net consideration is utilized within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:
   a) if the individual or HUF-
      - owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
      - purchases another residential house within a period of one year after the date of transfer of the shares; or
      - constructs another residential house within a period of three years after the date of transfer of the shares; and

   b) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

   If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain, the same proportion as the cost of the new residential house bears to the net consideration, will be exempt.

   If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, will be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

7. As per section 71 read with section 74 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

8. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable cess). However, benefit of Basic Exemption Limit will not be available to Non-Resident.

9. As per section 112 of the Act, long-term capital gains, if any, on sale of shares of the Company, acquired in convertible foreign exchange [other than exempt under the provision of section 10(38)] will be charged to tax at 10% (plus applicable cess) without indexation benefits. However, benefit of Basic Exemption Limit will not be available to Non-Resident.

10. As per section 115E of the Act, in the case of a shareholder being a Non-Resident Indian, and subscribing to the shares of the Company in convertible foreign exchange, in accordance with and subject to the prescribed conditions, long term capital gains arising on transfer of the shares of the Company (in cases not covered under section 10(38) of the Act) will be subject to tax at the rate of 10% (plus applicable cess), without any indexation benefit.

11. As per section 115F of the Act and subject to the conditions specified therein, in the case of a shareholder being a Non-Resident Indian, gains arising on transfer of a long term capital asset being shares of the Company will not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. Further, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

12. As per section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from specified investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

13. As per section 115H of the Act, where Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

14. As per section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing a declaration along with his return of income for that assessment year under section 139 of the Act, that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

    For the purpose of aforesaid clauses "Non-Resident Indian" means an Individual, being a citizen of India or a person of Indian origin who is not a "resident". A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

    <u>Provisions of the Act vis-à-vis provisions of the Tax Treaty</u>

15. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident

is resident. As per the provisions of section 90(2) of the Act, the provisions of the Tax Treaty would prevail over the provisions of the Act to the extent they are more beneficial to the non-resident.

IV. Benefits available to Foreign Institutional Investors ('FIIs')

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1st April 2003 by the Company) received on the shares of the Company is exempt from tax.

2. As per section 2(29A) read with section 2(42A), shares held in a company are treated as long term capital asset if the same are held by the assessee for more than twelve months period immediately preceding the date of its transfer. Accordingly, the benefits enumerated below in respect of long term capital assets would be available if the shares are held for more than twelve months.

3. As per section 10(38) of the Act, long term capital gains arising from the transfer of long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, will be exempt to tax in the hands of the FIIs.

4. As per 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 a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. It may be noted that investment made in the long term specified asset by an assessee during any financial year cannot exceed ₹ 5 millions.

   However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

   A "long term specified asset" for making investment under this section on or after 1st April 2007 means any bond, redeemable after three years and issued on or after the 1st April 2007 by:

   (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or
   (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

5. As per Section 71 read with section 74 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

6. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15 % (plus applicable surcharge and cess).

7. As per section 115AD of the Act, FIIs will be taxed on income (other than income by way of dividends referred to in section 115-O) or capital gains arising in respect of securities (other than unit referred to in section 115AB), at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains [other than exempt under the provision of section 10(38)]	10
Short term capital gains [other than referred to in section 111A]	30

The above tax rates have to be increased by the applicable surcharge and cess.

In case of long term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

8. As per section 196D, no tax is to be deducted from any income, by way of capital gains arising from the transfer of shares payable to Foreign Institutional Investor.

Provisions of the ITA vis-à-vis provisions of the Tax Treaty

9. The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII is resident. As per the provisions of section 90(2) of the ITA, the provisions of the ITA would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

V. Benefits available to Mutual Funds

As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India will be exempt from income tax, subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

B. Benefits available under the Wealth Tax Act, 1957

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

C. Benefits available under the Gift Tax Act, 1958

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

Notes:

i. All the above benefits are as per the current tax laws. Accordingly, any change or amendment in the laws/regulation would impact the same.

ii. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investments in the shares of the company.

iii. The above Statement of Possible Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

SECTION IV – ABOUT OUR COMPANY

INDUSTRY OVERVIEW

Unless otherwise indicated, all of the information in this section is derived from the websites of and publicly available documents from various sources, including but not limited to industry websites and publications. In particular we have relied on the report viz. "Indian Pharmaceutical Industry: Vision 2015" issued by the Organisation of Pharmaceutical Producers of India (OPPI) and Yes Bank Limited. The data may have been re-classified by us for the purpose of presentation.

The information in this section has not been independently verified by us, the Lead Manager or any of our or their respective affiliates or advisors. The information may not be consistent with other information compiled by third parties within or outside India. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry and government publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry and government sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investment decisions should not be based on such information.

*Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in the section titled "**Risk Factors**" on page 11 of this Letter of Offer*

The Indian Economy

The Indian economy is one of the largest in the world with GDP at factor cost at constant (Fiscal 2005) prices in Fiscal 2011 now estimated at ₹48, 778.42 billion showing a growth rate of 8.5%. During the fourth quarter of Fiscal 2011, India's GDP at factor cost at constant (Fiscal 2005) prices was estimated at ₹13, 175.54 billion, showing a growth rate of 7.8%. *(Source: Ministry of Statistics and Programme Implementation, Press Note May 31, 2011).* Per capita GDP at factor cost (at constant prices) in India has grown from ₹39,279.45 billion for the year 2009 to an estimated ₹45,643.88 billion for the year 2011 and is projected to grow further to ₹63,025.41 billion in the year 2016. *(Source: International Monetary Fund, World Economic Outlook, April 2011).*

Pharmaceutical Markets

Broadly, the pharmaceutical industry can be classified into two categories: regulated and semi regulated (or unregulated). Regulated markets enjoy greater stability for both volumes and prices while a drug is under patent protection as they are primarily governed by stringent government regulations such as intellectual property protection, including product patent recognition. On the other hand, unregulated/semi-regulated markets are highly competitive as they have lower entry barriers in terms of regulatory requirements with industry players primarily competing on the basis of price.

Global Pharmaceutical Industry

In spite of difficult market conditions and patent expiry of several blockbuster drugs, the global pharmaceutical markets expanded to a market size of USD 856 billion in 2010. In 2011, the global pharmaceutical market is projected to grow by 5-7% y-o-y exceeding USD 880 billion. According to IMS Health Incorporated ("IMS Health"), a leading industry body, the global pharmaceutical market is expected to grow at a compound annual growth rate ("CAGR") of 5-8% through 2015 to reach market size of USD 1.1 trillion.

The Asia-Pacific region (primarily comprising India, China, Malaysia and South Korea) is expected to emerge as one of the fastest growing pharmaceutical market globally and also an Active Pharmaceutical Ingredient (API) production hub, going forward. Increased research and development activities in this region has propelled the growth in pharmaceutical industry to achieve an estimated market size of approximately USD 187 billion in 2009 and according to IMS Health, it is also expected that the emerging markets will grow at a CAGR of 14-17% through 2015 while the developed or matured markets are expected to grow at 3-6% CAGR during the same period.

Indian Pharmaceutical Industry

As per the Annual Report for the year 2010-11 released by the Department of Pharmaceuticals, the Indian Pharmaceutical Industry has grown from a mere USD 0.3 billion (₹ 237 Crores) turnover in 1980 to about USD 21.73 billion (₹ 104209 Crores) in 2009-10. The country now ranks third in terms of volume of production (10% of global share) and 14^{th} largest by value (1.5%). One reason for lower value share is the lower cost of drugs in India raging from 5% to 50% less as compared to developed countries.

The country is almost self sufficient in case of formulations. The imports are being made on quality and economic considerations and not necessarily non-availability from domestic sources. Manufacturers of Drugs and Pharmaceuticals are free to produce any drug approved by the Drug Control authorities.

Indian Pharma Industry growth has been fuelled by exports and its products are exported to a large number of countries with a sizeable share in the advanced regulated markets of US and Western Europe.

India's exports of drugs and pharmaceuticals have grown from ₹ 15213 Crores in 2003-04 to ₹ 42154 Crores in 2009-10

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS) Kolkata

India currently exports drug intermediates, APIs, Finished Dosage Formulations (FDFs), bio-pharmaceuticals, Clinical Services to various parts of the world. The top 5 destinations for Indian pharmaceutical products are USA, Germany, Russia, UK and China. Approximately 55% of the total exports constitute of formulations and the other 45% comprises of API/ bulk drugs. Comparatively low cost of Active Pharmaceuticals Ingredients (APIs), robust manufacturing capabilities, existence of regulatory approved manufacturing facilities for APIs and formulations and abundant skills available, are the main driving factors for healthy growth of Pharmaceutical Industry in India. For Indian bulk drug manufacturers, opportunities are present in two forms - export of non-patented bulk drugs to regulated market of US, Europe and Japan; and the contract manufacturing of patent-protected bulk drugs for patent/license holders.

Strengths of the Pharmaceutical Sector in India

India is regarded as a high-quality and skilled producer in the world. It is not only an API and formulation manufacturing base, but also as an emerging hub for:

- Contract research
- Clinical trials and
- Clinical data management

The strengths of Pharmaceutical sector in India are as follows:

- Low cost of innovation / Manufacturing / Capex costs / expenditure to run a Good Manufacturing Practice (GMP) compliance facility.
- Low cost scientific pool on shop floor leading to high quality documentation.
- Proven track record in design of high tech manufacturing facilities.
- Excellent regulatory compliance capabilities for operating these assets.
- Recent success track record in circumventing API/formulation patents.
- 95% of the domestic requirement being met through domestic production. Majority of the formulations are being produced locally.

(Source: Annual Report for the year 2009 – 10 of Department of Pharmaceuticals)

Categories of Pharmaceutical Industry

Domestic pharmaceutical industry can be divided into four categories i.e. Bulk Drugs (API), Formulations, Contract Research / Contract Manufacturing and Miscellaneous (Ayurvedic, Homeopathy etc). API, Formulations and Contract Research / Contract Manufacturing segment accounts for about 85% of domestic market.

Active Pharmaceutical Ingredients (API)

The global API (Active Pharmaceutical Ingredient) industry has grown substantially over the past few years due to growth in the generic industry. Several multinational companies have started looking out for API manufacturers in India to outsource their needs. With increasing credibility of Indian manufacturers, innovators are shifting production from Europe and US to India

The global API market is largely driven by Asian giants like China and India. India has a strong grip on the API market largely because of its credibility and recognition of being a high quality producer of generic formulations worldwide backed by the presence of several reputed domestic pharmaceutical companies. Also, maximum US FDA approved sites outside USA are held by Indian Companies.

Furthermore, the growing share of generics in the developed markets coupled with opportunity from CRAMS have been the primary drivers for exports, while changing demographics and growth in chronic therapies have been the major factors contributing to the domestic market growth.

The search for innovative drug molecules and better technologies by large pharmaceutical MNCs is expected to offer a windfall for the smaller research-oriented Indian firms. The drugs and pharmaceuticals sector has attracted FDI worth USD 1.82 billion between November 2000 and August 2010 primarily for manufacturing.

Indian participation in the international pharmaceutical market has increased substantially in the past decade. Given the fact that more products are going generic in developed market, Indian formulations and bulk drug exporters has had the opportunity to grow significantly. Also, increasing cost pressures on innovators has resulted in significant growth in contract research business.

The key drivers for the industrys growth would be the large generic opportunity including that arising out of significant patent expiries in the regulated markets (drugs worth ~USD 171 billion in sales are expected to go off-patent by 2015), opportunity presented by biosimilars and opportunities in other emerging markets for branded generics.

India's bulk drug/API exports accounts for 21% of India's pharmaceutical industry, which, in contrast to many developed countries is significantly higher as bulk drugs are mainly manufactured for internal consumption.

*(**Source:** OPPI – Yes Bank report on "Indian Pharmaceutical Industry: Vision 2015)*

Branded formulation companies have a conflict of interest and hence, pure play API companies enjoy an added advantage. With patent expiry pressures mounting on pharmaceutical companies, they are expected to step up their demands on cost effective and quality conscious countries such as India.

Growth Drivers for APIs and APIs Exports in India:

- Growth in International Generics Industry
- Increasing share in Drug Master File (DMF) filings
- Contract Manufacturing opportunities

.
The forthcoming patent cliff provides enormous opportunities for R&D focused pure play API companies. Increasing penetration of generics in the regulated markets (especially EU and Japan) will drive API demand from cost effective destinations.

Recent announcement of free trade pact with Japan is expected to open doors for Indian pharmaceutical exports to Japan displacing China, which is presently a major pharmaceutical exporter to Japan. Increasing focus of Indian generic companies on New Drug Delivery System (NDDS) based drugs is more likely to influence multinational companies to outsource API production to non-competing pure play API companies.

Contract Research and Contract Manufacturing Business (CR& CM)

Contract Manufacturing consists of activities like manufacturing of intermediates and Active Pharmaceutical Ingredients (APIs) generics. The generic segment includes drugs that are without patent protection i.e., either it's not patented or its patent has expired. The molecules that are identified for a particular indication may be patented at any stage of the clinical trials. This is to protect copying of the molecule and save the cost incurred in the development of the molecule. India has also emerged as one of the prime destinations for contract manufacturing due to its low cost, high-efficient manufacturing processes. Many international companies have invested in contract manufacturing assets in India. India has a cost advantage unrivalled by many countries, while offering state of the art manufacturing facilities. Considering the advantages offered by India, innovator companies are also opting contract manufacturing out of India. This is further strengthened by the fact that many innovator companies have focused on cost cutting and thereby have closed down or sold their manufacturing units

Growth Drivers for CR & CM in India

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

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

Government Initiatives for Indian Pharmaceutical Industry

The government's Vision 2015 statement indicates an 18% plus CAGR for the pharmaceutical sector, translating to a doubling of revenues to $40 billion over the next five years. Based on the demands of the Indian Pharmaceutical industry and the unique requirements / projections of the pharmaceuticals industry in the global economic scenario, the Govt. of India has notified

- The establishment of the Department of Pharmaceuticals under the aegis of the Ministry of Chemicals and Fertilizers in July, 2008
- 100 per cent FDI is allowed under the automatic route in the drugs and pharmaceutical sector including those involving use of recombinant technology.
- Plans to set up USD 639.56 million Venture Fund to give boost to drug discovery

The vision of Department of Pharmaceuticals is to enable the Indian pharmaceutical industry to play a leading role in the global market and to ensure abundant availability, at reasonable prices within the country, of good quality pharmaceuticals of mass consumption.

(Source: Annual Report for the year 2009 – 10 of Department of Pharmaceuticals)

OUR BUSINESS

*The following information is qualified in its entirety by, and should be read together with, the more detailed financial and other information included in this Letter of Offer, including the information contained in "**Risk Factors**" on page 11.*

OVERVIEW

Our Company is a manufacturer of active pharmaceutical ingredients and peptides and a provider of chemistry related contract research and contract manufacturing services. Exports account for over 81% of the revenues of our Company, with a very strong global customer base. Our Company also does product development of molecules for various customers as per contracts entered into with such customers.

Our Company was incorporated on January 7, 1984 in Hyderabad and is listed on the BSE and the NSE. Our Company is led by Dr. Davuluri Rama Mohan Rao, who has 40 years of industry experience and is the Chairman and Managing Director of our Company.

Evolution of Company

The key customers of our Company include amongst others, large pharmaceutical manufacturers in the world, from countries such as the USA, Canada, France, Israel, India etc. North America accounts for 34% and Europe accounts for 40% of the overall sales for the period ended March 31, 2011 and 34% and 32% of the overall sales for the half year ended September 30, 2011, respectively. The top 7 customer groups of our Company account for 58% of sales as on March 31, 2011 and 54% of sales as on the half year ended September 30, 2011, of our Company and average relationship of these customers is over 15 years.

Our Company manufactures 66 products across various therapeutic segments and has over 400 DMF's worldwide, having scaled up 300 processes from research to manufacturing. The total sales of our Company for the half year ended September 30, 2011 was ₹2,2,45.89 million, ₹ 3,935.72 million for Fiscal 2011, ₹ 2,784.21 million for Fiscal 2010 and ₹ 3,067.22 million for Fiscal 2009.

We have two manufacturing facilities, both located in Hyderabad. Our manufacturing facilities have been inspected by USFDA, EU, TGA, PMDA and ANVISA. The Unit I manufacturing facility located at Bonthapally, which *inter alia* manufactures Ramipril, Mirtazapine, Enalapril Maleate, Sotalol HCl, Levetiracetam, Levofloxacin and any other API's, commenced operations in the year 1986 and has an installed capacity of 1,51,000 litres. The Unit II manufacturing facility located at Pashamylaram, which *inter alia* manufactures Ciprofloxacin, Ranitidine and Entacapone commenced operations in the year 1994 and has an installed capacity of 3,10,200 litres.

Additionally, while both our manufacturing facilities have in-house R&D centres, the R&D Facility at Unit I is a 40,000 sq. ft state-of-the-art R&D facility, which commenced operations in the year 2008. The R&D Facility is primarily used for process investigation, new products development and contract research and manufacturing services.

STRENGTHS AND STRATEGIES

<u>Our Competitive Strengths</u>

We believe that the following are our primary competitive strengths:

Focussed independent API Manufacturer

Our Company is pure play API manufacturer and hence we have no conflict and competition with customers who are in the business of finished dosage forms. This allows us to focus on improving our manufacturing processes and helps us to get customers.

Facilities designed to serve regulated markets

Our Company has 2 US FDA and EU cGMP compliant manufacturing facilities with collective capacity of 4,61,200 KL to produce more than 40 APIs. Both of our facilities at Bonthapally (Unit I) and Pashamylaram (Unit II) are ISO 9001:2000, ISO 14001 and OHSAS 18001 certified. Our manufacturing facilities have been inspected by USFDA, TGA, EDQM, PMDA, German Health Authority and are ISO 14001, ISO 27001 and 18001 certified. Such certifications would allow us to market our products in regulated and semi regulated markets. Our dedicated focus has resulted in various patent applications with Indian, US and European patent offices. We have been granted 2 patents from the Indian Patent Office.

Diversified Offering Portfolio

Our manufacturing facilities are designed to manufacture a variety of APIs and API intermediates using a combination of processes. Our flexible manufacturing infrastructure enables us to expand our product range and change our product mix in response to changes in customer demand and to serve customer requirements ranging from laboratory scale research of 10 grams batch size to 600 kilograms production batch size and to 1 ton commercial batch size. Our strategic focus on R & D helps us develop non-infringing processes and achieving process improvements and production cost efficiencies. Our company has diversified its offering portfolio to include a product mix of 66 products across 10 diversified therapeutic segments including Anti-Asthmatic, Anti-Infective, Cardiovascular and Anti-Diabetic. Our major five products are Ciprofloxacin, Ranitidine, Mirtazapine, Enalapril Maleate, Ramipril which contribute to 61%, 77%, 72% and 55 % of our total revenues for the half year period ended September 30, 2011 and Fiscal Years ended March 2011, March 2010 and March 2009 respectively.

Experienced Management and well-qualified Workforce

The Management team is led by Dr. Davuluri Rama Mohan Rao, who has 41 years of industry experience and a team of experienced Board of Directors who bring to our Company varied functional expertise. Our Company also has a Management Committee, comprising of the heads of all functions who are highly qualified professionals with varied experience from different industries as well as the 3 Whole Time Directors of our Company. We believe that the healthcare domain knowledge and experience of our Promoters and senior and middle management provide us with a competitive advantage as we seek to expand in our existing markets and enter new geographic markets.

As of February 15, 2012, we have a workforce of 1501employees comprising 190scientists including 25 PhDs, 46 engineers and, 190resources for QC/QA and Regulatory Affairs, 28 resources for sales and marketing and 65resources for supply chain. We believe our management bandwidth with domain knowledge and expertise provides us a competitive advantage to expand, diversify and manage the challenges of growth effectively.

Diversified customer base

Our key customers include some of the large pharmaceutical manufacturers in the world, with a customer base of around 270 companies worldwide from countries such as USA and Canada in North America; Germany, Italy, Spain, Switzerland, Turkey, UK and Ireland in Europe; Japan and Korea in the Far East; Argentina, Brazil and Chile in South America; Oman and UAE in the Middle East; Bangladesh in the South of Asia; Hong Kong and Singapore in the South East of Asia, to name some. Over 81% of the sales of our Company are to export markets, with a majority of that to regulated markets. Our Company is broadening its customer base, by supplying to more number of customers, thereby increasing its share of revenue from other customers apart from revenue from its top 7 customer groups which contributed to 58% of our revenues in Fiscal 2011 and 54% of our revenues for the half year ended September 30, 2011.

Strategies

Our Company has the following strategies :

1. To grow organically our API business in the Export and domestic markets by entering into new and niche molecules that have higher barriers to entry.
2. Increase penetration in the Contract research and manufacturing business
3. Foraying into cGMP manufacturing of peptides
4. To continue strong presence in regulated markets including Japan

This would enable our Company to be a dominant player in the APIs and the contract research and manufacturing market and have a dominant position in selective peptides segments by 2015.

Our key business strategies involve the following:

Organic growth of existing API portfolio

Our Company focuses on building a global API business, organically through new product launches. We are also looking at ways to expand our capabilities. During the current year, we have introduced 6 new products, which are estimated to contribute ₹ 150 million to turnover with 60% margin. We have identified another 10 new products for development in the year 2011-12. Going forward, we expect Levofloxacin, Levetiracetam, Olanzapine, Moxifloxacin, Dorzolamide, Entacapone and Salmeterol to be the key products driving the future growth.

Increase penetration in the Contract research and manufacturing business

Our Company has made a successful foray into contract manufacturing services, building on our known strengths:

- proven expertise in manufacturing at varied scales from 10 grams batch size to 600 kilograms production batch size and to 1 ton commercial batch size ,
- a deep understanding of complex chemistry, and
- state-of-the-art manufacturing facilities that are compliant with the guidelines of the leading regulatory authorities

We have increased our focus in and intend to grow this business further to the level that it grows equal to our API business. Our cGMP compliant manufacturing facilities provide us opportunities to partner with innovator and generic companies for manufacturing API's and Intermediaries. With more and more innovator companies going in for launch of on-patent APIs in India and other emerging markets, we believe that our R&D and low-cost manufacturing capabilities can position us to be a partner of choice for manufacturing such APIs/ Intermediates.

Foraying into manufacturing of peptides

In the past year, we did considerable development work on our foray into synthesis of peptides. We commercialized new products and have launched generic peptides APIs. We see potential for value addition and a steady growth in the foreseeable future. Our Company has developed technology for large scale manufacture of aggregation-inhibiting building blocks which are useful for simplifying synthesis of complex peptide drugs. We are giving it the necessary impetus to make the business a powerful engine for our future growth. Our current strategy is to keep Peptides cash positive by supplying high quality building blocks that assist in Peptide synthesis and parallely launch peptide APIs at a commercial scale. To strengthen our position in the area of high quality peptide building blocks, our Company has also entered into a commercial manufacturing agreement with Corden Pharmaceuticals (Formerly Genzyme Pharmaceuticals) to develop processes for multi - kilogram production of pseudoproline dipeptides. In the area of peptide APIs, we will focus on peptides where patent has already expired or are still in the clinical stage

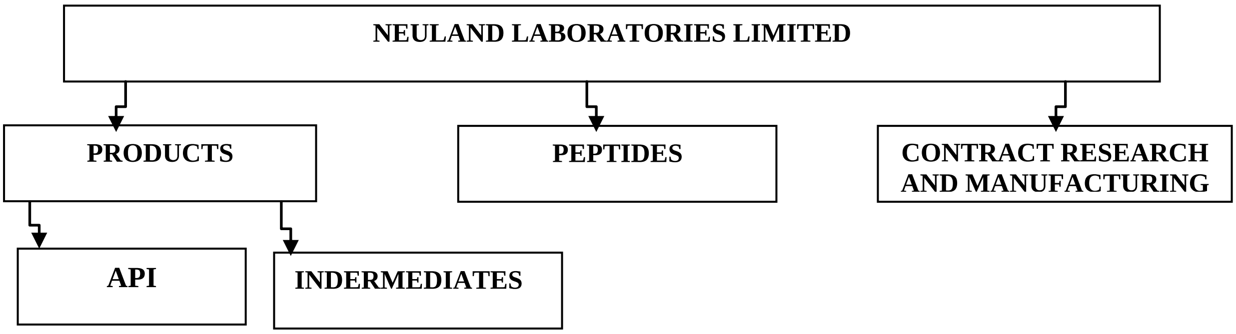
The peptide building blocks can be manufactured in our current facilities. In order to support the peptide API business, our Company intends to initially invest approximately USD 1 million for the setup of the GMP facility for manufacture of peptides. This facility will be located within our current manufacturing site (Bonthapally) and therefore reduces the investment that would have to be made if such a facility were to be built as a standalone facility. Also, the peptide business is also supported by our Company's extensive experience in cGMP guidelines, analytical R&D and regulatory services and caters to our current base of the API and contract manufacturing business.

To continue strong presence in regulated markets including Japan

We have presence in the regulated markets like the US, the EU and Japan. We believe that the regulated markets will continue to provide growth opportunities for us. We will focus on leveraging our existing relations to penetrate further into the regulated markets like the US and the EU, and increase our presence in other regulated markets, particularly in Japan. We want to explore benefits from our access to the Japanese pharmaceutical companies through our establishment of a subsidiary "Neuland Laboratories KK" on July 14,

2008. Traditionally Japan, which is second largest pharmaceutical market in the world, after the US with sales of around USD 66.5 billion, has been one of the most difficult markets to access and penetrate for global pharmaceutical companies. Pursuant to this opening of subsidiary, we will market our products in the Japanese markets. The opportunity in Japan extends to both the API business and the contract manufacturing business.

OUR BUSINESS - PRODUCT & SERVICE OFFERINGS



Our Company operates in 3 segments comprising of APIs and its intermediates, Peptides and Contract Research and Manufacturing:

- ***APIs and Intermediates:*** Our Company's core business and operational expertise has been manufacturing and marketing of active pharmaceutical ingredients and intermediates. This segment accounts for 97.78% and 97.89% of the total revenue of our Company, with a revenue of ₹ 2,224.61 million and ₹ 3,908.32 million for the half year ended September 30, 2011 and Fiscal Year 2011 respectively.

  Our Company has 12 Blocks covering 2,800 to 4,500 Sq. Mts. of production area, including a mini-plant for scaling up of new products, the total reactor volume ranging from 151,000 to 310,200 litres, enables to be capable of handling broad spectrum of reactions including Bromination, Diazotization, Friedel Craft Reactions, Hydrogenations, Mannich Reactions, Grignard Reactions, Metal Hydride Reactions, Oxidation, Cryogenic Reaction, and wide range of process parameters. Facilities have been inspected by USFDA, EDQM, BfArM, TGA and PMDA TGA cGMP and WHO GMP, it is also approved and ISO 9001:2000 certified; OHSAS and ISMS Certified Manufacturing

- ***Contract Research and Manufacturing:*** Our Company's Contract Manufacturing Services derives from its proven expertise in manufacturing at varied scales, a deep understanding of complex chemistry and manufacturing facilities compliant with the guidelines of the leading regulatory authorities and EHS. This segment accounts for 0.93% and 1.03% of the total revenue of our Company, with a revenue of ₹ 21 million and ₹ 40 million for the half year ended September 30, 2011 and Fiscal Year 2011 respectively. This segment of business commenced its Sales and Marketing efforts only from Fiscal 2010.

- ***Peptides:*** Our Company's peptide synthesis services include production of peptides from milligrams to multikilogram scale by standard sequential chemical peptide synthesis and segment condensation strategies. Our Company has developed technology for large scale manufacture of aggregation-inhibiting building blocks which are useful for simplifying synthesis of complex peptide drugs such as Calcitonins, Secretin, PTH, Fuzeon, and Byetta facile.

Foray in to synthetic peptide realm has been distinguished by several milestones, a few of which are described below:

a. Our Company's Peptide Group successfully developed and produced 28 Fluorenylmethyloxycarbonyl (Fmoc)-pseudoproline dipeptide building blocks in kilogram quantities. These building blocks are known to make complex peptide syntheses facile because of their disruptive influence on the intramolecular hydrogen bonds of the growing peptide chain. The best in class high purity (>99%) was one of the drivers in forging a collaboration with Corden Pharma (previously known as Genzyme Pharmaceuticals, Switzerland) that resulted in a revenue to our Company of about ₹15 million.

b. This ability to produce pseudoproline building blocks on commercial scale also helped in the procurement of funding from DSIR of ₹ 25 million for scale up of technology for generic peptide APIs.

The product portfolio of our Company spans a mix of APIs across the following therapeutic segments:

i. Anti-Asthmatic
ii. Anti-Infective
iii. Cardiovascular
iv. Central Nervous System
  - Anti-Depressants
  - Anti-Parkinsons
  - Anti-Alzheimer's
v. Anti-Ulcerants
vi. Anti-Fungals
vii. Fluoroquinolones
viii. Anti-Diabetic

The key products of our Company along with their therapeutic area are as follows:

KEY PRODUCT	THERAPEUTIC AREA
Ciprofloxacin HCl	Fluoroquinolones
Ranitidine HCl	Anti Ulcerant
Mirtazapine	Central Nervous System
Enalapril Maleate	Cardiovascular
Ramipril	Cardiovascular
Sotalol HCl	Cardiovasculur
Salbutamol Suplhate	Anti Asthmatic
Escitalopram Oxalate	Central Nervous System
Levofloxacin Hemihydrate	Fluoroquinolones
Ofloxacin	Fluoroquinolones

At present, our Company has Chemistry capabilities right from R&D to Kilo Lab/Pilot Plant to multi kilogram/tonnes production for the following class of compounds:

- Quinolones
- Macrolides/ Ketolides
- Heterocyclics
- Amino Acids (Synthetics)
- Nucleosides
- Steroids
- Oncology (Cytotoxic)
- Prostaglandins
- Vitamin D2 analogues

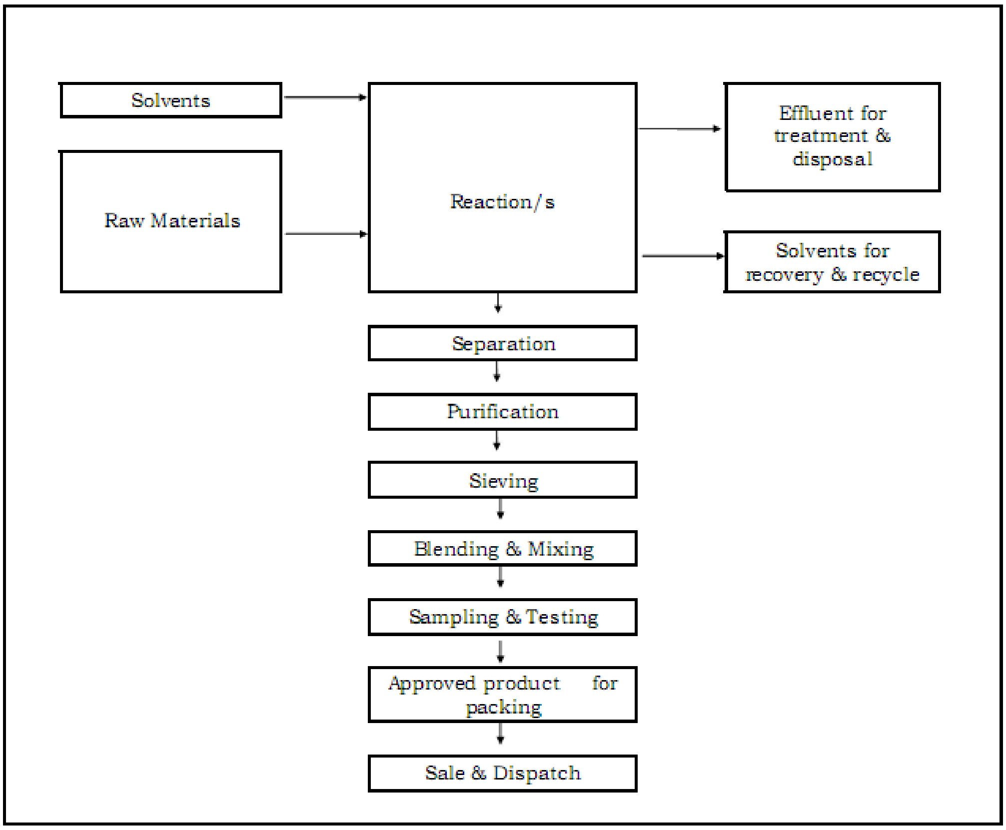
Manufacturing Process

The manufacturing process of APIs and their intermediates differs from product to product. However, it typically involves a series of reaction steps under controlled conditions of temperature and pressure to produce the finished product and side chains or by products. Both the finished product and by product are saleable.

Each of these processes vary depending on the product, i.e., whether an intermediate or an API. The number of steps from input to finished goods may vary from single step products to several step products under the type of API being manufactured by us. The reaction time also varies between 7 days to as much as 45 days for the entire API manufacturing process cycle time.

For each product, we identify several alternative methods of manufacture and choose the most appropriate for the situation, viz., economic, patent non-infringing, achieving a desired quality standard, environment impact, etc. Depending on the requirements of the customers, the finished products can be either in powder or liquid form. It is then suitably packed in different packaging material. We use technology and processes developed by our in-house R&D. Improving yields and cost efficiency in processes is a continuous agenda with the R&D team. Efficient solvent recovery systems established for all types of solvents used in the plant help in further cost control.

Flowchart of our Production System



Feasibility review, validations and detailed lab testing

The new product basket is subject to feasibility studies at R&D and discussions on lab feasibility by the technical team. This is followed by a complete lab validation with Tech Pack and second level marketing search. Based on the results, complete plant validation and DMF filing.

Product Information Sheet and Scoping for Reviews and Testing

1. Brief introduction of product and history
2. Product monograph, polymorph information, dosage forms, patents
3. Contra-indications, post marketing knowledge, retail prices, market size
4. Neuland target TVC, Target price for Development/ Commercial
5. Neuland Development and IP strategy
6. Neuland rationale for selection
7. R&D scope for development, tentative ROS
8. Tentative R&D budget and timelines for development

COLLABORATION

We do not have any collaboration

CAPACITY UTILISATION

In our industry, we measure capacity based on the reactor volumes. Capacity utilisation varies with the product mix that we make in these reactors. The installed capacity for Unit I is 151,000 litres and for Unit II is 310,200 litres. Based on the product mix for Fiscal 2011, our capacity utilisation was close to 85%. These capacities can be debottlenecked by minimal investments or re-organising the operations and better planning.

EXPORT POSSIBILITIES AND EXPORT OBLIGATION

Our Company imports raw materials under the Advance License Benefit scheme of the Foreign Trade Policy, where it is obligated to export against the specific products imported on a duty free basis. In case the export is not done within the time limits specified in the Advance License, our Company would have to pay the duties and interest for such imports made. There no other schemes where it has taken benefits leading to committed export obligations. Our Company is also entitled to various benefits like duty draw backs, Duty Exemption Passbook Scheme (which Scheme ended on September 30, 2011) as per the Foreign Trade Policy, which are all post the actual export happening.

Our outstanding export obligations as on February 29, 2012 are as follows:

Licence no.	Licence date	Expiry date	Product name	Balance Obligation Qty (in kgs)	Balance Obligation Amount (in ₹)
0910039765	October 29, 2009	October 28, 2012	Ramipril	1,376	61,941,672
0910042871	July 26, 2010	July 25, 2013	Moxifloxacin Hydrochloride	462.70	35,192,499
0910043220	August 24, 2010	August 23, 2013	Ropinirole	66.50	16,058,752
0910045161	January 17, 2011	January 16, 2014	Salmeterol Xinafoate	0.20	830,700
0910045549	February 14, 2011	February 13, 2014	Levofloxacin Hemihydrate	3,563	18,467,599
0910045550	February 14, 2011	February 13, 2014	Ramipril	673	28,946,424
0910046983	June 3, 2011	June 2, 2014	Mirtazapine	2,118	52,599,206
0910048810	September 15, 2011	September 14, 2014	Levetiracetam	5,995	31,353,251
0910049296	October 12, 2011	October 11, 2014	Benzyl Compound	12,600	58,066,470
0910049297	October 12, 2011	October 11, 2014	Enalapril Maleate	14	82,114
0910049505	October 28, 2011	October 27, 2014	Ciprofloxacin Hcl	112,915	191,539,972
0910049696	November 14, 2011	November 13, 2014	Levofloxacin Hemihydrate	7,186	96,234,912
0910050302	December 20, 2011	December 19, 2014	Ofloxacin	2,127	11,076,139

MANUFACTURING FACILITIES

We presently have 2 manufacturing facilities in Andhra Pradesh, one located at Bonthapally Village, Medak District (Unit I) and the other at Pashamylaram Village, Medak District (Unit II).

Bonthapally Village (Unit I)

Unit I is situated at Bonthapally Village in Medak District and is developed on a total area of 11.2 acres with a built up area of the plant is approximately 45,325 sq mts. and has seven production blocks covering 2,500 square meters of production area, including the kilo labs, 4 ware houses (including explosive warehouse and other supporting departments such as quality assurance & quality control (QA&QC) and Regulatory Affairs (RA). The facility consists of small volume high value production facility with vessels ranging between 20 litres to 3000 litres). The total reactor volume at the plant is 151,000 litres. The facility is capable of handling broad spectrum of reactions and a wide range of process parameters.

The Bonthapally manufacturing facility, which commenced operations in the year 1986 and *inter alia* manufactures Anti-Asthmatics, Cardiovasculars, Anti-Fungal, Anti convulsants, Anti emetic, Central Nervous

System (CNS), Fluoroquinolones, Corticosteroids, Anti Psychotic, Anti bacterial and Anti-parkinson, has an installed capacity of 151,000 litres.

A key feature of the manufacturing process is the supervision and the involvement of a committed team which with the help of latest production techniques and calibrated planning guarantees on-time delivery of products.

The facility handles various reactions on a continuous basis, including Bromination, Diazotization, Friedel Craft Reactions, Hydrogenations, Mannich Reactions, Grignard Reactions Metal Hydride Reactions, Oxidation, Cryogenic Reactions, Hydrofluorination, Methylation Resolution of Racemic mixtures, Stereo-specific synthesis, Micheal Addition Reaction and Silylation Reaction.

The facility has a robust EHS policy in place with regular drills for fire fighting and training for use of personal protective equipment (PPE). Use of HAZOP (Hazards and Operability), regular internal audits, EHS impact study as part of change control forms the core of the EHS system at the facility.

Pashamylaram (Unit II)

Unit II situated at Pashamylaram commenced operations in the year 1994. The facilities are built in a total area of 36,800 sq.mts and consist of three main production blocks covering 1,968 sq. mts of production area, engineering workshop and four warehouses. The total installed capacity of 310,200 litres. The facility is a high volume facility with dedicated production blocks for range of products. The facility has a state -of-the-art Pilot Plant in compliance with GMP with two production lines. The product line for the facility includes Fluoroquinlones and Anti-Ulcerants.

INFRASTRUCTURE FACILITIES

The primary raw material we use for manufacturing APIs and their intermediates is Methyl 3-Phenyl Piperzine, Chloro nicotine nitrile, ECPPA, L-Proline, among other chemicals. These raw materials are procured from domestic as well as international markets, including China. We do not have any long term arrangements with the vendors of such chemicals.

Steam, chilled water, hot water, cooling tower water, chilled brine, and other low temperature media such as liquid nitrogen and dry ice are regularly used in our manufacturing process. We use steam generated from boilers, and have installed compressors for the chilled brine, chilled water, cooling tower water and hot water. We have arrangements with vendors for liquid nitrogen and dry ice. We do not have any long term arrangements with such vendors.

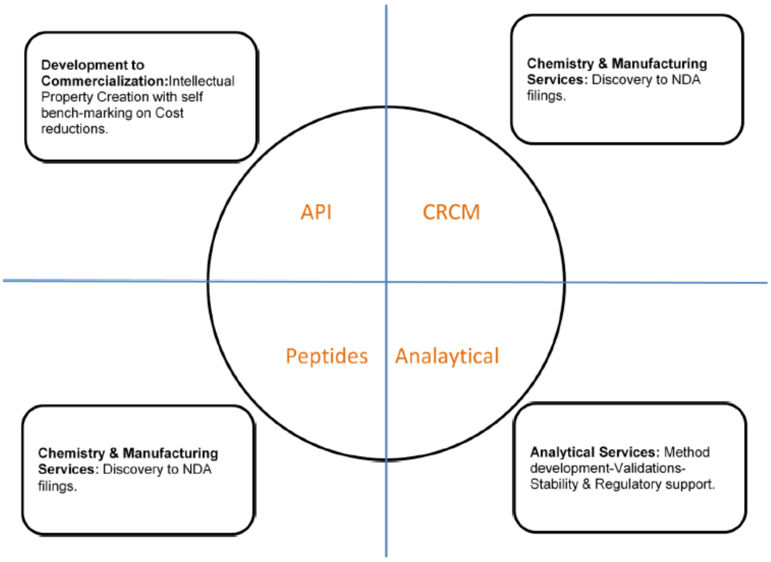
For both our manufacturing facilities we use power sourced from the Transmission Company of Andhra Pradesh Limited.

We also have 100% back-up arrangements in the form of diesel generator sets. While we have a water connection from the local municipal authorities and have also installed bore-wells at our facilities for supply of water, a portion of our water requirement is met from distilled water from our effluent treatment plants and evaporation systems at our facilities.

RESEARCH AND DEVELOPMENT

Our 40,000 sq. ft state-of-the-art R&D Facility commenced operations in the year 2008. Our R&D facility houses 11 labs and fully equipped analytical lab with all latest analytical instruments which includes NMR, GC, ICPMS, HPLCs. The R&D facility is primarily used for process investigation and development, new products development and contract research and manufacturing services, The R&D facility is recognised by DSIR, as an approved R&D Centre and the same is valid till March 31, 2016.

Our Research and Development team consists of 190 people and is headed by Dr. P. Ravi, Senior Vice President with over 20 years of experience in the pharmaceutical industry. The team consists of 20 people with Doctoral degree (Ph.D.), and the rest have a Masters degree in Chemistry / Technology. With dedicated scientific teams spearheading the development of APIs and other technology intensive projects, the R&D division continues to cater to a wide range of customer needs from early stages of drug discovery to the product launch. The R&D centre is instrumental for our Company to get orders for APIs from customers in the generic drugs segment and also assists in receiving Contract Manufacturing Services to customers. The areas of the work will mainly focus on the process development (API, CRO and CMO) and analytical development.



Our Company has a proactive and result oriented research and development team to ensure that there is a continuous flow of products that are in demand amongst our customers. With dedicated scientific teams spearheading the development of active pharmaceutical ingredients (APIs), pharmaceutical intermediates and other technology intensive projects, our R&D Centre continues to cater to a wide range of customer needs from early stages of drug discovery to the product launch. Our Company specifically aligns its R&D with market requirements.

Our Company invests significant resources in developing a robust pipeline of products. The in-house R&D team has identified new products for development across various therapeutic categories and drug classes for development during the year based on Neuland Product Development Funnel. Development of cost effective processes for existing products is another area which would favorably impact productivity and yield.

Our R&D facility along with a Pilot plant and Kilo Lab has proven its capabilities in carrying out a wide range of reactions.

The specific areas in which R&D is carried out by our Company are:

- Development of non-infringing patentable processes for active pharmaceutical ingredients in
- the therapeutic categories of anti-glaucoma, anti-fungal, anti-hyperlipoproteinemic, antihypertensive, anti-asthmatic, anti-psychotic, anti-emetic, anti-parkinson, anti-depressant, benign prostatic hyperplasia, antibacterial, anti-alzheimers.
- Development of efficient and cost effective processes to reduce total variable cost and cycle time for existing products.
- Customer specific and exclusive contract research and process development for manufacture of active pharmaceutical ingredients.
- Contract research and services for the innovator companies for their research activities.
- Custom synthesis and contract manufacturing.
- Development of analytical methods, quality improvement and cost optimization studies.
- Creation of intellectual property and international regulatory filings.
- Study of impurity profiles, synthesis and sale of impurities metabolites standards.
- Development of scalable processes for the production of Fmoc building blocks amino acids and dipeptides.

- Development of scalable processes for the production of protected peptide segments useful in the synthesis of oxytocin and other generic peptide APIs.

The technologies developed by R&D division of our Company towards the quality and yield improvement of existing products and also development of technology for new bulk drugs have been commercialized and adopted by the manufacturing facility of our Company.

Our Company spent ₹ 7.36 million on R&D during the half year ended September 30, 2011, ₹ 16.31 million in Fiscal 2011, ₹ 17.61 million in Fiscal 2010 and ₹ 120.24 million in Fiscal 2009.

MARKETING AND DISTRIBUTION

Our Primary approach to marketing includes direct marketing to customers, through our sales team who are located in India, US, Europe and Japan, we also have a agent network in domestic as well as international markets depending upon the size of the market and market dynamics. We believe that our customer acquisition and retaining strategies through direct marketing initiatives and also tactical usage of agents has helped our Company to not only retain customers but also increase our share with them over the years. The fact that the top 7 customers group (except one) have been with our Company on an average of more than 15 years and contribute to more than 50% of our revenues bears testimony to this.

MAJOR CUSTOMERS

We supply our products domestically as well as to approximately 84 countries, including regulated markets. Some of the countries to which we supply our products include US, Malta, Croatia, Ireland, Brazil, Mexico, Australia, South Africa, Jordan, Turkey and Japan. Our customers include some of the leading pharmaceutical companies in the world.

Details of our customers and percentage of sales (by value) derived from our top customers are given below (including domestic and export sales):

Particulars	Half year ended September 30, 2011	Fiscal 2011	Fiscal 2010	Fiscal 2009
Total number of customers served	264	273	233	281
Sales to top customer	16.5%	21%	9.5%	10%
Sales to 7 customer groups	54%	58%	69%	49%
Domestic Revenue as % of total Revenue	19%	19%	19%	16%
Export Revenue as % of total Revenue	81%	81%	81%	84%
Total Domestic Revenue from top 5 domestic customers (in ₹ million)	229.24	459.53	305.13	343.57
Total Export Revenue from top 5 export customers (in ₹ million)	813.97	1,593.10	982.34	752.39

For further information on export obligations and entitlements, see "***Financial Statements***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on pages 139 and 215, respectively.

MAJOR COMPETITORS

Our Company has invested money in research and development and is working closely with customers for development of new products to ensure competitive advantage over competition and in this regard it is also in the process of creating its own intellectual property. Further, our Company is working on reducing costs which enables to keep up with the competition.

In our existing business, among the major domestic pharmaceutical companies, are competitors include Aarti Drugs Limited, Hikal Limited, Hetero Drugs Limited, Aurobindo Pharma Limited and Arch Pharmalabs Limited. For more information, see "***Risk Factors***" on page 11.

HUMAN RESOURCES

As on February 15, 2012, we have a workforce of 1501of which 973 are full-time employees and 528 contractual labourers. Of our 973 full-time employees, over 70% is skilled staff and the rest being semi-skilled and unskilled. Our manufacturing process requires an appropriate mix of skilled, semi-skilled and un-skilled workforce. This includes corporate and managerial staff, staff located at manufacturing facilities and R&D Centre. Out of this number, 190 employees are engaged in R&D activities.

We summarize our fulltime employees based on qualification as follows:

CATEGORY-QUALIFICATION	NUMBER OF EMPLOYEES*
PhDs	25
M.Tech/M.Chem/M.E	2
B.Tech/BE/ME	44
M.Sc	336
B.Sc	243
Other PG	67
Other Graduates	91
Non Graduates	165
Total	**973**

** Includes only the employees of our Company and excludes employees of our subsidiaries*

The functional classification of our full-time employees and contract labourers would be as follows:

CATEGORY – FUNCTIONAL	NUMBER OF EMPLOYEES*
Top Management**	3
Finance, Accounts & MIS	21
IT	11
Excise & Commercial	8
HR & Administration	141
SCM & Stores	65
CRNI	3
Marketing/Sales & Projects	28
Manufacturing	625
Quality (QC/QA/RA – Regulatory Affairs)	190
Environment, Health & Safety	93
Plant Engineering	123
R&D	190
Total	**1501**

** Includes only the employees of our Company and excludes employees of our subsidiaries*
***Includes only the executive directors of our Company*

The facilities wise break up of the workforce of our Company is as follows:

	Top Management	Senior Management	Operations	Others/ Workmen	Contract workers
Registered office	3	40	58	-	19
Unit I	0	36	254	74	226
Unit II	0	28	252	53	245
R&D	0	25	150	-	38
Total	**3**	**129**	**714**	**127**	**528**

Employees at both our manufacturing facilities have formed trade unions and we have entered into valid and registered trade union agreements for the same. There have been no work disruptions, strikes, lock-outs or other employee unrest. We believe that our relations with our employees are cordial and good. We maintain the highest safety standards in our facilities to ensure that none of our employees, the public and environment are exposed to any hazards.

INFORMATION SYSTEM

Our Company uses Concerto Project Management System for management of our R&D projects.

Our Company also uses SAP ECC 6.0. This is planned to have modules viz. Financial Accounting (FI), Controlling (CO), Materials Management (MM), Plant Maintenance (PM), Production Planning (PP), Quality Management (QM), Project System (PS) and Sales & Distribution (SD). Our Company has opted for SAP to cater to its growing business needs. SAP being a global ERP leader will enable us to get the maximum benefits in terms of customer satisfaction, regulatory requirements, external reporting and internal MIS. The implementation shall also comprehend our continuous efforts to adapt global industry processes and standards. SAP is targeted to provide key business information at operation level, mid management level and top management level.

ENVIRONMENT, HEALTH AND SAFETY (EHS)

The mission of our Company is to serve the environment, health, and safety needs of our internal customers in an effective and efficient manner and to meet or exceed the expectations of our external customers.

Our Company has 2 separate divisions for implementing EHS:

Environmental Protection Division

Develops and delivers environmental products and services for all stakeholders of our Company by managing environmental programmes and by providing technical assistance on environmental requirements. This division provides a variety of waste management services for our Company.

Health and Safety Services Division

Committed to providing high quality, cost-effective support services to internal and external customers in the fields of Industrial Hygiene and Safety. Services are designed to assist managers in providing a safe and healthy working environment for employees and guests.

We have received ISO 14001: 2004 and OHSAS 18001: 2007 for both our manufacturing facilities.

Both our manufacturing facilities maintained their zero reportable accident record of having been accident free for three years till November 16, 2011 and in April 2011, the Department of Factories, Government of Andhra Pradesh conferred the Zero Accident Special Category award to our Company in recognition of this significant achievement. On November 17, 2011, a fatal accident took place at Unit-II, where one housekeeping contract workman on hearing a whistling sound, jumped out of a window instead of using the emergency exit available nearby.

Safety relief valves and automated systems form part of the systemic improvements incorporated to minimize the possibility of accidents. Our Company undertakes training of employees and contract workers to elevate their awareness levels is a major cause of continuous improvement in securing better health and safety standards.

QUALITY

Quality has been an integral part of the organization since its inception. With Dr. Davuluri Rama Mohan Rao’s multinational company background in quality systems, manufacturing and R&D, Neuland was started as an organization with quality as its core. As a result, our focus has always been on markets and customers that recognize quality.

As on date, our Quality department has a total of 190resources that consist of individuals well qualified in Quality Assurance, Quality Control as well as Regulatory Affairs. We also have a separate compliance team to ensure that our facilities are constantly audited and improved. We are also inspected by regulatory authorities, customers and spend at least 10 days out of a month in audits. Our manufacturing and related operations have detailed procedures which will strictly control and constantly update to meet cGMP.

We have received ISO 14001: 2004 and OHSAS 18001: 2007 for both our manufacturing facilities

INTELLECTUAL PROPERTY RIGHTS

Our continued focus and ability to generate innovative research ideas has resulted in more than 39 patents applications including granted patents. We have been granted 2 process patents from the Indian Patent Office.

We have filed 39 patents (37 for process and 2 for product) applications to the Indian Patent Office. We have also filed PCT applications for 22 process patents with WIPO.

Our Company has also made an application D. No. 8756/2011/CO on July 21, 2011 with the Registrar of Copyrights for copyright registration of 'The Neuland Way Orange Book'.

Our Trademark is a registered trademark with Regn. No. 1417051 issued under Class 5 by the Registrar of Trademarks, Mumbai vide certificate of Registration of Trade Mark dated July 15, 2008. This registration is valid for a period of 10 years from the date of application for registration i.e. January 27, 2006.

For details regarding the Intellectual Property rights enjoyed by our Company please refer to the section titled "***Government and Other Approvals***" beginning on page 259.

PROPERTY

Purchase of Property

Our Company has not purchased or acquired any property and neither does it propose to purchase or acquire any property, the consideration of which would be paid for wholly or partly out of the proceeds of the Issue.

Land

Our Company has the following freehold properties which are registered in its name and except as specified in ***Risk Factors*** on page 11, our Company has title to the said properties are free from encumbrances:

Name of the Vendor	Nature of Document / Date	Registration Particulars	Description of Property
Unicorn Machinery Manufacturers Limited	Sale Deed / August 28, 1984	Document No. 2244 of 1984 , registered with the Sub-Registrar, Narsapur	Acres 6-06½ Guntas comprising of: (a) Acres 2-00 Guntas in Survey No. 347 situated at Domadugu Village, Gram Panchayat Bonthapally, Narsapur Taluka, Medak District. (b) Acres 2-11½ Guntas in Survey No. 474 situated at Bonthapally Village, Narsapur Taluka, Medak District. (c) Acres 1-35 Guntas in Survey No. 490/2 situated at Bonthapally Village, Narsapur Taluka, Medak District.
Davuluri Vijaya Rao and Dr. G.S. Murthy	Sale Deed / May 10, 1989	Document No. 1412 of 1989 (sub-registrar particulars not clear)	Acres 1-00 Guntas in Survey No. 347 situated at Domadugu Village, Gram Panchayat Bonthapally, Narsapur Taluka, Medak District.
Davuluri Vijaya and Dr. G.S. Murthy	Sale Deed / December 23, 1988	Document No. 3604 of 1988 (sub-registrar particulars not clear)	Acres 1-00 Guntas comprising of: Acres 0-22 Guntas in Survey No. 347 situated at Domadugu Village, Gram Panchayat Bonthapally, Narsapur Taluka, Medak District. Acres 0-18 Guntas in Survey No. 473

			situated at Bonthapally Village, Narsapur Taluka, Medak District.
C. Sudhakar Sastry	Sale Deed / August 21, 2006	Document No. 6381 of 2006 registered with the Sub-Registrar , Narsapur	Acres 0-28 Guntas in Survey No. 488/Ru situated at Bonthapally Village, Narsapur Taluka, Medak District.
C. Sudhakar Sastry	Sale Deed / June 9, 2006	Document No. 5157 of 2006 registered with the Sub-Registrar , Narsapur	Acres 1-35 Guntas in in Survey No. 489/A situated at Bonthapally Village, Narsapur Taluka, Medak District.
Andhra Pradesh Industrial Infrastructure Corporation Limited	Sale Deed / September 20, 1994	Document No. 3431 of 1994 (sub-registrar particulars not clear)	Land admeasuring 29,490.12 square yards (equivalent to 6.093 Acres) in Plot Nos. 92, 93, 257 and 258 in Survey No. 252 and 253 (Part) situated at IDA Pashamylaram, Pashamylaram Village, Sangareddy Taluk, Medak District.
Abhisetti Saraswathi, Abhisetti Veeresham and Abhisetti Anjaneyulu.	Sale Deed / October 18, 2007	Document No. 8352 of 2007, registered with Sub-Registrar, Narsapur.	Acres 2-00 in Survey No. 291 situated at Domadugu Village, Gram Panchayat Bonthapally, Narsapur Taluka, Medak District.
Andhra Pradesh Industrial Infrastructure Corporation Limited	Sale Deed / February 5, 2009	Document N0. 508 of 2009 with Joint Sub-Registrar I of Ranga Reddy District	Acres 5-00 Guntas in Survey No. 115/35 situated at Nanakramguda Village, Serilingampally Mandal, Ranga Reddy District.
Andhra Pradesh Industrial Infrastructure Corporation Limited	Sale Deed / January 2, 1995	Document N0. 447 of 1995 with Sub-Registrar, Sangareddy, Medak District	12,455.476 square meters (equivalent to 3.078 Acres) in Plot Nos. 94 and 259 in Survey Nos. 252 and 253 (Part) situated in Phase II at IDA Pashamylaram, Pashamylaram Village, Sanga Reddy Taluk, Medak District.

Except as set out below, our Company has not acquired and neither does it propose to acquire any land from any Promoter or Director of our Company or any entities in which any Promoter or Director has an interest or persons to whom the Promoters or Directors are related:

Name of the Vendor	**Nature of Document / Date**	**Registration Particulars**	**Description of Property**	**Consideration (in ₹)**
Davuluri Vijaya Rao and Dr. G.S. Murthy	Sale Deed / May 10, 1989	Document No. 1412 of 1989 (sub-registrar particulars not clear)	Acres 1-00 Guntas in Survey No. 347 situated at Domadugu Village, Gram Panchayat Bonthapally, Narsapur Taluka, Medak District.	1,21,000
Davuluri Vijaya and Dr. G.S. Murthy	Sale Deed / December 23, 1988	Document No. 3604 of 1988 (sub-registrar particulars not clear)	Acres 1-00 Guntas comprising of: Acres 0-22 Guntas in Survey No. 347 situated at Domadugu Village, Gram Panchayat Bonthapally, Narsapur Taluka, Medak District. Acres 0-18 Guntas in Survey No. 473 situated at Bonthapally Village, Narsapur Taluka, Medak District.	1,21,000

Our Company has the following leasehold properties which are recorded in its name:

Name of the Lessor	Rajendar Purohit	Mahendar Singh Purohit	Ch. Ashok Kumar and Ch. Srinivas	Kishan Agarwal **	E. Padmavathi*	T. Dheeraj Reddy	Chandra Devi	Sucheth and Saharsh Holdings Private Limited	Sucheth and Saharsh Holdings Private Limited	D. Vijaya
Dated	Jan 4, 2012	Jan 4, 2012	Jan 10, 2012	Feb 25, 2011	August 25, 2011	June 20, 2011	Jan 4, 2012	August 2, 2005	Mar 25, 2005 as amended on Oct 1, 2008	Oct 1, 2009
Premises	No. 301/A, III Floor in Meridian Plaza, Ameerpet, Hyderabad	No. 301, III Floor in Meridian Plaza, Ameerpet, Hyderabad	No. 104, I Floor in Meridian Plaza, Ameerpet, Hyderabad	No. 501 in V Floor, Meridian Plaza, Ameerpet, Hyderabad	Alpha 603, Jayabheri Silicon County, Hitec City, Hyderabad along with 2 car parking	Flat No. C2, CSR's Jubilant Residency, St. No. 1, Umanagar, Begumpet, Hyderabad	No. 105, I Floor in Meridian Plaza, Ameerpet, Hyderabad	2 acres of land in Bonthapally Village along with structures and buildings thereupon****	No. 204, II Floor in Meridian Plaza, Ameerpet, Hyderabad	Flat No. 6, 6-3-1219/6, Uma Nagar, Road No. 2, Begumpet, Hyderabad
Commencement Date	May 1, 2011	May 1, 2011	June 1, 2011	February 1, 2011	September 1, 2011	June 20, 2011	August 14, 2011	August 2 2005	March 1, 2005	October 1, 2009
Period	11 Months	11 Months	11 Months	One Year	11 Months	1 Year	11 Months	30 years	8 Years	5 Years
Rental (in ₹) (per month unless specified)	31,256 till July 31, 2011 and 32,300 thereafter	31,256 till July 31, 2011 and 32,300 thereafter	35,832 till September 30, 2011 and 37,982 thereafter	15,750	42,000	40,000	26,250	20,000 per acre with an increment of 10% per annum.	100 per annum	80,000
Security Deposit (in ₹)	2,00,000	2,00,000	----	75,000	2,70,000	80,000	1,50,000	-	1,55,00,000	---
Purpose of Use	Business Purpose				Residential	Residential ***	Business Purpose			Guest House

**Lease has been entered into between the landlord and Dr. Mohmed Khalid Anwer, employee of our Company. However, our Company is paying the lease rent.*
*** The lease agreement has expired and our Company is in the process of renewing the same.*
**** For the residential use of our R&D head.*
***** The land is vacant land at the moment and our Company has not developed the same on account of the pending litigation on the same. For more details, please see the section "**Outstanding Litigation and Other Defaults**" on page 251. Further, our Company has the first right of refusal to acquire the land at prevailing market price.*

Our Company has applied for / obtained all approvals pertaining to lands owned by it, except for environmental clearance for construction of the building on the Nanakramguda Facility and payment of the building and other construction workers cess for the construction and development of the Nanakramguda Facility.

INSURANCE

Our Company has insurance coverage which we consider reasonably sufficient to cover all normal risks associated with our operations and which we believe is in accordance with the industry standards. Further, our contractual obligations to our lenders as also to certain business partners require us to obtain specific insurance policies.

We have taken insurance policies with various insurance companies covering certain risks in relation to our assets and our people. We have taken workmen's compensation insurance, group gratuity insurance, group personal accident and group medical insurance policies for the benefit of our employees covering risks against bodily injuries. We have also taken standard fires and special perils insurance to cover against risks of damage to our property, including fire damage as also theft and burglary insurance to cover risks to our assets.

Our Company obtains marine transit insurance as and when the same is required.

Additionally our Company has obtained public liability insurance and fidelity guarantee insurance cover. Our Company has also obtained a Directors' and Officer's Liability Insurance.

REGULATIONS AND POLICIES

The following description is a summary of certain sector specific laws in India as well as certain foreign laws, which are applicable to our Company. The information below has been obtained from sources available in the public domain. The summary of laws and policies set forth below may not be exhaustive, and is only intended to provide general information to investors and is neither designed nor intended to substitute for professional legal advice.

Our Company is a Hyderabad-based manufacturer of active pharmaceutical ingredients and peptides and a provider of chemistry related contract research and contract manufacturing services. Exports account for over 81% of the revenues of our Company. Our Company operates in the segments of Active Pharmaceutical Ingredients or APIs, Contract Manufacturing and Peptides.

Indian Regulations

Ministry of Health and Family Welfare

The Ministry of Health and Family Welfare, Government of India ("**MOHFW**") monitor the drugs and formulation industry in India. For effective control and supervision, MOHFW issues notifications from time to time and also mandates the requirement of licenses for manufacture or sale or distribution, and also appoints the central license approving authority, the Drugs Controller General of India. The Department of Science and Technology, under the Ministry of Science and Technology, Government of India, promotes new areas of science and technology with special emphasis on research and development, and our Company comes under its scanner since one of the major initiatives of our Company is to focus on research and development strategies.

Drugs and Cosmetics Act, 1940 ("DCA")

The DCA was enacted in 1940 to regulate the import, manufacture, distribution and sale of drugs and cosmetics. Under the DCA, the Central Government regulates licensing, import and testing of drugs and the State Government regulates the manufacture, distribution and sale of drugs. The Central Government also is empowered to regulate, restrict or prohibit the manufacture of drugs in public interest.

The DCA deals with various aspects of distribution of drugs in India, including import, testing, use, packing, labelling and quality. It prohibits the manufacture of adulterated drugs and drugs not of a standard quality, and prescribes that manufacture, sale and distribution of drugs shall be under the conditions of licenses issued for this purpose.

Both the Central Government and the State Government have powers under the DCA to appoint inspectors who are empowered to, among other things, inspect premises of manufacture of drugs, take samples of drugs and do other acts incidental to the purposes of the DCA as may be prescribed.

In the case of APIs, the Drugs Control General of India issues, subject to passing of the series of tests and on fulfilling certain additional requirements like building specifications, product containers, in-process controls, provision of utilities and services etc. that need to be mandatorily complied with, a manufacturing and marketing license which is submitted by our company seeking to produce the drug to the drug control administration of the state which clears the drug for manufacturing and marketing.

The Drugs and Cosmetics Rules, 1945 ("DCR")

The DCR has been framed to give effect to various provisions of the DCA.

The DCR provides for licenses for import, manufacture and sale of drugs. Under the DCR, the State Government is empowered to appoint licensing authorities for sale of drugs. Licenses for manufacture of drugs, as per the DCR, are issued by a Central License Approving Authority, being the Drugs Controller or Joint Drugs Controller or Deputy Drugs Controller, India, appointed by the Central Government. Conditions of such licenses for import, sale and manufacture and drugs are also prescribed by the DCR.

For the purpose of manufacture or sale of drugs (other than homeopathic medicines), the manufacturer / seller is required to be done under a license, for which applications are made to a licensing authority appointed by the State Government. Applications for certain drugs as notified by the Central Government from time to time are to be verified by the licensing authority and forwarded to the Central License Approving Authority which may thereafter issue the license.

The Drugs Controller of India heads the Central Drugs Standard Control Organisation functioning under the Directorate General of Health Services, which acts as the main regulatory body for the purposes of the DCA and DCR.

Drug Policy, 1994 (“Drug Policy”)

The Government, by introducing the Drug Policy in 1994 brought about modifications to the earlier Drug Policy or 1986, including with respect to industrial licensing, foreign investment and foreign technology agreements. Industrial licensing for all bulk drugs and their formulations and for intermediates was exempted except for the Bulk drugs (reserved for public sector), Bulk drugs involving use of re-combatant DNA technology and bulk drugs requiring in vivo use of nucleic acids as the active principles and Formulation based on use of specific cells/tissue-targeted formulations. However, an industrial license may be required for delicensed items, depending the location of such an undertaking.

Industrial undertakings that do not require an industrial licence (including for expansion) are required to file a Memorandum in the prescribed form (Form IEM) along with the performa with the Secretariat for Industrial Assistance (SIA), Department of Industrial Development, Ministry of Industry. The 1994 Drug Policy further liberalised foreign investment in the drugs and pharmaceutical industry.

Pharmaceutical Export Promotion Council

The Ministry of Commerce and Industry, Government of India has established the Pharmaceutical Export Promotion Council (the “**Pharmexcil**”) in order to provide as an exclusive export promotion council for the Indian pharmaceutical industry. Pharmexcil is the sole issuer of registration-cum-membership certificates to exporters of pharmaceutical products in India. Various pharmaceutical products such as bulk drugs and formulations, collaborative research, contract manufacturing, diagnostics, clinical trials and consultancy are covered under its purview.

Indian Pharmacopoeia Commission

The Indian Pharmacopoeia Commission (the “**Pharmacopoeia Commission**”), which became fully operational from January 1, 2009, was constituted by the Government of India, which is an autonomous institution under the aegis of the Ministry of Health, dedicated to setting standards for drugs, pharmaceuticals, healthcare devices and technologies etc. besides providing reference substances and training. The Pharmacopoeia Commission publishes the Indian Pharmacopoeia, which acts as the official book of standards, and medicines produced in India must comply with the specified standards. The pharmacopoeial standards and acceptance criteria laid out in the Indian Pharmacopoeia provide compliance requirements with which a manufacturer must comply before the release of a product for sale or distribution. In case there are any changes in quality during storage and distribution, the pharmacopoeial requirements define acceptable levels of change and it is only the materials or products that show unacceptable levels, which are rejected.

Drugs (Prices Control) Order, 1995 (the “DPCO”)
The DPCO has been promulgated under section 3 of the Essential Commodities Act, 1955. The DPCO lists drugs including certain APIs, formulations and substances in respect of which manufacturers are required to submit information regarding the production of the said drugs to the Government. The Order also fixes the prices for the drugs under its purview. Under the DPCO, no manufacturer, distributor or dealer is to withhold from sale any drug, without good and sufficient reasons. Under the DPCO, the Government has the power under the DPCO to recover amounts charged in excess of the notified price from the manufacturer, importer or distributor of the drugs and the said amounts are to be deposited in the Drugs Prices Equalization Account. NPPA is a Government of India organization which was established, inter alia, to fix/ revise the prices of controlled bulk drugs and formulations and to enforce prices and availability of the medicines in the country, under the DPCO.

Environmental Regulations

Environmental law in India is mainly governed by following major enactments:

1. *The Environment Protection Act, 1986;*
2. *The Water (Prevention and Control of Pollution) Act, 1974 (the "**Water Act**";*
3. *The Air (Prevention and Control of Pollution) Act, 1981 (the "**Air Act**"); and*
4. *The Public Liability Insurance Act, 1991.*

Central and state pollution control boards were constituted under the Water (Prevention and Control of Pollution) Act, 1974 and also function as pollution control boards for the purpose of the Air (Prevention and Control of Pollution) Act, 1981.

The functions of the Central Pollution Control Board under the Water Act and Air Act are to advise the Central Government on matters concerning the prevention and control of water and air pollution, to co-ordinate the activities of the State Boards and resolve disputes among them, to provide technical assistance and guidance to the State Boards, carry out and sponsor investigations and research relating to problems of water and air pollution and prevention, control or abatement of water and air pollution, to organise through mass media a comprehensive programme regarding the prevention and control of air and water pollution and to perform other functions as prescribed.

The State Boards under the Air Act and Water Act are responsible for similar functions and also for laying down standards of effluents and emissions and standards of treatment.

The Environment Protection Act, 1986 is intended to take steps for the protection and improvement of the environment and the prevention of hazards to human beings, other living creatures, plants and property. It provides that the Central Government is empowered to take all such measures as it deems necessary to protect and improving the quality of the environment and prevent and control environmental pollution. The Central Government is also empowered under the Act to lay down standards for the quality of environment and standards for emission or discharge of environmental pollutants, restrict areas in which any industries or operations are to be carried on, lay down procedures and safeguards for the prevention of accidents which may cause environmental pollution and lay down procedures for the handling of hazardous substances.

The issue of management, storage, and disposal of hazardous waste is regulated by the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008 (the "**HWM Rules**") made under the Environment Protection Act, 1986. Under the HWM Rules, the Pollution Control Boards 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, Government of India (the "**MoEF**") looks into environment impact assessment. The MoEF receives proposals for expansion, modernization and setting up of projects, and the impact such projects would have on the environment is assessed by the MoEF before granting clearances for the proposed projects.

Furthermore, the Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989 (the "**Hazardous Chemicals Rules**") stipulate that an occupier in control of an industrial activity has to provide evidence for having identified the major accidental hazards and taking adequate steps to prevent major accidents and to limit their consequences to persons and the environment. The persons working on site have to be provided with information, training and equipments including antidotes necessary to ensure their safety.

The Public Liability Insurance Act, 1991 (the "**Public Liability Act**") imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of hazardous substances covered by the legislation has been enumerated by the Government by way of a notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The rules made under the Public Liability Act mandate that the employer has to contribute towards the environment relief fund, a sum equal to the premium paid on the insurance policies. The amount is payable to the insurer.

Indian Intellectual Property Regulations

The Patents Act, 1970

The Patents Act, 1970 provides the law relating to patents in India. It provides for patenting of inventions, which are defined as a new product or process involving an inventive step and capable of industrial application. Historically, India granted patent protection only to processes and not to products (i.e., only the process to manufacture a drug is protected and not the drug itself).

However inventive steps do not include, among other things, the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or a substance obtained by a mere admixture resulting only in the aggregation of the properties of the components thereof or a process for producing such substance.

In respect of a product patent, the grant of a patent gives the patentee the exclusive right to prevent third parties, who do not have his consent, from the act of making, using, offering for sale, selling or importing for those purposes that product in India. The term of the patent will be twenty years from the date of filing an application for the patent.

The proviso to Section 11A (7) of the Patents Act has been introduced in the Patents Act to provide protection to those Indian enterprises which have made significant investment and have been producing and marketing a product prior to January 1, 2005, for which a patent has been granted through an application made under Section 5(2) of the Patents Act and have continued to manufacture the product covered by the patent on the date of grant of the patent. In such a case, the patent-holder shall only be entitled to receive reasonable royalty from such enterprises and cannot institute infringement proceedings against such enterprises.

The Trade Marks Act, 1999

A trademark is used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor or user to use the mark. A 'mark' may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style and so forth. The Trademarks Act, 1999 (the "**Trademarks Act**") governs the registration, acquisition, transfer and infringement of trademarks and remedies available to a registered proprietor or user of a trademark. The registration of a trademark is valid for a period of 10 years but can be renewed in accordance with the specified procedure.

Patent Cooperation Treaty, 1970

The PCT is administered by the World Intellectual Property Organization (the "**WIPO**"). The PCT facilitates filing of patent applications under a single umbrella and provides for simplified procedure for the search and examination of such applications. PCT applications claim priority over ordinary patent applications. The PCT has two phases – national and international. A national phase is when they are converted into national patent applications in designated countries of interest, and an international phase is when a PCT application is an international application at the International Bureau (the "**IB**") at the WIPO, Geneva. During the international phase, the designated international searching authority conducts a patent search and an international search report is provided within around six months of filing to assist the application in deciding whether or not to proceed with patent protection.

Labour Regulations

Depending on the nature of work and number of workers employed at any unit, the following labour legislations may apply:

- The Andhra Pradesh Shops and Establishment Act, 1988;
- The Factories Act, 1948;
- The Employees State Insurance Act, 1948;
- The Employees (Provident Fund and Miscellaneous Provisions) Act, 1952;
- The Contract Labour (Regulation and Abolition) Act, 1970;
- The Workmen Compensation Act, 1923;
- The Payment of Wages Act, 1936;
- The Minimum Wages Act, 1948;
- The Payment of Gratuity Act, 1972;
- The Payment of Bonus Act, 1965;
- The Industrial Employment (Standing Orders) Act, 1946; and

- The Trade Unions Act, 1926.

Our Company is subject to various laws such as but not limited to:

*1. The Andhra Pradesh Shops and Establishments Act, 1988 ("**Shop Act**")*

This Shop Act is intended to regulate of conditions of work and employment in shops, commercial establishments, restaurants, theatres and other establishments. It prescribes that a certificate of registration has to be obtained by an establishment. It also prescribes conditions for employment of people, working hours, holidays, health and safety.

*2. The Factories Act, 1948 (the "**Factories Act**")*

The Factories Act regulates occupational safety, health and welfare of workers of the industries, in which 10 or more workers are employed on any day of the preceding 12 months and are engaged in the manufacturing process being carried out with the aid of power. The ambit of the Factories Act includes provisions as to the approval of factory building plans before construction or extension, investigation of complaints, maintenance of registers and the submission of yearly and half-yearly returns.

*3. The Employees State Insurance Act, 1948 ("**ESI Act**")*

The ESI Act applies to all establishments where 20 or more persons are employed are required to be registered with the Employees State Insurance Corporation. The ESI Act requires all employees of the factories and establishments to which it applies to be insured in the manner provided. Further, both employers and employees are required to make contribution to the ESI fund, of which returns are required to be filed with the ESI department.

This Act provides for certain benefits to employees in case of sickness, maternity and employment injury and makes provision for related matters. It has a provision for registration of establishments to which the Act applies and the establishment of a corporation to administer a scheme of Employees' State Insurance known as the Employees' State Insurance Corporation.

The Act provides that registered establishments shall make contributions in respect of its employees for the purpose of insuring its employees, to the Employees' State Insurance Corporation which shall be paid into an insurance fund administered by the Corporation. The contributions are used to provide for employees who suffer disabilities or sickness and for similar purposes.

*4. The Employees Provident Fund and Miscellaneous Provisions Act, 1952 ("**EPF Act**")*

The EPF Act applies to factories employing more than 20 employees and such other establishments and industrial undertakings as notified by the government from time to time. It requires all such establishments to be registered with the relevant state provident fund commissioner.

This Act provides for the institution of provident funds, pension funds and deposit-linked insurance funds for employees in factories and other establishments. The Central Government is empowered to frame a scheme called the Employees' Provident Fund Scheme under this Act. The Act also provides for the framing of pension schemes ad deposit linked insurance schemes.

*5. The Contract Labour (Regulation & Abolition) Act, 1970 ("**CLRA Act**")*

This CLRA Act regulates the employment of contract labour in certain establishments. A workman is considered contract labour in connection with an establishment when he hired in or in connection with work by or through a contractor, with or without the knowledge of the principal employer.

The CLRA Act provides for registration of establishments employing contract labour, licensing of contractors, and for the welfare and health of contract labour.

The CLRA regulates the employment, and protects the interests, of workers hired on the basis of individual contracts in certain establishments. It applies:

(a) to every establishment which does not carry on intermittent/ casual work in which 20 or more workmen are/ were employed on any day of the preceding 12 months as contract labour; and

(b) To every contractor who employs, or who employed on any day of the preceding 12 months, 5 or more workmen (*as per the government order bearing GO Ms No. 107 dated October 31, 1988 issued by the Government of Andhra Pradesh through Women Development, Child Welfare and Labour (Labour II)*).

Every Establishment must, within the specified period, apply to the registering officer for registration of the Establishment and obtain a certificate of registration containing such particulars as may be prescribed.

Further, a contractor can only undertake or execute any work through contract labour under and in accordance with a licence issued in that behalf by the licensing officer. The license may contain conditions including, in particular, conditions as to hours or work, fixation of wages and other essential amenities in respect of contract labour. The license will be valid for the period specified therein.

Every contractor is duty-bound to provide and maintain supply of drinking water, canteens, rest-rooms latrines and urinals, washing facilities, first- aid box in the prescribed manner for contract labour employed in connection with the work of an Establishment to which the Act applies. If such amenities are not provided by the contractor within the prescribed time, such amenities shall be provided by the principal employer of the Establishment. Contractor shall be responsible for payment of wages to each worker employed by him as contract labour within the prescribed period and in case he fails to do so, the principal employer of the Establishment will be so responsible.

*6. The Workmen's Compensation Act, 1923 ("**Workmen's Compensation Act**")*

In terms of the Workmen's Compensation Act, an employer is required to pay compensation for personal injury, or death caused due such personal injury, to a workman by accident during employment, except in certain cases for instance where such workman was at the time of injury under the influence of drugs or alcohol, or wilfully disobeyed safety rules.

*7. The Payment of Wages Act, 1936 (the "**Payment of Wages Act**")*

The Payment of Wages Act applies to persons employed in factories and industrial or other establishments where the monthly wages payable are less than ₹ 10,000. It requires the persons responsible for payment of wages to maintain certain registers and display of the abstracts of the rules made their under.

*8. The Minimum Wages Act, 1948 (the "**Minimum Wages Act**")*

The Minimum Wages Act provides for minimum wages in certain employments. The central and the state governments stipulate the scheduled employment and fix minimum wages, calculated based on the basic requirement of food, clothing, housing required by an average Indian adult.

*9. The Payment of Gratuity Act, 1972 (the "**Payment of Gratuity Act**")*

In terms of the Payment of Gratuity Act, gratuity refers to a terminal lump sum benefit paid to a worker when he or she leaves employment after having worked for the employer for a prescribed minimum number of years. The Payment of Gratuity Act applies to all factories and shops and establishments in which 10 or more persons are employed, and requires such establishments to notify the controlling authority within 30 days of opening of the establishment and thereafter whenever there is any change in the name, address or change in the nature of the business of the establishment. Further, every employer has to obtain insurance for his liability towards gratuity payment to be made, with any approved insurance fund.

*10. The Payment of Bonus Act, 1965 (the "**Payment of Bonus Act**")*

The Payment of Bonus Act provides for payment of the minimum bonus to factory employees and every other establishment in which 20 or more persons are employed during an accounting year and requires the maintenance of certain books and registers and filing of monthly returns showing computation of allocable surplus, the set on and set off of allocable surplus and details of bonus due to the employees.

*11. The Industrial Employment (Standing Orders) Act, 1946 (the “**Standing Orders Act**”)*

In terms of the Standing Orders Act, an employer, who employs 100 or more workmen, is required to define with sufficient precision the conditions of employment of workmen employed and to make them known to such workmen. The Standing Orders Act requires every employer to which the Standing Orders Act applies to certify and register the draft standing order proposed by such employer in the prescribed manner. However until the draft standing orders are certified, the prescribed standing orders given in the Standing Orders Act must be followed.

12. The Trade Unions Act, 1926.

The Trade Union Act intends to provide for the registration of Trade Unions and in certain respects to define the law relating to registered Trade Unions.

Other Acts:

*Narcotic Drugs and Psychotropic Substances Act, 1985 (the “**Narcotic Act**”)*

The Narcotic Act intend to consolidate and amend the law relating to narcotic drugs, to make stringent provisions for the control and regulation of operations relating to narcotic drugs and psychotropic substances, to provide for the forfeiture of property derived from, or used in, illicit traffic in narcotic drugs and psychotropic substances, to implement the provisions of the International Convention on Narcotic Drugs and Psychotropic Substances and for matters connected therewith provides for the Government of India to take all measures necessary or expedient for the purpose of preventing and combating abuse of manufactured drugs and the illicit traffic therein. Violation of any provision under the Narcotic Act may attract a penalty in excess of ₹ 0.5 million.

*Standard of Weights and Measures Act, 1976 (the “**Weights and Measures Act**”)*

The Weights and Measures Act aims at introducing standards in relation to weights and measures used in trade and commerce, to provide better protection to consumers by ensuring accuracy in weights and measures and to regulate trade or commerce where goods are sold or distributed by weights, measures or numbers. Use of non-standard weights and measures is a criminal offence under the Weights and Measures Act. Although the Weights and Measures Act is a central legislation, it is enforced by the state governments under the Standard of Weights and Measures (Enforcement) Act, 1985 (“**Weights and Measures Enforcement Act**”).

*Indian Boiler Regulations, 1950 (the “**Boiler Regulations**”)*

In terms of the Boiler Regulations, a boiler is required to be inspected by the inspectorate as per the procedure laid down under the Boiler Regulations and if found satisfactory, a certificate is issued for operation for a maximum period of one year. The objective of the Boiler Regulations is mainly to provide for the safety of life and property of persons from the danger of explosions of steam boilers and for achieving uniformity in registration and inspection during operation and maintenance of boilers in India. Violation of any provision under the Boiler Regulations may attract a penalty of ₹ 5,000 or more.

*Explosives Act, 1884 (the “**Explosives Act**”)*

In terms of the Explosives Act, the Government has the power to regulate the manufacture, possession, use, sale, transport and importation of explosives and grant of license for the same activities. The Government may prohibit the manufacture, possession or importation of especially dangerous explosives. Any contravention of the Explosives Act or rules made under it, being the Explosives Rules, 1983, may lead to an arrest without warrant and imprisonment for three years, including a fine which may extend up to ₹ 5,000.

*Foreign Trade (Development and Regulation) Act, 1992 (the “**Foreign Trade Act**”)*

The Foreign Trade Act was enacted to provide for the development and regulation of foreign trade by facilitating imports into and augmenting exports from India. The Foreign Trade Act prohibits anybody from undertaking any import or export except under an importer-exporter code number granted by the Director General of Foreign Trade. Any contravention of the provisions of the Foreign Trade Act would result in a penalty of ₹ 1,000 or five times the value of the goods in which contravention is made or attempted to be made.

The Foreign Exchange Management Act, 1999 ("**FEMA**") along with the Rules and Regulations framed thereunder regulates the manner in which payments for export and import of goods and services can be made.

Foreign Investment in the Pharmaceutical Sector

Foreign investment in Indian securities is governed by the provisions of the FEMA read with the applicable FEMA Regulations and the Foreign Direct Investment Policy issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry (circular 1 of 2011, with effect from April 1, 2011). Foreign investment is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which foreign investment is sought to be made.

United States Regulations

In the United States, the USFDA, established under the Department of Health and Human Services, regulates medicines through its Centre for Drug Evaluation and Research. For biological products, the Centre for Biologics Evaluation and Research, also under the USFDA, is responsible for ensuring the safety and efficacy of the products. The USFDA has issued guidelines relating to good clinical practice and clinical trials that are to be followed even by manufacturers of APIs outside the US.

The USFDA mandates drugs to be manufactured in conformity with the cGMP. The establishment and operation of facilities, within or outside the US, in which the APIs or drugs are manufactured, and the manufacture and marketing of new drug compounds, new formulations for existing drug compounds and generic drugs require USFDA approval.

To obtain USFDA approval for a new drug to be used in a clinical investigation, an 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, an NDA, has to be made to the USFDA.

The relevant application for approval of a generic drug manufacturer is the 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 bio-equivalency data without the need for complete reports of pre-clinical and clinical studies. An ANDA is required to include certifications of invalidity or non-infringement of any patents relating to certain listed drugs, by the generic drug applied for (paragraph IV certification). The Hatch-Waxman Act provides an incentive of 180 days of market exclusivity to the first generic applicant who challenges a patented drug by filing a paragraph IV certification.

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

European Directorate for the Quality of Medicines *(the "**EDQM**")*

The EDQM is a Directorate of the Council of Europe located in Strasbourg, France. It is responsible for the preparation, establishment and distribution of chemical and biological reference standards and for the evaluation of applications for certificates of suitability of the monographs of the European Pharmacopoeia and coordination of related inspections. The objective of EDQM is to establish and provide official standards applicable to the manufacture and quality control of medicines in Europe, and ensuring application of these official standards to substances used for the production of medicines.

Therapeutic Goods Administration (TGA), Australia

The Therapeutic Goods Administration (TGA) is Australia's regulatory authority for therapeutic goods. It carries out a range of assessment and monitoring activities to ensure therapeutic goods available in Australia are of an acceptable standard with the aim of ensuring that the Australian community has access, within a reasonable time, to therapeutic advances.

Pharmaceuticals and Medical Devices Agency (PMDA), Japan

PMDA is Japanese regulatory agency, working together with Ministry of Health, Labour and Welfare. Its obligation is to protect the public health by assuring safety, efficacy and quality of pharmaceuticals and medical devices. They conduct scientific reviews of marketing authorization application of pharmaceuticals and medical devices, monitoring of their post-marketing safety. PMDA is also responsible for providing relief compensation for sufferers from adverse drug reaction and infections by pharmaceuticals or biological products.

National Health Surveillance Agency (Anvisa), Brazil

Anvisa is an autonomous agency. The institutional purpose of the agency is to foster protection of the health of the population by exercising sanitary control over production and marketing of products and services subject to sanitary surveillance. The latter embraces premises and manufacturing processes, as well as the range of inputs and technologies concerned with the same. In addition, the Agency exercises control over ports, airports and borders and also liaise with the Brazilian Ministry of Foreign Affairs and foreign institutions over matters concerning international aspects of sanitary surveillance.

Bundesinstitut für Arzneimittel und Medizinprodukte (BfArM), Germany

BfArM is an independent higher federal authority within the portfolio of the Federal Ministry of Health. The authority's seat was transferred to Bonn in the course of the Government's move to the capital. One of the main tasks of the BfArM is the authorisation of finished medicinal products on the basis of the German Medicines Act (Arzneimittelgesetz, AMG). In the course of these licensing procedures it reviews the proof of efficacy, safety, and adequate pharmaceutical quality of the finished medicinal products.

Excise, Sales Tax and Customs

1. The Central Excise Act, 1944

Under this Act, excise duty (or Central Value Added Tax) is imposed on all excisable goods manufactured in India. Manufacture includes any process involving the packing or repacking of goods specified in the Third Schedule to the Act (including medicaments and drugs) in a unit container or labelling of containers or adoption of any other treatment on the goods to render the product marketable to a customer.
The rates of excise duties are prescribed by the Central Excise Tariff Act, 1985.

2. The Central Sales Tax Act, 1956

This Act provides for the levy, collection and distribution of taxes on sales of goods in the course of inter-State trade or commerce.

3. The Customs Act, 1962

Customs duty is a duty levied on import and export of goods into and from India. The Customs Act, 1962 regulates the levy of such customs duties.

In addition to above, our Company is also subject to conditions prescribed by various other enactments including but not limited to the Greater Hyderabad Municipal Corporations Act, 1955, the, the Electricity Act, 2003, the Industrial Disputes Act, 1947, the Legal Metrology Act, 2009, the Building And Other Construction Workers (Regulation Of Employment And Conditions Of Service) Act, 1996, the Building And Other Construction Workers' Welfare Cess Act, 1996 and tax laws including but not limited to the Income Tax Act, 1961, the Andhra Pradesh Value Added Tax, 2005, , the Service tax under the Finance Act, 1994, the Andhra Pradesh Tax On Professions, Trades, Callings And Employments Act, 1987as may be applicable from time to time and other laws of the country.

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on January 7, 1984, under the Act in the name and style of Neuland Laboratories Private Limited vide registration number 01-04393 of 1983-1984 with the Registrar of Companies, Andhra Pradesh.

Neuland Drugs and Pharmaceuticals Private Limited merged with our Company as per a Scheme of Amalgamation under Section 394 of the Companies Act, 1956 with effect from April 1, 1992. Consequent to the merger, the erstwhile shareholders of Neuland Drugs and Pharmaceuticals Private Limited were issued and allotted 11,080 Equity Shares of our Company in the ratio of one fully paid up equity share for every seven fully paid up equity shares in Neuland Drugs and Pharmaceuticals Private Limited, on August 12, 1993. The erstwhile shareholders were also issued and allotted 33,240 equity shares as bonus shares on August 12, 1993 and 16,620 Equity Shares of our Company by way of rights shares, on October 22, 1993.

Our Company converted into a public company in the year 1993 and the Registrar of Companies, Andhra Pradesh issued a Fresh Certificate of Incorporation dated October 12, 1993.

Our Company had made an Initial Public Offer in 1994 and the equity shares were listed on the BSE, and the erstwhile Hyderabad Stock Exchange. The equity shares of our Company were listed on the NSE in 2008.

For details relating to our Company's business activities, operations and growth and the standing of our Company vis-à-vis its prominent competitors, see section titled "***Our Business***" on page 83. For details relating to the management of our Company, see section titled "***Our Management***" on page 117.

Shareholders

As on March 9, 2012, the total number of holders of Equity Shares is 5,066. For further details in relation to our current shareholding pattern, see the section titled "***Capital Structure***" on page 47.

Registered Office

The Registered Office of our Company is presently situated at 6-3-853/1, Flat No. 204, II Floor, Meridian Plaza, Ameerpet, Hyderabad – 500 016. The changes in the registered office, since incorporation, are given below:

Date	Particulars	Reasons for change
On incorporation	Flat No.4, 2nd Floor, Laxminarayana Apartments, P17, 3-6-779, Narayanaguda, Hyderabad – 500029	For administrative convenience
May 21, 1984	H.No.1-11-220/15, Brindavan Colony, Begumpet, Hyderabad – 500016	
November 14, 1987	307, Kotchar Apartments, Begumpet, Hyderabad – 500016	
July 4, 1990	Plot No. 6, Uma Nagar, Begumpet, Hyderabad – 500016	
May 2, 1994	No.7-1-70 & 71, Basant Bahar, Dharam Karam Road, Ameerpet, Hyderabad – 500016	
July 6, 2000	6-3-853/1, Flat No. 204, II Floor, Meridian Plaza, Ameerpet, Hyderabad – 500 016	

Amendments to the Memorandum of our Company

Sr. No.	Particulars	Date of shareholders resolution
1.	***Change in Capital Clause*** Change in Clause V to reflect an increase in the authorized share capital from ₹ 500,000 divided into 4000 equity shares of ₹100 each and 1000 Redeemable Cumulative Preference Shares of ₹100 each to ₹ 1,500,000 divided into 14,000 equity shares of ₹ 100 each and 1000 redeemable cumulative preference shares of ₹ 100 each	August 9, 1984
2.	***Change in Capital Clause***	February 27,

	Change in Clause V to reflect an increase in the authorized share capital from ₹ 1,500,000 divided into 14,000 equity shares of ₹ 100 each and 1000 redeemable cumulative preference shares of ₹ 100 each to ₹ 4,000,000 divided into 39,000 equity shares of ₹ 100 each and 1000 redeemable cumulative preference shares of ₹ 100 each	1992
3.	***Change in Capital Clause*** Change in Clause V to reflect an increase in the Authorized Share capital from ₹ 4,000,000 divided into 39,000 equity shares of ₹ 100 each and 1000 redeemable cumulative preference shares of ₹ 100 each to ₹ 40,000,000 divided into 4,000,000 equity shares of ₹ 10 each.	February 10, 1993
4.	***Change in Name Clause*** Change in the name of our Company to Neuland Laboratories Limited by deletion of the words 'private'.	August 30,1993
5.	***Change in Capital Clause*** Change in Clause V to reflect an increase in the Authorized Share capital from ₹ 40,000,000 divided into 4,000,000 equity shares of ₹ 10 each to ₹ 70,000,000 divided into 4,000,000 equity shares of ₹ 10 each and 300,000 Cumulative redeemable preference shares of ₹100 each.	September 9, 1995
6.	***Change in Capital Clause*** Change in Clause V to reflect an increase in the Authorized Share capital from ₹ 70,000,000 divided into 4,000,000 equity shares of ₹ 10 each and 300,000 Cumulative redeemable preference shares of ₹100 each to ₹ 90,000,000 divided into 6,000,000 equity shares of ₹ 10 each and 300,000 Cumulative redeemable preference shares of ₹100 each.	November 24, 1995
7.	***Change in Capital Clause*** Change in Clause V to reflect an increase in the Authorized Share capital from ₹ 90,000,000 divided into 6,000,000 equity shares of ₹ 10 each and 300,000 Cumulative redeemable preference shares of ₹100 each to ₹ 120,000,000 divided into 6,000,000 equity shares of ₹ 10 each and 300,000 Cumulative redeemable preference shares of ₹100 each and 300,000 preference shares of ₹ 100 each either Cumulative or non-cumulative and redeemable or otherwise.	September 26, 1998
8.	***Change in Capital Clause*** Change in Clause V to reflect an increase in the Authorized Share capital from ₹120,000,000 divided 6,000,000 equity shares of ₹ 10 each and 300,000 Cumulative redeemable preference shares of ₹100 each and 300,000 preference shares of ₹ 100 each either Cumulative or non-cumulative and redeemable or otherwise to ₹ 160,000,000 divided into 10,000,000 equity shares of ₹ 10 each and 300,000 Cumulative redeemable preference shares of ₹100 each and 300,000 preference shares of ₹ 100 each either Cumulative or non-cumulative and redeemable or otherwise.	December 18, 1999

Major Events in the History of our Company

YEAR	EVENT
1984	Incorporation of our Company in Hyderabad, India
1986	Establishing Unit I and commercialization of Salbutamol Sulphate/ Albuterol Sulfate, Neuland's first product

1994	Went public and was oversubscribed 67.62 times. Proceeds from the public issue were used to build a large scale production facility for the manufacture of Ranitidine HCI and Ciprofloxacin HCI (i.e. Unit II)
1996	Offered shares to existing shareholders by way of Rights Issue
1996	Our Company was awarded "Export House Status" by Govt. of India and also received ISO 9001 Certification during the same year
1997	Inspected by US FDA for its flagship product Albuterol Sulfate (Unit I)
1998	Raised 14.5% redeemable preference shares
1999	• Both manufacturing facilities inspected by USFDA • Received Certificate of Suitability for Ranitidine
2000	Offered shares on preferential basis to non-promoters
2003	US and EU markets contribute over 40% of our Company's sales
2004	USFDA systems inspection for its Bonthapally (Unit I) bringing both facilities under full cGMP compliance. Also received cGMP clearance for both facilities from TGA, Australia
2006	Nine products with Certificate of Suitability
2007	• Unit – 2 inspected by German Health Authority
2008	• Certified in ISMS. SAP enabled Business Processes • Joint venture with CATO Research • Established Japanese subsidiary in Tokyo • US office started operations from California • Unit I reinspected by USFDA • Unit I certified for ISO 14001 and OHSAS 18001
2009	Units I and Unit II receive approval from PMDA, Japan
2010	• Unit I reinspected by US FDA • Unit II certified for ISO 14001:2004 and OHSAS 18001:2007 • Exclusive peptide collaboration with Genzyme Corporation.
2011	• TGA Audit (Unit II) • ANVISA Audit (Unit II)

Awards and Achievements

In April 2011, the Department of Factories, Government of Andhra Pradesh conferred the Zero Accident Special Category award on our Company in recognition of its achievement.

Recent Acquisitions

Our Company has not made any acquisitions in the recent past

Defaults or Rescheduling of Borrowings with Financial Institutions/ Banks

While there have been delays in repayment of some of our borrowings, there have been no other defaults or rescheduling of the borrowings availed by us. For details with respect to delays in repayment of principal and interest, the penal interest as well as the outstanding defaults, under the existing loans of our Company, see the section "***Outstanding Litigation and Other Defaults***" on page 251.

Conversion of loans into equity

There has been no conversion of loan, granted to us, into equity.

Strikes or Labour Unrest

There have been no strikes or labour unrests in our Company anytime preceding the date of this Letter of Offer.

Changes in the activities of our Company during the last five years

There has been no change in the activities of our Company during the last five years, which may have had a material effect on our profits or loss.

Compliance with Listing Agreement

Our Company has complied with Clauses 35, 40A, 41 and 49 of the Listing Agreement during the financial year immediately preceding the date of the Letter of Offer and reporting in terms of Regulations 8(3) SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and Regulation 13 of the SEBI (Prohibition of Insider Trading) Regulations, 1992. However our Company has delayed in one of the reportings to be made under Regulation 8A of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 during such period. For details on the risk factor, please see the section titled "***Risk Factors***" on page 11 of the Letter of Offer.

Capital raising through equity and debt

For details in relation to our capital raising activities through equity and debt, see the sections titled "***Financial Indebtedness***" and "***Capital Structure***" on page 229 and 47 respectively.

Time and Cost Overrun

There have been no time and cost overruns with respect to any projects undertaken by our Company

Injuction and Restraining Order

No injunction or restraining order has been passed against our Company.

Holding company

Our Company does not have any holding company.

Revaluation of Assets

Our Company has not revalued its assets for the last 5 years.

Main Objects of our Company

The main objects of our Company as stated in the Memorandum of Association of our Company are set out below:

1. To manufacture, sell, buy, import, export, distribute all kinds of Basic Drugs and Pharmaceuticals including Tablets, injectables, syrups, powders, ointments, aerosols, capsules and liquids for human consumption.

2. To manufacture, sell, buy, import, export, distribute all kinds of drugs and pharmaceuticals for veterinary use.

3. To buy, sell, import, export, manufacture and treat and deal in all kinds of chemicals, biological, cosmetics, insecticides, agrochemicals, pesticides harmones, medicated soaps and foods.

4. To carry out researches, investigations and experimental work of every description in relation to drugs, pharmaceuticals, chemicals, biological and cosmetics and foods.

Subsidiaries and Joint Ventures

Our Company has 2 wholly owned subsidiaries and 1 joint venture subsidiary.

(1) Neuland Laboratories Inc

Neuland Laboratories Inc ("**NLL Inc.**") was incorporated on January 4, 2007 in the State of Delaware, United States of America and is a wholly owned subsidiary of our Company.

NLL Inc. is engaged primarily in marketing and business support services for the products (Active Pharmaceutical Ingredients) and services (Contract research manufacturing services, contract R&D services, medical chemistry (discovery support), drug development support, process development and analytical R&D as well as clinical testing) of its parent company throughout North America.

As on the date of this Letter of Offer, the share capital of NLL Inc. is USD 1000, divided into 1000 shares of common stock of USD 1 par value and is held by our Company

Board of Directors:

The following persons constitute the board of directors of NLL Inc.

- Dr. Davuluri Rama Mohan Rao
- Mr. Davuluri Sucheth Rao
- Mr. Thomas M. Speace

The registered office of NLL Inc. is situated at 2711, Centerville Road, Suite 400, Wilmington New Castle County, Delaware 19808, USA.

Mr. Thomas M. Speace is also a key personnel of NLL Inc.

Financial Performance:

The financial performance for NLL Inc. for the Fiscals 2009, 2010 and 2011 and for the half year ended September 30, 2011 are mentioned below. The financial statements for fiscal 2009 and 2010 are unaudited:

($. in Million, except share data)

Particulars	Fiscal 2009	Fiscal 2010	Fiscal 2011	Half year ended September 30, 2011
Equity Capital	0.001	0.001	0.001	0.001
Reserves (excluding revaluation reserves)/(accumulated losses)	0.020	0.053	0.096	0.125
Sales/other income	0.642	0.663	0.903	0.754
Profit/(Loss) after Tax	0.020	0.033	0.043	0.029
Earnings Per Share	20.04	33.22	42.99	29.23

No winding up proceedings have been initiated against NLL Inc. NLL Inc. is not a listed company.

(2) Neuland Laboratories KK

Neuland Laboratories KK ("**NLL KK**") was incorporated on July 14, 2008 in Japan and is a wholly owned subsidiary of our Company.

NLL KK is engaged primarily in sales, services (contract manufacturing services including medical chemistry (discovery support), drug development support, process development and analytical R&D as well as clinical testing) and support of active pharmaceutical ingredient, marketing and business support services on behalf of the parent company.

As of the day of Letter of Offer, the share capital of NLL KK., is 3,000,000 Japanese Yen, divided into 300,000 shares of common stock of Japanese Yen 10 par value, and is held by our Company.

Board of Directors:

The following persons constitute the board of directors of NLL KK.

- Dr. Davuluri Rama Mohan Rao
- Mr. Davuluri Sucheth Rao
- Mr. Yasuaki Kizawa

Mr. Yasuaki Kizawa is also a key personnel of NLL KK.

The registered office of NLL KK. is situated at 2F, Maruishi Building, Bekkan (Annex), 1-10-1, KAJICHO, Chiyoda-Ku, Tokyo

Financial Performance:

The financial performance for NLL KK for the Fiscals 2009, 2010 and 2011 and for the half year ended September 30, 2011 are mentioned below. The financial statements for Fiscal 2009 is unaudited:

(¥ in Million, except share data)

Particulars	Fiscal 2009	Fiscal 2010	Fiscal 2011	Half year ended September 30, 2011
Equity Capital	3.00	3.00	3.00	3.00
Reserves (excluding revaluation reserves)/(accumulated losses)	0.73	1.74	2.73	3.26
Sales/other income	23.81	30.33	29.83	16.02
Profit/(Loss) after Tax	0.73	1.01	0.99	0.53
Earnings Per Share	2.44	3.38	3.29	1.76

No winding up proceedings have been initiated against NLL KK. NLL KK is not a listed company.

None of our Subsidiaries has made any public or rights issue in the last five years. Our Subsidiaries have not become sick companies under the meaning of SICA and are not under winding up. None of our Subsidiaries have been debarred from accessing or operating in the capital markets.

There are no accumulated profits or losses of the Subsidiaries not accounted for by our Company as on March 31, 2011.

CATO Research Neuland India Private Limited

CRNIPL was incorporated on May 14, 2008 with the Registrar of Companies, Andhra Pradesh; and is a joint venture company with CATO Research. Our Company holds 70% of the equity in the joint venture.

CRNIPL is engaged primarily in the business of contract research services to various customers, including services in the areas of drug discovery and development; design, conduct and manage phase I through phase IV clinical studies; data processing and data management activities regulatory affairs relating to the intellectual property rights.

As on the date of this Letter of Offer, the authorised share capital of CRNIPL is ₹30,000,000 divided into 3,000,000 equity shares of ₹10 each and a, the shareholding pattern of CRNIPL is mentioned below:

Sl. No.	Name of Shareholder	No. of equity shares of ₹10 each	Percentage of holding
1.	Our Company	907,193	70%
2.	CATO Research	388,797	30%
	Total	1,295,990	100%

Board of Directors:
The following persons constitute the board of directors of CRNIPL.

- Mr. Davuluri Sucheth Rao
- Mr. Henjek Rotmensch
- Mr. Davuluri Saharsh Rao

The registered office of CRNIPL is situated at 204, Meridian Plaza, Ameerpet, Hyderabad - 500016

Financial Performance:

The financial performance for CRNIPL for the Fiscals 2009, 2010 and 2011 and for the half year ended September 30, 2011 are mentioned below:

(₹ in Million, except share data)

Particulars	Fiscal 2009	Fiscal 2010	Fiscal 2011	Half year ended September 30, 2011
Equity Capital	-	5.11	5.11	5.11
Reserves (excluding revaluation reserves)/(accumulated losses)	(0.10)	(0.64)	(1.34)	(2.58)
Sales/other income	-	0.06	1.42	0.25
Profit/(Loss) after Tax	(0.10)	(0.54)	(0.70)	(1.24)
Earnings Per Share	(0.20)	(1.04)	(1.37)	(2.43)

Board of Directors:

The following persons constitute the board of directors of CRNIPL.

- Mr. Davuluri Sucheth Rao
- Mr. Henjek Rotmensch
- Mr. Davuluri Saharsh Rao

CRNIPL has never been declared a sick company under the provisions of the SICA nor has there ever been any winding up proceedings initiated against it.

The shares of CRNIPL are not listed on any stock exchange.

The summary of the key terms of the Share Subscription and Shareholders Agreement dated September 25, 2007 entered into between our Company, CRNIPL, Cato Research Limited, a company incorporated in North Carolina, USA and Cato Research Israel Ltd ("**Joint Venture Agreement**") is set out below:

Business Plan: Unless otherwise approved by the board of directors of CRNIPL, the business of CRNIPL is to be undertaken as per the business plan of CRNIPL and all funding and utilisation of such funding, is also to be as per the business plan of CRNIPL.

Shareholding Pattern: Unless otherwise agreed by the parties to the JV Agreement, CRNIPL is to ensure that at all times the shareholding of our Company in CRNIPL is maintained at 70% of the total shareholding of CRNIPL and that of Cato Research Israel Ltd. is maintained at 30% of the total shareholding of CRNIPL.

Royalty: Cato Research Limited is to provide a license to CRNIPL for use of the brand name and connected trade marks and/ or service marks of Cato Research Limited. CRNIPL is to pay royalty to Cato Research Limited in the following manner:

- For the First 5 years: 3% of the gross revenue of CRNIPL for the relevant financial year; and
- For the 6th and 7th years: 3% of the gross revenue of CRNIPL for the relevant financial year (not to exceed the royalty payment made in year 5)

If CRNIPL continues to use the brand name and connected trade marks and/ or service marks of Cato Research Limited even after Cato Research Limited and Cato Research Israel Ltd. cease to be a shareholder of CRNIPL, it shall pay royalty at the rate of 3% of the gross revenue of CRNIPL for the relevant financial year.

Board of Directors/ Committee: CRNIPL Board to have 2 directors, with 1 director being nominated by Cato Research Israel Ltd. and the other director being nominated by our Company.

Deadlock: In the event of a deadlock, our Company has the right to acquire all the shares held by Cato Research Israel Ltd. at a price that is mutually agreed. If a price cannot be agreed, our Company can acquire such shares at their fair market value as determined by an independent valuer appointed by Cato Research Israel Ltd. from the following accounting firms (i.e Ernst and Young, Deloitte, Touche and Tomhatsu, KPMG or Price Waterhouse & Coopers).

Restriction on Share Transfer: Neither Cato Research Israel Ltd. nor our Company can sell, transfer, charge, encumber or otherwise dispose their shares without the consent of the other. Where shares are to be pledged as security for loans availed by CRNIPL as per the approved business plan, the parties are to agree to the same in the interests of CRNIPL. However, Cato Research Israel Ltd. and our Company are free to transfer their shares to their respective affiliates.

Non-Compete: No shareholder or its affiliate shall compete with the business of CRNIPL while it is a shareholder of CRNIPL. While Cato Research Ltd or its affiliate is a shareholder of CRNIPL, CRNIPL shall not carry out any CRO services on behalf of customers in those markets in competition with Cato Research Ltd. and Cato Research Israel Ltd. where Cato Research Ltd. and its affiliates operate as on the date of execution of the JV Agreement.

Termination: The JV Agreement can be terminated by mutual consent or if CRNIPL goes into liquidation other than in the course of amalgamation or reconstruction. Further, the JV Agreement would terminate if Cato Research Ltd. or Cato Research Israel Ltd. or our Company (along with their affiliates) hold less than 10% of the issued or paid up capital of CRNIPL or if either of them are wound up or declared insolvent.

Governing Law and Dispute Resolution: The JV Agreement is governed by the laws of United Kingdom. Dispute resolution is by way of arbitration under the Rules of Arbitration of International Chamber of Commerce by one or more arbitrators appointed under such rules at London. Jurisdiction shall be with the courts of United Kingdom.

For further details on the terms of the Joint Venture Agreement please refer to section titled "***Material Contracts and Documents for Inspection***" on page 332.

Shareholders Agreements

There are no shareholders agreement of our Company.

Material Contracts

Our Company has not entered into any contract, which is material in nature and has not been entered in the ordinary course of the business carried on or intended to be carried on by our Company or a contract entered into more than two years before the date of this Letter of Offer.

Strategic / Financial Partners

Our Company does not have any strategic or financial partners.

DIVIDEND POLICY

Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of the previous Fiscal Years or out of both. We do not have a formal dividend policy. Any future dividends declared would be at the discretion of the Board of Directors and would depend on the financial condition, results of operations, capital requirements, contractual obligations, the terms of our credit facilities and other financing arrangements at the time a dividend is considered, and other relevant factors.

Pursuant to the terms of some of our loan agreements with certain banks and financial institutions, we cannot declare or pay any dividend to our shareholders during any Fiscal if any amount remaining outstanding under such loan agreements to the relevant lenders or if we are in default of the terms and conditions of such loan agreement. For details, see —***Financial Indebtedness*** on page 229.

Set forth below is the dividend paid by our Company for the last five Fiscals and the half year ended September 30, 2011:

Particulars	**Half year ended September 30, 2011***	**Fiscal 2011***	**Fiscal 2010***	**Fiscal 2009**	**Fiscal 2008**	**Fiscal 2007**
Number of Paid Up Equity Shares	5396455	5396455	5396455	5396455	5396455	5396455
Face Value (₹)	10	10	10	10	10	10
Dividend Paid (₹ in million)	-	-	-	18.89	13.49	13.67
Rate of Dividend (%)	-	-	-	35%	25%	25%
Dividend Tax (₹ in million)	-	-	-	3.21	2.29	1.91

**Company did not pay any dividend for Fiscal 2011 and 2010 and the half year ended September 30, 2011.*

The amounts paid as dividends in the past are not necessarily indicative of the dividend policy of our Company or dividend amounts, if any, in the future.

OUR MANAGEMENT

Board of Directors

As per the Articles of Association of our Company, we must have a minimum of three (3) and a maximum of twelve (12) Directors. At present, our Company has ten (10) Directors, with Dr. Davuluri Rama Mohan Rao as the Chairman and Managing Director of our Company.

Dr. Davuluri Rama Mohan Rao along with Mr. Davuluri Sucheth Rao, Whole Time Director and Chief Executive Officer and Mr. Davuluri Saharsh Rao, Wholetime Director and President – Contract Research manage day-to-day affairs of our Company.

The Board of Directors comprises the following members:

S.no.	Name, Father's name, Address, Designation, Occupation, DIN, Date of Appointment and Term	Age (in years)	Nationality	Other directorships and trusteeships
1.	**Dr. Davuluri Rama Mohan Rao** **S/o:** Mr. Davuluri Subba Rao **Address:** Plot No.6, Uma Nagar, Begumpet, Hyderabad 500016 **Designation:** Chairman and Managing Director **Occupation:** Entrepreneur **DIN:** 00107737 **Date of Appointment:** January 7, 1984 **Term:** 5 years with effect from April 1, 2009	67	Indian	**Directorships:** • Patancheru Enviro-Tech Limited • Neuland Laboratories Inc., USA • Neuland Laboratories KK., Japan **Trusteeships:** • Sri Viswaroopa Datta Kshetra Trust
2.	**Mr. Davuluri Sucheth Rao** **S/o:** Dr. Davuluri Rama Mohan Rao **Address:** Plot No.6, Uma Nagar, Begumpet, Hyderabad 500016 **Designation:** Chief Executive Officer, Whole-time Director **Occupation**: Entrepreneur **DIN:** 00108880 **Date of Appointment:** July 29, 2003 **Term:** 5 years with effect from August 1, 2008	36	Indian	**Directorships:** • Sucheth & Saharsh Holdings Private Limited • CATO Research Neuland India Private Limited • Neuland Laboratories Inc, USA • Neuland Laboratories KK, Japan **Trusteeships:** • Sri Viswaroopa Datta Kshetra Trust
3.	**Mr. Davuluri Saharsh Rao** **S/o:** Dr. Davuluri Rama Mohan Rao **Address:** Plot No.6, Uma Nagar, Begumpet, Hyderabad 500016 **Designation:** President – Contract Research, Whole-time Director **Occupation:** Entrepreneur **DIN:** 02753145 **Date of Appointment:** May 21, 2009 **Term:** 3 years with effect from June 1, 2009	31	Indian	**Directorships:** • Sucheth & Saharsh Holdings Private Limited • CATO Research Neuland India Private Limited

4.	**Mr. GVK Rama Rao** **S/o:** Mr. G.V. Ramaiah **Address:** 4-1/2-1/1, Kunappareddi Vari Street, Valandararevu, Narasapuram 534275, Andhra Pradesh **Designation:** Non-Executive Director, and Non - Independent **Occupation:** Advocate **DIN:** 02855074 **Date of Appointment:** January 7, 1984 **Term:** Liable to retire by rotation.	80	Indian	None
5.	**Mr. Nadeem Panjetan** **S/o:** Mr. Askari Panjetan **Address:** 1503, Wallace Apartments, Sleater Road, Grant Road, Mumbai 400007 **Designation:** Nominee Director* **Occupation:** Service **DIN:** 00686989 **Date of Appointment:** April 29, 2011 **Term:** Term is subject to him being a nominee of Export-Import Bank of India.	50	Indian	**Directorships:** • Catalytic Software India Limited • Indo Count Industries Limited **Trusteeships:** • Sarvodaya International Trust
6.	**Mr. Humayun Dhanrajgir** **S/o:** Mr. Raja Dhanrajgir **Address:** F37/38, Dhanraj Mahal, CSM Road, Apollo Bunder, Mumbai 400001 **Designation:** Independent Director **Occupation:** Retired from service **DIN:** 00004006 **Date of Appointment:** August 23, 1994 **Term:** Liable to retire by rotation.	75	Indian	**Directorships:** • HDFC Asset Management Company Limited • Sami Labs Limited • Emcure Pharmaceuticals Limited • Cadila Healthcare Limited • Themis Medicare Limited • Zydus Wellness Limited • Next Gen Publishing Limited • H. Dhanrajgir Estates Private Limited **Trusteeships:** • Dr. P.V Cherian Artifical Kidney Trust • Breach Candy Hospital Trust • Lintas Employees Trust
7.	**Mr. Parampally Vasudeva Maiya** **S/o:** Mr. P. Ganapayya Maiya **Address:** 106, Sowmya Springs, 5/2, Dewan Madhav Rao Road, opposite M.N. Krishna Rao park, Basavanagudi, Bengaluru 560004 **Designation:** Independent Director **Occupation:** Retired from service **DIN:** 00195847 **Date of Appointment:** July 24, 1999 **Term:** Liable to retire by rotation.	73	Indian	**Directorships:** • Brigade Enterprises Limited • Canara Bank • Ocean Sparkle Private Limited • BCV Developers Private Limited **Trusteeships:** • Bridge Foundation Trust • Brigade Millenium Welfare

				Trust • Yogakshema Rehabilitation and Wellness Centre
8.	**Mr. Shashi Bhushan Budhiraja** **S/o:** Mr. K.L. Budhiraja **Address:** 3, Sukhchain Marg, DLF Qutab Enclave, Phase – I, Gurgaon, 122002 **Designation:** Independent **Occupation**: Retired from service **DIN:** 00047679 **Date of Appointment:** January 18, 1997 **Term:** Liable to retire by rotation.	80	Indian	Directorships: • Hindustan Sanitaryware & Industries Limited • JCL International Limited • Sushramika Private Limited **Trusteeships** • S.M Budhiraja Trust
9.	**Dr. Christopher M. Cimarusti** **S/o:** Mr. Michael Francis Cimarusti **Address:** 16, Winged Foot, Dr. Manalapan, New Jersey 07726, USA **Designation:** Non Executive Director **Occupation:** Service **DIN:** 02872948 **Date of Appointment:** October 20, 2009 **Term:** Liable to retire by rotation.	68	Canadian	None
10.	**Dr. William Gordon Mitchell** **S/o:** Mr. Kenneth William Mitchell **Address:** 120, Hotelling Court, Chapel Hill, North Carolina 27514, USA **Designation:** Independent Director **Occupation:** Professor **DIN:** 02222567 **Date of Appointment:** May 23, 2008 **Term:** Liable to retire by rotation.	58	American	None

*Nominee of EXIM Bank

Brief Biography of Directors

Dr. Davuluri Rama Mohan Rao, Chairman and Managing Director, is the Chief Promoter of Neuland. He has a Masters in Science from Andhra University, Post Graduate Diploma in Technology from IIT Kharagpur and a Ph.D., in Organic Chemistry from the University of Notre Dame, U.S.A. Prior to promoting Neuland in 1984, Dr. Rao has held senior positions in R&D, production and quality assurance at Glaxo India for about ten years and was Director, R&D and QA at Unique Chemicals, Mumbai. He is a member of Royal Society of Chemistry.

Mr. Davuluri Sucheth Rao, Whole-time Director and Chief Executive Officer, is a Mechanical Engineer by profession and has an MBA in Corporate Finance and Operations Management from University of Notre Dame, USA. He was Production Group Leader in Cummins Inc. USA and later went on to become a green belt in Six Sigma. His background primarily consists of exposure to various fields of business such as marketing, finance, manufacturing, operations and information technology.

Mr. Davuluri Saharsh Rao, Whole-time Director and President-Contract Research, is an Engineering Graduate and obtained his Masters in MIS from Weatherhhead School of Management, Cleveland, Ohio, USA. He also secured Master of Business Administration from University of North Carolina, USA. He had worked with Sify Limited for a period close to 3 years.

Mr. GVK. Rama Rao is a Non-Executive Director and promoter of our Company. He is a LLB. by qualification. He is a practicing advocate for 35 years and specialises in Civil Litigation.

Mr. Nadeem Panjetan is a Nominee Director and represents the Export-Import Bank of India on our Board. He has completed his B.Com and a post graduation in Masters of Arts .He has 24 years of experience in the banking sector and is presently General Manager of EXIM Bank.

Mr. Humayun Dhanrajgir is an Independent Director of our Company. He is a B.Tech, MI, CHEM (E) by qualification. He has an experience of 45 years in the pharmaceutical industry. He has held several senior positions in Glaxo India, including being the Managing Director and Executive Vice-Chairman. He is a past President of Organization of Pharmaceutical Producers of India (OPPI).

Mr. Parampally Vasudeva Maiya is an Independent Director. He is a Master of Arts by qualification. He had a career of 32 years with the SBI where he was a General Manager. He was deputed as the Executive Director of SCICI between 1991 and 1993 and moved to become the Managing Director to set up the ICICI Bank in 1994. He retired as Chairman and CEO of the bank in 1998 post which he was appointed Managing Director of Central Depository Services (India) Limited which he set up till December 1999. He is now a Director of four companies including a nationalized bank.

Mr. Shashi Bhushan Budhiraja is an Independent Director of our Company. He is a B.Tech by qualification. He was the Managing Director (Marketing) of Indian Oil Corporation Limited, the largest corporate in India and was also the President of the Institute of Management Consultants of India. He brings with him 50 years of industrial experience.

Dr. Christopher M. Cimarusti is a Non-Executive Director of our Company. He has completed his PhD in Organic Chemistry from Purdue University, USA and his Postdoctoral Research from Columbia University, USA. He has close to 40 years of experience in the field of drug discovery, development and manufacturing. He was awarded more than 60 patents and published more than 40 papers in referred journals. Dr. Cimarusti held executive leadership positions at Squibb Corporation and Bristol-Myers Squibb (BMS) in discovery and development. His last position with BMS was as Sr. Vice President, Pharmaceutical Development Centre of Excellence.

Dr. Will Gordon Mitchell is an Independent Director of our Company. He has completed his Ph.D from the School of Business Administration of the University of California, Berkeley. He is presently J. Rex Fuqua Professor of International Management, Fuqua School of Business, Duke University, Durham, NC, USA. Prior to joining Duke University, he was Professor of Corporate Strategy and International Business at University of Michigan, USA. He is on the editorial board of several management journals. His teaching and research interests include corporate strategy, alliance strategy and dynamics of the health care industry.

Nature of Relationship between Directors

Except as stated below, none of our Directors are related to each other:

Name of the Directors	Relationship between the Directors
Dr. Davuluri Rama Mohan Rao	Father of Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao
Mr. Davuluri Sucheth Rao	Son of Dr. Davuluri Rama Mohan Rao and brother of Mr. Davuluri Saharsh Rao
Mr. Davuluri Saharsh Rao	Son of Dr. Davuluri Rama Mohan Rao and brother of Mr. Davuluri Sucheth Rao

Directorships in Companies Suspended or Delisted

None of our Directors hold any current and past directorship(s) in listed companies whose shares have been/were suspended from trading or have been / were delisted from stock exchanges within a period of five years immediately preceding the date of this Letter of Offer.

Arrangements with Major Shareholders, Customers, Suppliers or Others

Other than the appointment of Mr. Nadeem Panjetan as the nominee Director of the Export-Import Bank of India (one of our lenders pursuant to loan agreements executed by our Company with the Export-Import Bank of India), there is no other arrangement or understanding between our Company and any shareholder, customer, supplier or other party pursuant to which any of the directors on the Board or a member of the senior management of our Company has been appointed.

Service Agreements entered into between our Company and Directors

There are no service contracts executed between our Company and any Director providing for benefits upon termination of employment.

The notice period in case of Executive Directors is twelve months. There are no severance fees payable to the Directors.

Compensation payable to Directors

Compensation payable to the Chairman and Managing Director and the Whole Time Directors of our Company

Dr. Davuluri Rama Mohan Rao

Dr. Davuluri Rama Mohan Rao has been re-appointed as the Chairman and Managing Director of our Company with effect from April 1, 2009 for a period of five (5) years on a remuneration not exceeding the overall limit of 5% of the net profits of our Company for each financial year, payable by way of salary, dearness allowance, bonus, commission, perquisite or any other allowance with the authority granted to the Board of Directors to fix the remuneration within the aforesaid overall ceiling of 5% and in the following manner for a period of three (3) years, in the event of loss or inadequacy of profits:

1. Monthly remuneration not exceeding ₹4,00,000 in the event of loss or inadequacy of profits in each financial year effective from April 1, 2009, of which a sum of ₹3,50,000 per month is payable by way of salary and the remaining by way of perquisites. Perquisites are by way of unfurnished residential accommodation, medical reimbursement, leave travel assistance, club membership fees, hospitalization and accident insurance, security at residence and such others as may be approved by the Board, provided that the cost of such perquisites does not exceed ₹6,00,000 per annum.

2. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these singly or put together are not taxable under the Income Tax Act, 1961.

3. Gratuity at a rate not exceeding half a month’s salary for each completed year of service.

4. Encashment of leave at the time of retirement.

Mr. Davuluri Sucheth Rao

Mr. Davuluri Sucheth Rao has been re-appointed Whole Time Director and Chief Executive Officer with effect from August 1, 2008 for a period of five (5) years on a remuneration not exceeding the overall limit of 5% of the net profits of our Company for each financial year, payable by way of salary, dearness allowance, bonus, commission, perquisite or any other allowance with the authority granted to the Board of Directors to fix the remuneration within the aforesaid overall ceiling of 5% and in the following manner for a period of three (3) years, in the event of loss or inadequacy of profits:

1. Monthly remuneration not exceeding ₹4,00,000 in the event of loss or inadequacy of profits in each financial year effective from April 1, 2009 of which a sum of ₹3,50,000 per month is payable by way of salary and the remaining by way of perquisites. Perquisites are by way of unfurnished residential accommodation, medical reimbursement, leave travel assistance, club membership fees, hospitalization and accident insurance, security at residence and such others as may be approved by the Board, provided that the cost of such perquisites does not exceed ₹6,00,000 per annum.

2. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these singly or put together are not taxable under the Income Tax Act, 1961.

3. Gratuity at a rate not exceeding half a month’s salary for each completed year of service.

4. Encashment of leave at the time of retirement.

Mr. Davuluri Saharsh Rao

Mr. Davuluri Saharsh Rao has been appointed as the Whole Time Director and President – Contract Research of our Company on with effect from June 1, 2009 for a period of three (3) years. The remuneration payable to him by way of salary, perquisites and other benefits is as follows:

1. Monthly remuneration not exceeding ₹3,50,000 of which a sum of ₹3,00,000 per month is payable by way of salary and the remaining by way of perquisites. Perquisites are by way of unfurnished residential accommodation, medical reimbursement, leave travel assistance, club membership fees, hospitalization and accident insurance, security at residence and such others as may be approved by the Board, provided that the cost of such perquisites does not exceed ₹6,00,000 per annum.

2. Other benefits – Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these singly or put together are not taxable under the Income Tax Act, 1961.

3. Gratuity at a rate not exceeding half a month's salary for each completed year of service.

4. Encashment of leave at the time of retirement.

Compensation payable to Director holding a place of profit

The shareholders have passed a resolution on August 5, 2011 approving the appointment of Dr. Christopher M. Cimarusti, Director to hold office of profit for a period of five years commencing from August 5, 2011. He would be paid a onetime lump sum payment of USD 26,000 and a fee of USD 2000 per day for each day spent at the office of our Company or with the customers of our Company. He would also offer his services in reviewing our Company's R&D activities periodically and develop action plan for R&D team to implement.

Remuneration payable to Non-Executive and Independent Directors

Sitting Fees:

Each of the Non-Executive Directors are entitled to sitting fees (a) ₹10,000 for attendance at each meeting of the Board, Audit Committee and Remuneration/Compensation Committee; and (b) ₹5,000 for attendance at each meeting of the Shareholders'/Investors' Grievance Committee.

Commission:

Further the shareholder have at the Annual General Meeting held on August 5, 2011 approved payment of commission to the Non-Executive Directors not exceeding 1% of the net profits of our Company per annum for a period of five (5) years commencing from April 1, 2011.

For the Financial Year ending March 31, 2011, our Company paid compensation to our Directors as follows:

(in ₹)

Name	Salary	Perquisites	Contribution to provident fund	Sitting fee	Total
Dr. Davuluri Rama Mohan Rao	4,200,000	277,390	504,000		4,981,390
Mr. Davuluri Sucheth Rao	4,200,000	600,000	504,000	-	5,304,000
Mr. Davuluri Saharsh Rao	3,600,000	600,000	432,000	-	4,632,000
Mr. GVK Rama Rao		-	-	50,000	50,000
Mrs. Daya Chandrahas		-	-	80,000	80,000
Mr. Humayun Dhanrajgir				50,000	50,000
Mr. Parampally Vasudeva Maiya				100,000	100,000
Mr. Shashi Bhushan Budhiraja				50,000	50,000
Dr. Christopher M. Cimarusti				40,000	40,000
Dr. William Gordon Mitchell				20,000	20,000
Total					**15,307,390**

The shareholding of our Directors in our Company

The shareholding of our Directors as on March 9, 2012, is as follows:

S.no.	Name	Number of equity shares	Percentage of shareholding
1.	Dr. Davuluri Rama Mohan Rao*	704913	13.06
2.	Mr. Davuluri Sucheth Rao	110968	2.06
3.	Mr. Davuluri Saharsh Rao	66150	1.23
4.	Mr. GVK Rama Rao	17600	0.33
5.	Mr. Nadeem Panjetan	-	-
6.	Mr. Humayun Dhanrajgir	2000	0.03
7.	Mr. Parampally Vasudeva Maiya	1000	0.02
8.	Mr. Shashi Bhushan Budhiraja**	6840	0.13
9.	Dr. Christopher M. Cimarusti	-	-
10.	Dr. William Gordon Mitchell	-	-
	Total	**909471**	**16.85**

* does not include 106,000 equity shares held in HUF.

** includes shares held by him in HUF

Qualification Shares:

Our Articles do not require our Directors to hold any qualification shares.

Borrowing Powers of the Board in our Company

Pursuant to a resolution passed by postal ballot by the shareholders on February 16, 2008, in accordance with provisions of the Companies Act and our Articles of Association, our Board has been authorised to borrow from time to time any sum or sums of money which together with the money already borrowed by our Company (apart from temporary loans obtained from the bankers of our Company in the ordinary course of business) not exceeding in the aggregate ₹ 1500 million.

Corporate Governance

As a listed company we are in compliance with the applicable provisions of the listing agreements pertaining to corporate governance, including appointment of independent Directors and constitution of committees. Corporate governance is administered through our Board and the committees of the Board.

In compliance with Clause 49 of the listing agreement with the Stock Exchanges, our Board has constituted an Audit Committee and a Shareholders/Investor‘s Grievance Committee. Further, our Board has also constituted a Remuneration/Compensation Committee.

A brief description of these key committees, their scope and composition for the current year is as follows:

Audit Committee

The Audit Committee was constituted by our Directors at the Board Meeting held on January 18, 2001 and reconstituted on May 20, 2011. It presently consists of four Independent Directors:

Sr. No.	Name of Director	Designation in Committee
1	Mr. Parampally Vasudeva Maiya	Chairman
2	Mr. Humayun Dhanrajgir	Member
3	Mr. Shashi Bhushan Budhiraja	Member
4	Mr. Nadeem Panjetan	Member

Terms of Reference:

The terms of reference stipulated by the Board of Directors to the Audit Committee as contained in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, are as follows:

(a) Oversight of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient & credible;

(b) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of statutory auditors, fixation of audit fees and also approval for payment for any other services;

(c) Reviewing with management, the annual financial statements before submission to the Board, focusing primarily on:
i. matters required to be included in the Directors Responsibility Statement to be included in the Directors Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
ii. changes, if any, in accounting policies and practices and reasons for the same;
iii. major accounting entries involving estimates based on the exercise of judgement by management;
iv. qualifications in draft audit report;
v. significant adjustments made in the financial statements arising out of audit findings;
vi. the going concern assumption;
vii. compliance with accounting standards;
viii. compliance with stock exchange and legal requirements concerning financial statements; and,
ix. disclosure of any related party transactions i.e. transactions of our Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of our Company at large.
(d) Reviewing with the management, the quarterly financial statements before submission to the Board for approval;
(e) Reviewing with the management, performance of statutory and internal auditors, the adequacy and compliance of internal control systems;
(f) Reviewing the adequacy of internal audit function, if any including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
(g) Discussion with internal auditors any significant findings and follow up thereon;
(h) Reviewing the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
(i) Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
(j) Reviewing our Company's financial and risk management policies;
(k) Review of information by Audit Committee:
i. Management Discussion & Analysis of financial condition and results of operations;
ii. Statement of significant related party transactions submitted by the management;
iii. Management letters/letters of internal control weaknesses issued by the statutory auditors;
iv. Internal audit reports relating to internal control weaknesses;
v. The appointment, removal and terms of remuneration of the chief internal auditor.
(l) Examine the reasons for substantial defaults in the payment to the depositors, Members (in case of non-payment of declared dividends) and creditors.
(m) Reviewing the functioning of whistle blower mechanism, in case the same exists.
(n) Approval of appointment of Chief Financial Officer (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc of the candidate.
(o) Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilized for purpose other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue; and making appropriate recommendations to the Board to take up steps in this matter.

Remuneration / Compensation Committee:

The Remuneration Committee was constituted by our Directors at the Board Meeting held on June 7, 2002 and was renamed as the Remuneration / Compensation Committee on March 31, 2007, and was last reconstituted on August 5, 2011. It presently consists of the following Non-Executive Directors:

Sr. No.	Name of Director	Designation in Committee
1	Mr. Parampally Vasudeva Maiya	Chairman
2	Mr. Shashi Bhushan Budhiraja	Member
3	Mr. Humayun Dhanrajgir	Member

Terms of reference

The Remuneration/Compensation Committee is to recommend to the Board, the amount of remuneration payable to the Executive Directors. This Committee has also been empowered to administer the ESOS implemented by our Company.

Remuneration Policy

The remuneration policy of our Company for managerial personnel is primarily based on the following:

(a) Performance of our Company, its divisions and units
(b) Performance and potential of individual managers, and,
(c) External competitive environment.

The remuneration of the Directors is decided by the Board of Directors as per the remuneration policy of our Company within the ceiling fixed by the Members.

Share Transfer and Investors'/Shareholders' Grievance Committee:

The Share Transfer and Investors'/Shareholders' Grievance Committee was constituted by our Directors at the Board Meeting held on May 7, 2001 and was last reconstituted on August 5, 2011. It presently consists of the following Directors:

Sr. No.	Name of Director	Designation in Committee
1	Mr. Parampally Vasudeva Maiya	Chairman
2	Dr. Davuluri Rama Mohan Rao	Member
3	Mr. Davuluri Sucheth Rao	Member

Terms of Reference:

To review the following:

(a) Transfer/transmission of shares/debentures;
(b) Issue of duplicate share certificate;
(c) Review of shares dematerialised and all other related matters;
(d) Monitors expeditious redressal of investors' grievances;
(e) Non-receipt of annual report and declared dividend; and,
(f) All other matters related to shares/debentures.

Rights Issue Committee

In addition to the above committees, our Board constituted a Rights Issue Committee for the purpose of this Issue. A brief description of this committee, its scope and composition is as follows:

The Rights Issue Committee was constituted by our Directors at the Board Meeting held on July 7, 2011. It presently consists of the following Directors:

Sr. No.	Name of Director	Designation in Committee
1	Mr. Parampally Vasudeva Maiya	Chairman
2	Dr. Davuluri Rama Mohan Rao	Member
3	Mr. Davuluri Sucheth Rao	Member
4.	Mr. Davuluri Saharsh Rao	Member

Terms of Reference:

a) to appoint lead manager, legal advisors, registrars, Bankers to the Issue, Underwriters, Printers, Advertisement Agencies and all other intermediaries and advisors necessary for the Rights Issue and to negotiate, authorise, approve and remunerate in connection therewith by way of payment of commission, brokerage, fees, reimbursement of expenses incurred in relation to the Issue of securities and any other expenses, if any;
b) to finalise Issue Documents and any other documents as may be required and to file the same with the Securities and Exchange Board of India, Stock Exchanges and other concerned authorities and issue the same to the equity shareholders of our Company or any other person in terms of the Issue Documents or any other agreement entered into by our Company in the ordinary course of business;
c) to approve and issue in such newspapers as it may deem fit and proper all notices, including any advertisement(s)/ supplement(s)/ corrigenda required to be issued in terms of SEBI ICDR Regulations or other applicable SEBI guidelines and regulations or in compliance with any direction from SEBI and/or such other applicable authorities;
d) to decide the final size of the Rights Issue, ratio, price and premium of the equity shares to be offered through Rights Issue, in consultation with the Lead Manager and Underwriters;
e) to decide the record date in consultation with the designated stock exchange for the purpose of Rights Issue for ascertaining the name of shareholders who will be entitled to the aforesaid offer of equity shares;
f) to take necessary actions and steps for obtaining relevant approvals, consents from the Foreign Investment Promotion Board, SEBI, Stock Exchanges, RBI and such other governmental authorities or departments, as may be necessary in relation to the Rights Issue;
g) to make application(s) and obtain necessary approval(s) for listing and trading of renouncement of rights entitlement and equity shares issued in Rights Issue from the Stock Exchanges;
h) to open Bank Accounts with any nationalised bank / private bank / foreign bank for the purpose of receiving applications along with application monies and handling refunds in respect of the Right Issue;
i) to decide on the marketing strategy of the Rights Issue and the costs involved;
j) to decide date of opening and closing of the Rights Issue and to extend, vary or alter the same as it may deem fit in consultation with the Lead Manager or as may be suggested or stipulated by SEBI, Stock Exchanges or other authorities from time to time;
k) to do all such necessary acts, deeds or things for listing and trading of the shares issued in the Rights Issue on the Stock Exchanges;
l) to finalise the basis of allotment in consultation with the Lead Manager, registrar, the designated stock exchange and other stock exchanges where existing shares are listed and issue and allot equity shares in accordance therewith, in one or more tranches, and to do all necessary acts, deeds or things with NSDL / CDSL in connection with admitting of shares issued in Rights issue;
m) to incur necessary expenses such as fees of lead manager, legal advisors, various intermediaries appointed in connection with the Issue, filing fees payable to various agencies to obtain their observation, permission or approval, stamp duty, cost of marketing of issue and printing of various documents and for various other purposes in connection with the Issue etc.;
n) to issue the letters of allotment and share certificates to the proposed allottees either in dematerialised form or in physical form as may be required by the allottees;
o) to make necessary changes and to enter the names of the renouncees, if they are not members of our Company in the register of members of our Company;
p) to decide the mode and manner of allotment of equity shares if any not subscribed and left / remaining after allotment of equity shares and additional equity shares applied by the shareholders and renouncees;
q) to underwrite the Issue or appoint underwriters and decide the underwriting obligations inter-se and such other terms and conditions thereof, as it may deem fit and to enter into underwriting agreement for this purpose.
r) to settle any question, difficulty or doubt that may arise in connection with the Rights Issue including the issue and allotment of the equity shares as aforesaid and to do all such acts, deeds and things as the Board may in its absolute discretion consider necessary, proper, desirable or appropriate for settling such question, difficulty or doubt and making the said Rights Issue and allotment of equity shares;
s) to file necessary returns, make declarations / announcements, furnish information, etc., to the concerned authorities in connection with the Rights Issue;
t) to sign and execute any agreement, undertaking, certificate or any other document in connection with the Rights Issue to be submitted to any intermediaries for compliance purposes, legal counsels, auditors, SEBI or other governmental authorities or departments and to the relevant stock exchanges where the equity shares of our Company under the Rights Issue are to be listed and provide clarifications or explanations, if

any, required, and;

u) to do all such acts, matters, deeds and things and to execute all such deeds, documents, agreements, etc. as may be necessary for the purpose of the proposed Rights Issue.

Interest of our Directors

Dr. Davuluri Rama Mohan Rao, Mr. Davuluri Sucheth Rao, Mr. Davuluri Saharsh Rao and Mr. GVK Rama Rao, are also the Promoters of our Company.

Our Directors may be deemed to be interested to the extent benefits they are entitled to in terms of their appointment, including any remuneration, commission, compensation and fees, payable to them for attending meetings of the Board or a committee thereof, to the extent of reimbursement of expenses payable to them as detailed in "***Our Management***" on page 117.

All our Directors may be interested in the Equity Shares already held by them or that may be allotted to them pursuant to the Issue and / or that may be allotted to their relatives or companies, firms and trusts in which they are directors, members, partners or trustees, as the case may be, pursuant to this Issue. The Director(s) may have further interest to the extent of any dividend payable to them and other distributions in respect of the Equity Shares.

Except as stated in the "***Financial Statements***" under "***Related Party Transactions***" on page 154 and as set out below, our Company has not entered into any contracts or agreements during the two years prior to the Letter of Offer in which Directors are directly or indirectly interested, and no payments have been made to them in this respect of any such contracts agreements or arrangements or as are proposed to be made to them. All such transactions mentioned have been entered in the ordinary course of business and on an arm-length basis.

Our Company entered into a letter agreement dated May 20, 2011 with Dr. Christopher M. Cimarusti, appointing him as a consultant of our Company for reviewing R&D activities and other scientific initiatives for a period of 5 years with effect from August 5, 2011. The consideration payable by our Company to Dr. Christopher M. Cimarusti would be as follows:

a) One time lump sum payment of USD 26,000.

b.) Fee of USD 2,000 per day for each day spent at our Company's facilities (excluding days of Board Meetings). Any time spent with our Company's representatives in meeting our customers to understand customer service issues would also be included as consulting time at the above rate.

c) All the travel (Business class), boarding and stay in India would be organized and paid for by our Company. Any other incidental expense incurred would be reimbursed based on actual expenses.

The shareholders of our Company approved the said letter agreement at the AGM held on August 5, 2011.

None of our Directors have any interest in any property acquired by our Company in the last two years or proposed to be acquired by our Company. Our Directors do not have any interest in any Objects of the Issue for which the Issue proceeds are proposed to be utilised.

Changes in our Board of Directors during the last three years

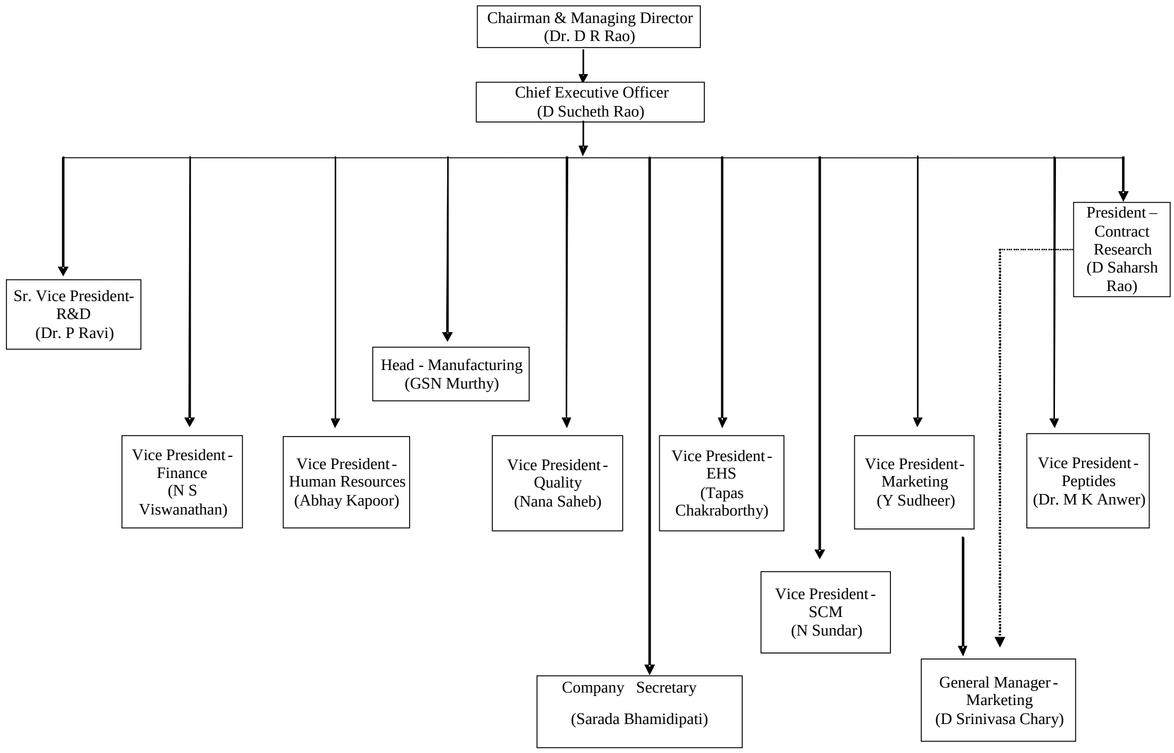
Name	Date of Appointment	Date of Cessation	Reason
Mrs. Daya Chandrahas	June 22, 2005	April 29, 2011	Cessation of nomination by EXIM Bank
Mr. Nadeem Panjetan	April 29, 2011	-	Appointment as the nominee of EXIM Bank
Dr. Russel Kaufman	July 28, 2007	January 25, 2010	Resignation
Dr. Christopher M. Cimarusti	October 20, 2009	-	Appointment
Mr. Davuluri Saharsh Rao	June 1, 2009	-	Appointment
Dr. Bandaru Reddy	October 1, 1985	April 20, 2009	Death

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

The provisions of Regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 is currently applicable to our Company.

We have a code of conduct for prevention of insider trading and shall continue to comply with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 post the Rights Issue.

Organisation Structure



Key Managerial Personnel

Dr. P Ravi, aged 50 years, is Sr. Vice President – R&D of our Company. He obtained his PhD degree in Organic chemistry from Madurai University. He has 20 years of post-qualification experience in the Pharmaceutical industry. He has worked with Spic Pharmaceuticals Limited, Aurobindo Pharma Limited, Cadila Pharmaceuticals Limited, Ind-Swift Laboratories Limited. Dr. Ravi has joined us on April 5, 2010 from Cadila Limited, where he was Sr. Vice President. The compensation paid to Dr. Ravi during the Fiscal 2011 was ₹ 5.09 million.

Mr. GSN Murthy, aged 60 years, is Head-Manufacturing of our Company. He holds a B.Tech.degree in Chemical Engineering from Andhra University. He has over 28 years of experience in API field in the areas of manufacturing, technology transfer, process improvements, new products scale-up and commissioning of new plants. He is heading the Manufacturing operations for both the API plants currently. Prior to joining our company he worked with IDPL. The compensation paid to Mr. G S N Murthy during the Fiscal 2011 was ₹ 1.63 million.

Dr. Mohmed Khalid Anwer, aged 57 years, is Vice President – R&D of our Company. He obtained his PhD degree in organic chemistry from the University of Louisville (USA). He has 23 years of experience and introduced several innovative methods in peptide and organic syntheses. He has previous experience with Johnson and Johnson, Synpep Corporation, Tularik, Peninsula Laboratories. Dr. Mohmed Khalid Anwer joined us on September 15, 2008 from Affinergy Inc., where he worked as Section head. The compensation paid to him during the Fiscal 2011 was ₹4.26 million.

Mr. N. S. Viswanathan, aged 44 years, is Vice President-Finance of our Company. He is a Post Graduate in Commerce and Chartered Accountant. He has 19 years of experience in the Finance function in the areas of Fund raising, Planning & Strategy, Forex management, Accounting, MIS, Audit, Budgeting and ERP implementation, with focus of adding value to Business through Finance. He worked with FMCG businesses such as RPG Enterprises, Godrej Soaps, Godrej Industries, Godrej Hi-Care to name a few. He joined us on June

14, 2010 from GVK Biosciences Private Limited where he worked as Asst Vice President - Finance. The compensation paid to him during the Fiscal 2011 was ₹ 2.80 million.

Mr. Abhay Kapoor, aged 41 years, is Vice President – Human Resources of our Company. He holds a Masters Degree in HR (MPMIR) from Jiwaji University, Gwalior and has also completed his L.L.B and Diploma in Training & Development from ISTD, Delhi. He is a Certified Six-Sigma green belt holder and a Certified Trainer on Performance Coaching & Mentoring. He has close to 19 years of post-qualification experience in the HR field at Strategic and Operational level in a cross-section of industries such as Pharmaceuticals, Consumer durables, Automotive, Engineering and IT. He has previous experience with VA Tech Escher Wyss Florel Limited, Tube Investments of India (Murugappa Group), Techbooks Electronics, Systopic Laboratories Limited, AVN Tubes Limited and LG Electronics India Private Limited. He joined Neuland on April 25, 2011 from Ranbaxy Laboratories Limited, where he was General Manager-HR and hence no remuneration was payable to him for Fiscal 2011.

Mr. Y Sudheer, aged 49 years, is Vice President-Marketing of our Company. He has done his MBA in Marketing and has more than two decades of post-qualification experience in the field of APIs Sales and Marketing. He has travelled abroad extensively and has a profound knowledge about the Latin America and Europe markets amongst others. Prior to joining us in 2000 he worked with Aurobindo Pharma Limited as Export Manager. The compensation paid to him during the Fiscal 2011 was ₹ 2.89 million.

Mr. N Sundar, aged 44 years, is Vice President - Supply Chain Management of our Company. He has completed his BE-Mechanical Engineering from Madurai Kamaraj University and MBA Finance from Madras University. He has over two decades of experience in the areas of Purchasing, Vendor Development, Supply Chain Management, Global Sourcing & Logistics. He is a certified Purchase Manager from the Institute of Supply Management; USA. He started his career in the Materials function with Greaves Limited as Management Trainee in 1988, and moved in 1992 to AVT Industrial Products Limited where he continued till 1995. He then had two stints of 3 years each with Brakes India Limited and later with Zuari Industries Limited where he served as Manager-Purchase and Distribution. He has joined us on August 23, 2006 from the Murugappa Group where his last assignment was as Deputy General Manager-Logistics & Sourcing. The compensation paid to him during the Fiscal 2011 was ₹ 3.39 million.

Mr. Tapas Chakraborty, aged 48 years, is Vice President – Corporate HSE & Sustainability of our Company. He holds a M.Tech degree in Environmental Engineering from IIT, Mumbai and Masters in Business Administration from ICFAI Business School. He has close to 21 years of experience in Health, Safety & Environment and worked with Montgomery Watson Hawkslay (India) Limited, NOCIL, Dr. Reddy's Laboratories Limited. He has joined our Company on July 1, 2011 from Sai Advantium Pharma Limited where he worked as Asst. Vice President and hence no remuneration was payable to him for Fiscal 2011.

Mr. Nanasaheb Gunjal, aged 49 years, is Vice President – QC, QA & RA of our Company. He holds a Masters degree in Chemistry from Pune University and has over 25 years of experience in QC, QA, DQA, CQA and RA with various API and formulation organizations. Mr. Nanasaheb Gunjal has previously worked with Wockhardt Limited, Boots India Limited, Unichem Limited, Dai-ICHI Labs & Alembic Limited, Emcure Pharma & Cadila Pharmaceuticals Limited. He joined us on August 3, 2011 from Cadila Pharmaceuticals Limited and hence no remuneration was payable to him for Fiscal 2011.

Mr. D Srinivasa Chary, aged 47 years, is General Manager-Marketing of our Company. He has completed his MA in Economics and P G Diploma in Foreign Trade Management and has close to two decades of Sales and Marketing experience in the areas of Chemicals, Intermediates, APIs and formulations. He has travelled extensively abroad and has developed markets for Neuland's API portfolio in India, South-East Asia and other less regulated markets. He also handles Business Development of Neuland's Contract Manufacturing Services. Before joining Neuland in February 2003, he worked for Dr Reddy's Limited for close to 7 years and handled domestic markets for them. The compensation paid to him during the Fiscal 2011 was ₹2.56 million.

Ms. Sarada Bhamidipati, aged 41 years, is the Company Secretary of our Company. She is a Post Graduate in Commerce and an Associate Member of the Institute of Company Secretaries of India and has got over 15 years of experience in various fields including Corporate Finance, Secretarial and Administration. She has previously worked with the Indian Hotels Company Limited, TAJGVK Hotels & Resorts Limited and Tishman Speyer India Private Limited in various capacities. Ms. Sarada Bhamidipati has joined us in February 11, 2010 and has been appointed as the Company Secretary with effect from January 3, 2012. The compensation paid to her during the Fiscal 2011 was ₹ 0.26 million.

All the Key Management Personnel are permanent employees of our Company.

Arrangements with Major Shareholders, Customers, Suppliers or Others

There are no arrangements or understandings between our Company and any shareholder, customer, supplier or other party pursuant to which any of the key management personnel of our Company has been appointed.

There is no service contracts entered into by any of the Key Managerial Personnel's with our Company providing for benefits upon termination of employment.

Nature of any family relationship between the Key Managerial Personnel

None of the Key Managerial Personnel are related to each other.

Shareholding of Key Managerial Personnel

Except as set forth below, none of the Key Managerial Personnel of our Company hold equity shares:

Name of the key managerial personnel	Number of shares	Percentage (%)
Mr. Y. Sudheer	2500	0.046
Mr. D. Srinivasa Chary	700	0.013
Mr. Nanasaheb Gunjal	55	0.001

Employee Stock Options granted to our Key Managerial Personnel

Except as disclosed in the chapter titled '***Capital Structure***' on page 47, there are no other employee stock options granted to our Key Managerial Personnel.

Bonus or profit sharing plan for the Key Managerial Personnel

Our Company has an annual profit sharing Plan for the employees having the designation of Manager and above, beyond the normal increments, wherein the based on the achievement of the Profit Targets of our Company approved by the Managing Director and Chief Executive Office and based on the individual performances of Managers and above upto a level below Heads of Department and purely on basis of performance of our Company for all the Heads of Department.

Changes in Key Managerial Personnel

The following are the changes in Key Managerial Personnel during the last three years:

Sr. No.	Name	Date of joining	Designation	Date of cessation / resignation	Remarks
1	Ms. Sandhya Lakshmi	March 03, 2008	Company Secretary	April 02,2009	Resignation
2	Mr. T M Talaulikar	November 07, 2005	General Manager – Corporate Development	December 31,2009	Resignation
3	Dr. Arul	April 14, 2006	Vice President – R&D	April 02,2010	Resignation
4	Mr. A Raghavendracharyulu	November 19, 2003	Vice President- Finance	June 30, 2010	Retirement
5	Mr. Sudhir Kumar Mittal	January 11, 2010	General Manager – EHS	November 26, 2010	Resignation
6	Mr. B Ashok Kumar Reddy	March 28, 2005	Dy. General Manager – HR	February 07, 2011	Resignation
7	Ms. Deepika Gupta	May 13, 2009	Company Secretary	March 10, 2011	Resignation
8	Ms. Mary Monica Braganza	April 18, 2011	Company Secretary	January 3, 2012	Resignation
9	Mr. B V S N Sastry	June 03,	General Manager – QA	April 28, 2011	Resignation

		2009			
10	Mr. S Ganapathi Rao	March 27, 1995	Vice President – Manufacturing	April 29, 2011	Resignation
11	Dr. Mohmed Khalid Anwer	September 15, 2008	Vice-President – R&D	NA	Appointed
12	Mr. Abhay Kapoor	April 25, 2011	Vice-President – HR	NA	Appointed
13	Mr. Nanasaheb Gunjal	August 03, 2011	Vice-President – QC, QA & RA	NA	Appointed
14	Dr. Ponnaiah Ravi	April 05, 2010	Sr. Vice-President – R&D	NA	Appointed
15	Mr. Tapas Chakraborty	July 1, 2011	Vice-President – Corporate HSE & Sustainability	NA	Appointed
16	Mr. N. S. Viswanathan	June 14, 2010	Vice-President – Finance	NA	Appointed
17	Ms. Sarada Bhamidipati	February 11, 2010	Company Secretary	NA	Appointed as the Company Secretary of the Company with effect from January 3, 2012.

No benefits in kind have been granted to any of our the Key Management Personnel on individual basis by our Company for services in all capacities to our Company or any contingent or deferred compensation accrued for the year, even if it is payable at a later date.

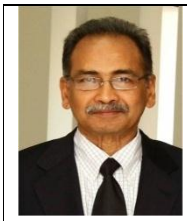
OUR PROMOTER AND GROUP COMPANIES

Our Company has four individual Promoters, they are as follows:

Dr. Davuluri Rama Mohan Rao
Mr. Davuluri Sucheth Rao
Mr. Davuluri Saharsh Rao
Mr. GVK Rama Rao

All our Promoters are individual Promoters and our Company does not have any corporate entities as Promoters. Our Promoters currently hold 899,631 Equity Shares, equivalent to 16.67 % of the pre-Issue paid-up Equity Share capital of our Company.

Promoters:

	**1) Dr. Davuluri Rama Mohan Rao**
	Age: 67 years
	Voter ID No.: TDZ0040261
	Driving License Number: None
	Passport No.: H2715385

Dr. Davuluri Rama Mohan Rao, Chairman and Managing Director, is the Chief Promoter of Neuland. He has a Masters in Science from Andhra University, Post Graduate Diploma in Technology from IIT Kharagpur and a Ph.D., in Organic Chemistry from the University of Notre Dame, U.S.A. Prior to promoting Neuland in 1984, Dr. Rao has held senior positions in R&D, production and quality assurance at Glaxo India for about ten years and was Director, R&D and QA at Unique Chemicals, Mumbai. He is a member of Royal Society of Chemistry.

	**2) Mr. Davuluri Sucheth Rao**
	Age : 36 years
	Voter ID No.: TDZ0010181
	Driving License Number: DLDAP009381432002
	Passport No.: Z1866080

Mr. Davuluri Sucheth Rao, Whole-time Director and Chief Executive Officer, is a Mechanical Engineer by profession and has an MBA in Corporate Finance from University of Notre Dame, USA. He was Production Group Leader in Cummins Inc. USA and later went on to become a green belt in Six Sigma. His background primarily consists of exposure to various fields of business such as marketing, finance, manufacturing, operations and information technology.

	**3) Mr. Davuluri Saharsh Rao**
	Age : 31 years
	Voter ID No. TDZ0010215
	Driving License Number: 671871997
	Passport No.: Z1866116

Mr. Davuluri Saharsh Rao, Whole-time Director and President-Contract Research, is an Engineering Graduate and obtained his Masters in MIS from Weatherhhead School of Management, Cleveland, Ohio, USA. He also secured Master of Business Administration from University of North Carolina, USA. He had worked with Sify Limited for a period close to 3 years.

	**4) Mr. GVK Rama Rao**
	Age : 80 years
	Voter ID No. BRC1412170
	Driving License Number: None
	Passport No.: E7629846

Mr. GVK Rama Rao, Non-Executive Director and promoter of our Company. He is a LLB. by qualification. He is a practicing advocate for 35 years and specialises in Civil Litigation.

For further details of our Promoters refer to the chapter titled "***Our Management***" on page 117.

Declaration

Our Company hereby confirms that the personal details of our Promoters viz., Permanent Account Numbers, Passport Numbers, and Bank Account Numbers have been submitted to BSE and NSE.

Other Confirmations

Our Promoters have confirmed that they have not been declared as wilful defaulter by RBI or any other government authority and there are no violations of securities laws committed by our Promoters in the past nor any such proceedings are pending against our Promoters. Our Promoters have further confirmed that they have not been prohibited or debarred from accessing or operating in the capital markets for any reasons, or restrained from buying, selling or dealing in securities, under any order or directions made by SEBI or any other authorities and that no action has been taken against them or any entity promoted or controlled by them by any regulatory authorities.

PROMOTER GROUP

Our Promoter Group in terms of Regulation 2(1) (za) and 2(1) (zb) of the SEBI ICDR Regulations is as under:

Sr. No.	Name	Relationship
1	Mrs. Davuluri Vijaya Rao	Wife of Dr. Davuluri Rama Mohan Rao
2	Mrs. Davuluri Rohini Niveditha Rao	Wife of Mr.Davuluri Sucheth Rao
3	Davuluri Rama Mohana Rao HUF	HUF of Dr. Davuluri Rama Mohana Rao
4	Mrs. Gannabathula Subbayamma	Wife of Mr.GVK Rama Rao
5	Mr. Gannabathula Veeravenkata Satyanarayana Murthy	Son of Mr.GVK Rama Rao
6	Mrs. Gannabathula Uma Bala	Wife of Mr. Gannabathula Veeravenkata Satyanarayana Murthy
7	Mr. Gannabathula Nageswara Rao	Brother of Mr. GVK Rama Rao
8	Mr. Suryanarayana M Siram	Person whose shareholding is aggregated for the purpose of disclosing in the prospectus under the heading "shareholding of the promoter group Related to Mr. GVK Rama Rao
9	Mr. Velugubanti Prasada Rao	Persons whose shareholding is aggregated for the purpose of disclosing in the prospectus under the heading "shareholding of the promoter group Related to Mr. GVK Rama Rao
10	Sucheth and Saharsh Holdings Private Limited	Company promoted by the Promoters

Except for Sucheth and Saharsh Holdings Private Limited, there are no other body corporates in which ten per cent or more of the equity share capital is held by our Promoters or immediate relatives of the Promoter or a firm or Hindu Undivided Family in which the Promoters or any one or more of their immediate relatives are members or any company in which a body corporates mentioned below, hold 10% or more of the total holding.

OUR GROUP COMPANIES AND ENTITIES

No equity shares of any of our Group Companies are listed on any stock exchange. Additionally, none of our Group Companies has become a sick company under the provisions of SICA or are not in the process of winding-up.

None of our Group Companies had remained defunct and application was made to the Registrar of Companies to strike of the name of our Company in the preceding five years from the date of this Letter of Offer.

Information in relation to Group Companies

Our Promoters and their relatives have direct ownership control in Sucheth and Saharsh Holdings Private Limited and Davuluri Rama Mohan Rao HUF.

1. **Sucheth and Saharsh Holdings Private Limited**

Sucheth and Saharsh Holdings Private Limited (SSHPL) was incorporated under the Companies Act on March 31, 1993. The registered office of the company is situated at Plot No. 6, Uma Nagar, Begumpet, Hyderabad – 500 016 and its Corporate Identity Number is U67120AP1993PTC015554.

Main Object of our Company

To carry on the business of selling, buying, holding or otherwise deal in shares, debentures, stocks, bonds, units, obligations and securities issued or guaranteed by Indian or Foreign Government, States, Municipalities or Public Authorities or body corporate, companies. Underwriting, sub-underwriting of shares, stocks, bonds, units, obligations and securities issued and guaranteed by any company, corporation, firm or person whether incorporated or established in India or elsewhere, but not do the business of banking within the meaning of the Banking Regulation Act, 1949 and to carry any other ancillary or incidental activities.

Shareholding Pattern as on March 12, 2012

Name	Number of equity shares of ₹ 100	% of issued capital
Dr. Davuluri Rama Mohan Rao	33,497	69.60%
Mrs. Davuluri Vijaya Rao	8,432	17.52%
Mr. Davuluri Sucheth Rao	3,100	6.44%
Mr. Davuluri Saharsh Rao	3,100	6.44%
Total	**48,129**	**100%**

Board of Directors

The board of directors of SSHPL as on March 12, 2012 comprises of:

1) Mrs. Davuluri Vijaya Rao
2) Mr. Davuluri Sucheth Rao
3) Mr. Davuluri Saharsh Rao

(₹ In Million, except per share data)

Particulars	Fiscal 2011	Fiscal 2010	Fiscal 2009
Income	0.75	0.68	1.99
Profit/(Loss) after Tax	0.26	0.22	1.32
Equity Capital	4.81	4.81	2.81
Reserves and Surplus (excluding revaluation reserves)	12.89	12.90	5.88
Earnings per share (₹)	5.40	4.49	47.05
Net Asset Value per share (₹)	367.84	367.94	309.03

Changes in capital structure

There have been no changes in the capital structure of SSHPL in the preceding six months of filing of the Letter of Offer. SSHPL is an unlisted company and has not made any public issue (including any rights issue to the public) in the preceding three years. It has not become a sick company under the meaning of SICA. It is not under winding up and does not have negative networth

Significant notes of auditors

There are no qualifications by the auditors

2. Other Entities

(a) Davuluri Rama Mohan Rao HUF

The karta of Davuluri Rama Mohana Rao HUF is Dr. Davuluri Rama Mohan Rao.The address of the HUF is situated at Plot No. 6, Uma Nagar, Begumpet, Hyderabad – 500 016.

The following are the members of HUF:

1. Dr. Davuluri Rama Mohan Rao
2. Mrs. Davuluri Vijaya Rao
3. Mr. Davuluri Sucheth Rao
4. Mr. Davuluri Saharsh Rao
5. Mrs. Davuluri Rohini Niveditha Rao
6. Mrs. K. Deepthi

Financial Performance

The audited financial results of the HUF for the last 3 Fiscals, for which audit has been completed are as follows:

(₹ in millions)

Particulars	Fiscal 2011	Fiscal 2010	Fiscal 2009
Income	-	-	0.37
Profit/(Loss) after Tax	-	-	0.37

(b) Sri. Viswaroopa Datta Kshetra Trust

Sri. Viswaroopa Datta Kshetra Trust, is a public religious trust that was settled by Dr. Davuluri Rama Mohan Rao under a Deed of Trust dated September 3, 2010, registered as No. 185 of 2010 in Book 4 with the Sub-Registrar of S.R. Nagar, Hyderabad. The office of the trust is situated at Plot No.6, Umanagar, Begumpet, Hyderabad - 500 016.

The Trust was established for the maintenance and development of the temple complex and pilgrim amenity centre named Viswaroopa Datta Kshetram at Deval Gangapura and to support the dissemination of Indian Philosophy and Eternal Tradition as preached by Lord Dattatreya and to serve humanity; for objects of public religious nature and to spread the message of Universal Brotherhood and Welfare as preached by Sadguru Deva, His Holiness Sri Sachchidananda and the propagation by the teachings of Sri Dattatreya Swamy, as propounded by Sri Avadhoota Datta Peetham, Mysore and support Vedic Tradition, Education, Rituals and Temples.

Dr. Davuluri Rama Mohan Rao transferred a sum of ₹10,008 (Rupees Ten Thousand and Eight) to the trustees of the Trust as trust funds.

The following individuals are trustees of the Trust:
1. Dr. Davuluri Rama Mohan Rao
2. Mr. Davuluri Sucheth Rao
3. Mr. Ch. Vamsee Krishna Ghanapathi
4. Mr. K.V. Venugopal Reddy
5. Mr. M. Jagdish Kumar
6. Mr. Atul D Rangdal
7. Mr. S. Kaladhar

Financial Performance

(₹ In Million)

Particulars	Fiscal 2011*
Corpus fund	0
Reserves and surplus	0
Total income	1.28
Excess of income over expenditure	0.38

**audited financials*

Significant notes of auditors:

There are no qualifications by the auditors.

Disassociation by our Promoters in the preceding three years

None of our Promoters have disassociated themselves from any of the companies, firms, or other entities during the last three years immediately preceding the date of this Letter of Offer.

Payment or Benefit to our Promoters, Promoter Group and Group Companies

Except as stated in the section titled "***Related Party Transactions***" on page 138, "***Consolidated Statement of Related Party Transactions***" and "***Standalone Statement of Related Party Transactions***" in the section "***Financial Statements***" on page 139, there has been no payment of benefits to our Promoters, Promoter Group or Group Companies during the last two years prior to the date of this Letter of Offer. Further, as on the date of this Letter of Offer, there is no bonus or profit sharing plan for our Promoters.

Interests of our Promoters and Group Companies

Our Promoters may be deemed to be interested in the promotion of our Company to the extent of shares held by them and also to the extent of shares held by their relatives. As on the date of this Letter of Offer, our Promoters together hold 899,631 Equity Shares of our Company i.e. 16.67% of the pre-Issue paid-up Equity Share capital of our Company.

Our Promoters may also benefit from holding directorship in our Company. Further, our Promoters are also directors on the boards of or are members of certain Group Companies and they may be deemed to be interested to the extent of the payments made by our Company, if any, to these Group Companies.

Except as stated otherwise in this Letter of Offer, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Letter of Offer in which our Promoters are directly or indirectly interested and no payments have been made to them in respect of the contracts agreements or arrangements which are proposed to be made with them including the properties purchased by our Company other than in the normal course of business. For further information please refer to "***Related Party Transactions***" in "***Consolidated Restated Financial Statements***" and "***Standalone Restated Financial Statements***" in the section "***Financial Statements***" on page 139.

Further, except to the entitlement to dividend on its shares and as stated above and as stated otherwise under the paragraphs titled "***Shareholding of our Directors***" and "***Interest of Directors***" in the section titled "***Our Management***"beginning on page 117 and paragraph titled "***Our Properties***" in the section titled "***Our Business***" beginning on page 83, our Promoters do not have any other interests in our Company as on the date of this Letter of Offer.

Sales between Group Companies, Subsidiaries and Associates

There have been no sales and purchases between Group Companies, subsidiaries and our associate companies, when such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of our Company. Further, our Company does not sell any of its products to any of its subsidiaries. However, our Company receives marketing services from NLL Inc. and NLL KK. The amount of commercial business has been disclosed in the section titled "***Financial Statements***" under the heading "***Related Party Transactions***" on page 154 of the Letter of Offer**.**

Interest in the property of Company

Our Promoters and Group Companies confirm that they have no interest in any property acquired by our Company within two years preceding the date of date of this Letter of Offer, or proposed to be acquired by our Company, save and except as stated in paragraph titled "***Our Properties***" under section ***Our Business***" beginning on page 83 and "***Our Management***" beginning on page 117.

Other Confirmations

None of our Company, our subsidiaries, our Promoters, Promoter Group, Directors, Group Companies and natural persons in control of our Corporate Promoters and any other entities with which our Promoters, Directors or persons in control of our Company are associated as promoters or directors or persons in control are and have been prohibited or debarred from accessing or operating in the capital markets for any reasons, or restrained from buying, selling or dealing in securities, under any order or directions made by SEBI or any other authorities, and there are no violations of securities laws committed by any of them in the past or pending against them.

None of our Company, our subsidiaries, our Promoters, relatives of our Promoters (as defined under the Companies Act), Directors, Group Companies are and has been declared as wilful defaulters by the RBI or any other authority. There are no violations of securities laws committed by them in the past or pending against them.

None of our Corporate Promoters or our Group Companies has become a sick company under the meaning of the SICA and no winding up proceedings have been initiated against them, and no application has been made in respect of any of them, to the Registrar of Companies for striking off their names.

For details of legal and regulatory proceedings involving our Promoters and Group Companies, please refer to the section titled "***Outstanding Litigations and Other Defaults***" on page 251.

Common Pursuits/Conflict of Interest

Our Promoter and Group Companies do not have any interest in any venture that is involved in any activities similar to those conducted by us. We shall adopt the necessary procedures and practices as permitted by law to address any conflict situations, as and when they may arise. For, further details on the related party transactions, to the extent of which our Company is involved, see the section *"**Financial Statements**"* on page 139.

RELATED PARTY TRANSACTIONS

We have related party transactions with our Directors, subsidiaries, associates, Group Companies, Promoter, Promoter Group. For details, see — *Annexure on Related Party Transactions* under the section titled "***Financial Statements"*** on page 139.

SECTION V – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Auditors' report as required by Part II of Schedule II to the Companies Act, 1956

To,
The Board of Directors,
Neuland Laboratories Limited
204, Meridian Plaza
6-3-854/1, Ameerpet
Hyderabad – 500 016

Dear Sirs,

1. We have examined the restated financial information of Neuland Laboratories Limited ("the Company") annexed to this report for the purposes of inclusion in the offer document prepared by the Company in connection with its proposed Rights Issue (the "Issue"). Such financial information, which has been approved by the Board of Directors of the Company, has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 ('the Act') and

   b. the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("the Regulations") issued by the Securities and Exchange Board of India ("SEBI") on August 26, 2009, as amended from time to time in pursuance of Section 30 of the Securities and Exchange Board of India Act, 1992.

2. We have examined such restated financial information taking into consideration:

   a. the terms of reference received from the Company vide their letter dated August 05, 2011, requesting us to carry out work on such financial information, proposed to be included in the offer document of the Company in connection with its proposed Issue; and

   b. the Guidance Note (Revised) on Reports in Company Prospectuses issued by the Institute of Chartered Accountants of India.

3. The Company proposes to make a rights issue of equity shares of ₹ 10 each at such premium, (referred to as "the Issue"), as may be decided by the Board of Directors.

4. The restated financial information of the Company has been compiled by the management from:

   a. the audited standalone balance sheets of the Company as at September 30, 2011, March 31, 2011, March 31, 2010, March 31, 2009, March 31, 2008 and March 31, 2007 and the related audited standalone profit and loss accounts and cash flow statements for the period/years ended on September 30, 2011, March 31, 2011, March 31, 2010, March 31, 2009, March 31, 2008 and March 31, 2007 which have been audited by us; and

   b. the audited consolidated balance sheets of the Company and its subsidiaries (collectively hereinafter referred to as the "Group") as at September 30, 2011, March 31, 2011, March 31, 2010 and March 31, 2009 and the related audited consolidated profit and loss accounts and cash flow statements for the period/years then ended on September 30, 2011, March 31, 2010 and March 31, 2009 which have been audited by us.

      For the year ended March 31, 2009, the financial statements of certain Subsidiaries, whose financial statements reflect total assets of ₹ 10.17 millions, Company's share in Revenue of ₹ 42.77 millions, in Profit (net) of ₹ 1.31 millions and Cash inflows of ₹ 4.92 millions are unaudited.

      For the year ended March 31, 2010, we did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of ₹ 2.03 millions, Company's share in Revenue of ₹ Nil, Company's share in profit of ₹ Nil, and Cash outflows of ₹ 0.51 millions. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the Management of the Group, and our opinion is based solely on the reports of the other auditors. The financial statements of certain subsidiaries whose financial statements reflect total assets of ₹ 2.18 millions, Company's share in Revenue of ₹ Nil, Company's share in profit of ₹ Nil and Cash inflows of ₹ 1.26 millions are unaudited and we have relied upon the unaudited financial statements as provided by the Company's Management for the purpose of our examination of the consolidated financial statements of the Group.

For the year ended March 31, 2011, we did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets (net) of ₹ 6.20 millions as at March 31, 2011 the total revenue of ₹ Nil and cash inflows of ₹ 2.09 millions for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹35.63 millions as at September 30, 2011 the total revenue of ₹43.80 millions and cash outflows of ₹3.49 millions for the six months then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

5. In accordance with the requirements of Schedule II of the Act, the Regulations and the terms of our engagement agreed with you, we report that:

   a. We have examined the restated standalone summary statement of assets and liabilities of the Company as at September 30, 2011, March 31, 2011, March 31, 2010, March 31, 2009, March 31, 2008 and March 31, 2007 and the related restated standalone summary statement of profits and losses and cash flows for the period/year ended September 30, 2011, March 31, 2011, March 31, 2010, March 31, 2009, March 31, 2008 and March 31, 2007 as set out in Annexure 1 to 3 (collectively the " Restated Standalone Summary Statements"); and

   b. We have also examined the restated consolidated summary statement of assets and liabilities of the Group as at September 30, 2011, March 31, 2011, March 31, 2010 and March 31, 2009 and the related restated consolidated summary statement of profits and losses and cash flows for the period/year ended September 30, 2011, March 31, 2011, March 31, 2010 and March 31, 2009 as set out in Annexure 15 to 17 (collectively the "Restated Consolidated Summary Statements").

   The Restated Standalone Summary Statements and the Restated Consolidated Summary Statements are hereinafter collectively referred to as "Restated Summary Statements".

6. Based on our examination, we further report that:

   a. the restated financial information have been arrived at after making such adjustments as, in our opinion, are appropriate and more fully described in the notes appearing in Annexure 4 and 18 to this report;

   b. there are no extraordinary items which need to be disclosed separately in the attached Restated Summary Statements; and

   c. there are no qualifications in the auditors' reports, which require any adjustments to the Restated Summary Statements.

7. We have not audited any financial statements of the Company or consolidated financial statements of the Group as of any date or for any period subsequent to September 30, 2011. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company or the Group as of any date or for any period subsequent to September 30, 2011.

8. We have also examined the restated standalone financial information of the Company listed below, as at September 30, 2011, March 31, 2011, March 31, 2010, March 31, 2009, March 31, 2008 and March 31, 2007 which, as approved by the Board of Directors of the Company and annexed to this report, is proposed to be included in the offer document:-

a. Details of Other Income, as appearing in Annexure 5
b. Details of Investments, as appearing in Annexure 6
c. Details of Sundry Debtors, Loans and Advances, as appearing in Annexure 7
d. Details of Secured Loans, as appearing in Annexure 8
e. Details of Unsecured Loans, as appearing in Annexure 9
f. Details of Reserves & Surplus, as appearing in Annexure 10
g. Details of Accounting Ratios, as appearing in Annexure 11
h. Capitalization Statement , as appearing in Annexure 12
i. Statement of Tax Shelters, as appearing in Annexure 13
j. Details of Rates of Dividend, as appearing in Annexure 14

9. We have also examined the restated consolidated financial information of the Group listed below, as at September 30, 2011, March 31, 2011, March 31, 2010 and March 31, 2009, which as approved by the Board of Directors of the Company and annexed to this report, is proposed to be included in the offer document:-

a. Details of Other Income, as appearing in Annexure 19
b. Details of Investments, as appearing in Annexure 20
c. Details of Sundry Debtors, Loans and Advances, as appearing in Annexure 21
d. Details of Secured Loans, as appearing in Annexure 22
e. Details of Unsecured Loans, as appearing in Annexure 23
f. Details of Reserves & Surplus, as appearing in Annexure 24
g. Details of Accounting Ratios, as appearing in Annexure 25
h. Capitalization Statement , as appearing in Annexure 26
i. Statement of Tax Shelters, as appearing in Annexure 27
j. Details of Rates of Dividend, as appearing in Annexure 28

10. We report that the consolidated financial information of the Group as at September 30, 2011, March 31, 2011, March 31, 2010 and March 31, 2009 have been prepared by the Group in accordance with the requirements of AS 21 “Consolidated Financial Statements” [notified Pursuant to the Companies (Accounting Standard) Rules, 2006 (as amended).

11. This report should not in any way be construed as a reissuance or redating of any of the previous audit reports issued by us nor should this be construed as a new opinion on any of the financial statements referred to herein.

12. In our opinion, the financial information of the Group as attached to this report, read with the significant accounting policies and notes on accounts and other notes contained in the aforesaid Annexures, has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI. We did not perform audit tests for the purpose of expressing an opinion on individual balances of account or summaries of selected transactions, and accordingly, we express no such opinion thereon.

13. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

14. This report is intended solely for your information and for inclusion in offer document prepared in connection with the proposed Rights Issue of the Company, and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For K. S. Aiyar & Co,
Chartered Accountants
Registration No. 100186W

Raghuvir M. Aiyar
Partner
Membership No: 38128

Place: Mumbai
Date: March 13, 2012

Annexure - 1: Standalone Restated Summary of Assets and Liabilities

(₹in Million)

Particulars	As at	As at March 31				
	September 30, 2011	2011	2010	2009	2008	2007
A. Fixed Assets						
Gross Block	2,513.84	2,462.19	2,354.68	2,056.49	1,085.44	890.83
Less: Accumulated Depreciation/Amortisation	951.18	877.51	725.64	589.61	515.11	460.19
Net Block	1,562.66	1,584.68	1,629.04	1,466.88	570.33	430.64
Less: Revaluation Reserve	11.58	11.99	12.80	13.84	14.94	16.04
Net Block After Adjustment of Revaluation Reserve	1,551.08	1,572.69	1,616.24	1,453.04	555.39	414.60
Capital Work-in-Progress	275.73	272.57	302.48	368.02	596.47	229.81
Total	**1,826.81**	**1,845.26**	**1,918.72**	**1,821.06**	**1,151.86**	**644.41**
B. Investments	**76.67**	**76.67**	**76.67**	**75.72**	**73.83**	**72.73**
C. Current Assets, Loans and Advances						
Inventories	872.84	799.16	719.27	704.66	554.19	493.98
Sundry Debtors	1,238.72	995.72	728.26	711.50	514.26	422.40
Cash and Bank balances	136.94	144.87	127.67	106.20	92.12	83.85
Loans and Advances	398.88	390.79	403.37	300.03	335.34	216.03
Total	**2,647.38**	**2,330.54**	**1,978.57**	**1,822.39**	**1,495.91**	**1,216.26**
D. Total Assets (A + B + C)	**4,550.86**	**4,252.47**	**3,973.96**	**3,719.17**	**2,721.60**	**1,933.40**
E. Liabilities and Provisions						
Secured Loans	2,318.42	2,295.92	2,331.82	2,003.16	1,340.85	774.34
Unsecured Loans	103.96	41.48	-	-	-	5.48
Total	**2,422.38**	**2,337.40**	**2,331.82**	**2,003.16**	**1,340.85**	**779.82**
F. Deferred Tax Liability (Net)	**-**	**-**	**-**	**39.25**	**25.65**	**34.33**
G. Current Liabilities and Provisions						
Current Liabilities	1,365.50	1,141.79	853.24	816.78	668.65	447.60
Provisions	54.34	42.66	108.97	107.58	86.90	104.93
Total	**1,419.84**	**1,184.45**	**962.21**	**924.36**	**755.55**	**552.53**
H. Total Liabilities and Provisions (E + F + G)	**3,842.22**	**3,521.85**	**3,294.03**	**2,966.77**	**2,122.05**	**1,366.68**
I. Net Worth (D - H)	**708.64**	**730.62**	**679.93**	**752.40**	**599.55**	**566.72**

Annexure - 1: Standalone Restated Summary of Assets and Liabilities (continued)

(₹ in Million)

Particulars	As at	As at March 31				
	September 30, 2011	2011	2010	2009	2008	2007
Represented by						
Shareholders' Fund						
Equity Share Capital	54.67	54.67	54.67	54.67	54.67	54.67
Reserves and Surplus	667.49	687.94	638.06	711.57	559.82	530.73
Less: Revaluation Reserve	11.58	11.99	12.80	13.84	14.94	16.04
Reserves and Surplus (net of Revaluation Reserve)	**655.91**	**675.95**	**625.26**	**697.73**	**544.88**	**514.69**
Less: Miscellaneous expenditure not written off	1.94	-	-	-		2.64
Net Worth	**708.64**	**730.62**	**679.93**	**752.40**	**599.55**	**566.72**

Annexure -2: Standalone Restated Summary of Profit and Loss

(₹in Million)

Particulars	For half year ended	For the year ended March 31				
	September 30, 2011	2011	2010	2009	2008	2007
INCOME						
Sales						
Sale of Manufactured Goods	2,245.89	3,935.72	2,784.21	3,067.22	2,177.03	2,021.70
Total Sales	**2,245.89**	**3,935.72**	**2,784.21**	**3,067.22**	**2,177.03**	**2,021.70**
Other Income	26.74	56.99	42.34	105.34	53.42	39.65
Total Income	**2,272.63**	**3,992.71**	**2,826.55**	**3,172.56**	**2,230.45**	**2,061.35**
Expenditure						
(Increase)/Decrease in Finished Goods and Work in Process	(67.01)	(31.71)	(35.55)	(138.56)	(27.98)	(55.61)
Raw Material Consumed	1,542.55	2,530.80	1,626.07	2,029.73	1,381.73	1,347.38
Manufacturing Expenses	187.07	333.51	299.21	315.82	218.41	199.77
Payments and Benefits to Employees	146.68	260.60	232.15	224.31	154.27	126.51
Administration, Selling and Other Expenses	246.22	399.87	408.60	379.86	243.18	214.94
Total Expenditure	**2,055.51**	**3,493.07**	**2,530.48**	**2,811.16**	**1,969.61**	**1,832.99**
Profit Before Interest, Depreciation and Tax	**217.12**	**499.64**	**296.07**	**361.40**	**260.84**	**228.36**
Interest and Finance Cost	163.90	298.37	256.73	143.59	99.34	75.36
Profit Before Depreciation and Tax	**53.22**	**201.27**	**39.34**	**217.81**	**161.50**	**153.00**
Depreciation/ Amortisation	73.26	154.11	135.60	73.70	54.85	53.16
Profit Before Tax and restatement	**(20.04)**	**47.16**	**(96.26)**	**144.11**	**106.65**	**99.84**
Adjustments on account of restatement (Refer Annexure 4(B)(1))	**-**	**-**	**(15.31)**	**45.81**	**(62.86)**	**7.07**
Profit before Tax, Exceptional Items and after Restatement	**(20.04)**	**47.16**	**(111.57)**	**189.92**	**43.79**	**106.91**
Exceptional items	-	-	-	-	-	-
Profit before Tax, and after Exceptional Items and Restatement	**(20.04)**	**47.16**	**(111.57)**	**189.92**	**43.79**	**106.91**

Annexure -2: Standalone Restated Summary of Profit and Loss (continued)

(₹in Million)

Particulars	**For half year ended**	**For the year ended March 31**				
	September 30, 2011	**2011**	**2010**	**2009**	**2008**	**2007**
Tax expense	**-**	**(3.53)**	**(25.81)**	**26.21**	**(6.87)**	**9.46**
Effect on Tax due to Restatement (Refer Annexure 4(B)(1))	-	-	(13.29)	(11.24)	4.69	10.33
Tax expense Restated	**-**	**(3.53)**	**(39.10)**	**14.97**	**(2.18)**	**19.79**
Profit After Tax , Exceptional Items and Restatement	**(20.04)**	**50.69**	**(72.47)**	**174.95**	**45.97**	**87.12**
Balance brought forward from Previous Year as restated	**46.06**	**(4.63)**	**67.84**	**3.41**	**58.36**	**54.61**
Profits available for appropriation	**26.02**	**46.06**	**(4.63)**	**178.36**	**104.33**	**141.73**
Appropriations						
Towards Dividend	-	-	-	18.89	13.49	13.67
Towards Tax on Dividend	-	-	-	3.21	2.29	1.91
Transferred to General Reserve	-	-	-	88.42	85.14	67.79
Total Appropriations	**-**	**-**	**-**	**110.52**	**100.92**	**83.37**
Balance carried to Balance Sheet	**26.02**	**46.06**	**(4.63)**	**67.84**	**3.41**	**58.36**

Annexure – 3: Standalone Cash Flow Statement as restated

(₹ in Million)

Particulars	For half year ended	For the year ended March 31				
	September 30, 2011	2011	2010	2009	2008	2007
A. Cash flow from Operating Activities :						
Net Profit Before Tax and Exceptional items as Restated	(20.04)	47.16	(111.57)	189.92	43.79	106.91
Adjustments for :						
Non Cash and Non Operating items	238.51	417.58	355.47	168.07	160.70	84.52
Operating Cash flow before Working Capital changes	**218.47**	**464.74**	**243.90**	**357.99**	**204.49**	**191.43**
Adjustments for:						
Trade and Other Receivables	(278.46)	(285.57)	(38.04)	(205.16)	(49.50)	(124.87)
Inventories	(73.67)	(79.91)	(14.60)	(150.47)	(60.20)	(85.78)
Loans and Advances	4.86	(55.91)	(59.71)	51.63	(128.88)	(1.53)
Trade Payables and Other Liabilities	214.13	301.08	40.38	174.58	169.64	46.40
Cash (used in) / generated from Operations	**85.33**	**344.43**	**171.93**	**228.57**	**135.55**	**25.65**
Direct Taxes Paid	(2.91)	(3.95)	(20.17)	(12.45)	(16.12)	(39.43)
Exceptional items	**-**	**-**	**-**	**-**	**-**	**-**
Net Cash (used in) / from Operating activities	**82.42**	**340.48**	**151.76**	**216.12**	**119.43**	**(13.78)**
B. Cash flow from Investing Activities :						
Purchase of Fixed Assets	(54.81)	(81.88)	(233.85)	(742.34)	(591.06)	(290.40)
Sale of Fixed Assets	-	1.14	0.45	0.37	0.11	0.60
Investment in Subsidiary Company	-	-	(0.92)	(1.89)	-	-
Net Cash (used in) / from Investing activities	**(54.81)**	**(80.74)**	**(234.32)**	**(743.86)**	**(590.95)**	**(289.80)**

Annexure – 3: Standalone Cash Flow Statement as restated (continued)

(₹in Million)

Particulars	For half year ended	For the year ended March 31				
	September 30, 2011	2011	2010	2009	2008	2007
C. Cash flow from Financing Activities :						
Proceeds from long-term borrowings	32.37	22.50	348.29	539.30	436.40	359.65
Increase / (Decrease) in bank borrowings (Net)	(6.34)	224.85	336.64	205.56	184.79	83.08
Increase / (Decrease) in long-term borrowings (Net)	28.92	(259.70)	(356.27)	(82.55)	(73.94)	(73.75)
Interest Paid	(120.52)	(248.13)	(202.53)	(104.71)	(51.40)	(36.26)
Increase / (Decrease) in Unsecured Loans	30.03	17.94	-	-	(0.48)	(0.82)
Dividend paid	-	-	(22.10)	(15.78)	(15.58)	(12.47)
Net Cash (used in) / from Financing activities	**(35.54)**	**(242.54)**	**104.03**	**541.82**	**479.79**	**319.43**
Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)	**(7.93)**	**17.20**	**21.47**	**14.08**	**8.27**	**15.85**
Cash and Cash equivalents at the beginning of the year	**144.87**	**127.67**	**106.20**	**92.12**	**83.85**	**68.00**
Cash and Cash equivalents as at end of the year	**136.94**	**144.87**	**127.67**	**106.20**	**92.12**	**83.85**

Annexure – 4

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting and use of estimates

(i) Financial statements are prepared under the historical cost convention, on accrual basis of accounting in accordance with the accounting principles generally accepted in India and in compliance with the provisions of Companies Act 1956, and comply with the mandatory accounting standards specified in Companies (Accounting Standard) Rules 2006, prescribed by the Central government.

(ii) The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

2. Revenue Recognition

(i) Sales are recognized on dispatch of products. Sales are inclusive of insurance, freight and exclusive of Sales Tax.

(ii) The export incentive are accrued and accounted on the basis of the actual exports made during the year.

(iii) Income from product development services are recognized when services are rendered or related costs are incurred in accordance with the terms of specific contracts.

3. Excise Duty

Excise Duty recovered is reduced from sale of products. Excise Duty in respect of finished goods is accounted for, as and when goods are cleared from the factory and stocks of finished goods are valued inclusive of excise duty where applicable.

4. Fixed Assets

(i) Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation and impairment losses. Cost of acquisition or construction is inclusive of freight, duties (net of CENVAT and VAT), taxes, incidental expenses relating to acquisition, cost of installation/erection, attributable interest and financial cost till such time assets are ready for its intended use.

(ii) Foreign Exchange gain/loss on borrowings for acquisition / construction of Fixed Assets have been reduced from/added to the related costs of assets with effect from 1st April 2007 as per ministry of corporate affairs notification dated 31st March 2009 in amendment of accounting standards.

(iii) Certain land, buildings, plant & machinery and fixed assets are shown at re-valued values. Other fixed assets are shown at cost.

(iv) Depreciation on fixed assets is provided on Straight Line Method at the rates prescribed by Schedule XIV of the Companies Act, 1956 as amended, and is calculated on a pro-rata basis. Depreciation is charged on pro rata basis for assets purchased / sold during the year.

Depreciation on value written up on revalued assets is calculated on SLM basis with reference to the remaining useful life of the asset and the Revaluation Reserve is charged with the difference between the depreciation calculated on such revalued costs and the historical cost.

(v) Borrowing costs that are attributable to the acquisition or construction of fixed assets are capitalized as part of such assets for the period up to the date of put to use. All other borrowing costs are charged to revenue.

(vi) Expenses on Research & Development equipment are capitalized.

(vii) Intangibles being cost of SAP ERP and software are amortized over a period of three years.

5. Impairment of Assets

In accordance with Accounting Standard 28 (AS 28) on " Impairment of Assets, where there is an indication of impairment of the Company's assets, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment based on internal/external factors. An impairment loss, if any, is recognized in the Profit & Loss account, wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of the assets is estimated at the higher of its net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. Previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

6. Investments

Long term Investments are carried at cost. However, provision for diminution in value if any is made to recognize a decline other than temporary in the value of investments.

7. Foreign currency Transactions

(i) Transactions in foreign exchange are accounted for at the average exchange rate for the month of transaction. Gains and losses arising thereon are recognized in the Profit and Loss Account. In respect of items covered by forward exchange contract, the premium or discount arising at the inception of such a forward exchange contract is amortised as an expense or income over the life of the contract;

(ii) Foreign currency monetary items are reported using exchange rates prevailing at the close of the year and exchange difference arising there from is charged / credited to Profit and Loss Account. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction;

(iii) In case of fixed assets, refer 4 (ii) above.

8. Inventories

Inventories are valued at lower of cost and estimated net realizable value, after providing for cost of obsolescence and other anticipated loss whenever considered necessary. Work-in-progress is valued at estimated cost on the basis of stage wise completion of the production. Finished goods and work in process include cost of conversion and other costs incurred in bringing the inventories to their present level of location and condition. Cost is determined by using the weighted average basis. Cost of finished goods includes excise duty, wherever applicable.

9. Taxation

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961. Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax assets pertaining to carried forward losses and unabsorbed depreciation are recognized only to the extent that there is a virtual certainty that these assets are realized. The deferred tax assets pertaining to other items are recognized to the extent that there is a reasonable certainty that the same can be realized.

10. Employee Stock Option Schemes (ESOS)

The Company accounts for compensation expense under the Employee Stock Option Schemes using the intrinsic value method as permitted by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the Institute of Chartered Accountants of India. The difference between the market price and the exercise price as at the date of the grant is treated as compensation expense and charged over the vesting period.

11. Employee Benefits

(i) Defined Contribution Plan

The Company's Employee's Provident Fund administered through Government Provident Fund, Employee State Insurance Scheme and Labour Welfare Fund are considered as Defined Contribution Plans. The Company's contributions paid/payable towards these defined contributions plan are recognised as expense in the Profit and Loss Account during the period in which the employee renders the related service. The interest rate payable by the said funds to the beneficiaries every year is being notified by the government. The company has no obligation to make good the shortfall, if any between the return from the investment and the interest rate.

(ii) Defined Benefit Plan

Company's liabilities towards gratuity, long term compensated absences are considered as Defined Benefit Plans. The present value of the obligations under such Defined Benefit Plans are determined based on actuarial valuation using the projected unit credit method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized immediately in the statement of profit and loss. The obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields at the balance sheet date on Government securities.

12. Contingencies and Provisions

A provision is recognized when the Company has a present obligation as a result of past events. Provisions are not discounted to present value and are determined based on the best estimate of the expenditure required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent liabilities are disclosed after careful examination of the facts and legal aspects of the matter involved.

B. NOTES TO ACCOUNTS

1. Adjustments / Regroupings

Impact of Restatement:

Statement of adjustments to Audited Profit and Loss accounts

(₹in Million)

Particulars	For half year ended	For the year ended March 31				
	September 30, 2011	2011	2010	2009	2008	2007
Net Profit after tax and after extra ordinary items as per audited financial statements	**(20.04)**	**50.69**	**(70.45)**	**117.90**	**113.52**	**90.38**
Add/Less Adjustments for						
A. Prior Period Items						
a) Cenvat Clearing	-	-	(29.48)	22.79	6.69	-
b) Derivative Contracts	-	-	14.17	27.08	(41.25)	-
B. Changes in Accounting Policy						
a) Depreciation	-	-	-	-	0.80	1.68
b) Foreign Exchange	-	-	-	-	(29.37)	-
c) Inventory valuation	-	-	-	(4.06)	0.27	3.79
d) Employee Benefits	-	-	-	-	-	1.60
Total Adjustments	**-**	**-**	**(15.31)**	**45.81**	**(62.86)**	**7.07**
Tax Effect on above	-	-	(13.29)	(11.24)	4.69	10.33
Total Adjustments (net of tax)	**-**	**-**	**(2.02)**	**57.05**	**(67.55)**	**(3.26)**
Restated Profit after tax	**(20.04)**	**50.69**	**(72.47)**	**174.95**	**45.97**	**87.12**

Explanation to Adjustments:

a. Prior Period Items
In the financial statements of the Company, certain items were identified as prior period items. For the purpose of this statement such prior period items have been appropriately adjusted to the respective years to which they relate.

b. Changes in Accounting Policy

i. Foreign exchange liabilities pertaining to purchase of fixed assets
In view of the " Announcement " issued by the Institute of Chartered Accountants of India on 'Treatment of exchange differences under Accounting Standard (AS) 11 (revised 2003) and

notification dated March 31, 2009 issued by Ministry of Corporate affairs, Govt. of India., the Company had opted to adopt the amendment to the Companies (Accounting Standards) Rules, 2006. Pursuant to this adoption, for the year ended March 31, 2008, an amount of ₹ 29.37 million being foreign exchange fluctuations gain pertaining to foreign currency loan availed for acquisition of depreciable capital assets is adjusted to the cost of such assets. Consequentially, the depreciation on fixed assets for the relevant years has also been restated.

ii. Depreciation Policy

During the year ended March 31, 2008, on account of introduction of ERP, the Company had refined the method of providing depreciation by calculating the same on a pro-rata basis based on the number of days. Hitherto the depreciation was calculated taking each quarter as a unit. Consequent to this change, the depreciation on fixed assets for the prior year has been restated.

iii. Inventory Valuation

During the year ended March 31, 2009, on account of introduction of ERP, the Company had changed the method of determination of cost for inventory valuation from first in first out (FIFO) basis to weighted average basis. For the limited purpose of restatement, the inventory valuation for the prior years has been restated.

iv. Employee Benefits

During the year ended March 31, 2008, the Company had undertaken adoption of the Accounting Standard 15 (Revised 2005) "Employee Benefits". However, for the purpose of this statement the liability of employee benefits as provided for the years ended on March 31, 2007 have been recalculated as per Accounting Standard 15 (Revised 2005) "Employee Benefits" as if the revised standard was adopted by the Company for the year ended March 31, 2007.

c. Tax impact of adjustments

For the purpose of the restated summary statements, adjustments have been made for the tax impact of the adjustments in the respective years to which the adjustment pertain.

Statement of Adjustments to Audited Assets and Liabilities

(₹ in Million)

Particulars	As at	As at March 31				
	September 30, 2011	2011	2010	2009	2008	2007
1) Reserves and Surplus	11.33	11.33	11.33	13.35	(72.27)	(11.37)
2) Deferred Tax Liability	-	-	-	(2.13)	(2.13)	(5.28)
3) Current Liabilities	-	-	-	14.17	41.25	-
4) Provision	(1.12)	(1.12)	(1.12)	(1.12)	(6.31)	10.88
Total Liabilities	**10.21**	**10.21**	**10.21**	**24.27**	**(39.46)**	**(5.77)**
5) Fixed Assets	-	-	-	-	(29.37)	-
Less: Accumulated Depreciation	(1.68)	(1.68)	(1.68)	(1.68)	(2.48)	(1.68)
Net Block	1.68	1.68	1.68	1.68	(26.89)	1.68
6) Inventory	-	-	-	-	4.06	3.79
7) Loans and Advances	8.53	8.53	8.53	22.59	(16.63)	(11.24)
Total Assets	**10.21**	**10.21**	**10.21**	**24.27**	**(39.46)**	**(5.77)**

2. **SEGMENT REPORTING**

(a) Company's operations are predominantly related to the manufacture of Bulk drugs, as such there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, the differing risks and returns and internal reporting system.

(b) As a part of secondary reporting, in view of the management the Indian and export markets represent geographical segments.

Sales by market- The following is the distribution of the Company's sale by geographical market:

Particulars	**H1 2011-12**		**2010-11**		**2009-10**		**2008-09**		**2007-08**		**2006-07**	
	Revenue ₹ Million)	**%**	**Revenue ₹ Million)**	**%**	**Revenue ₹ Million)**	**%**	**Revenue ₹ Million)**	**%**	**Revenue ₹ Million)**	**%**	**Revenue ₹ Million)**	**%**
India	432.64	19	756.05	19	533.02	19	495.47	16	445.68	21	699.05	35
Other than India	1,813.25	81	3,179.67	81	2,251.19	81	2,571.75	84	1,731.35	79	1,322.65	65
Total	**2,245.89**	**100**	**3,935.72**	**100**	**2,784.21**	**100**	**3,067.22**	**100**	**2,177.03**	**100**	**2,021.70**	**100**

(c) The Company does not track its assets and liabilities by geographical area.

3. **RELATED PARTY TRANSACTIONS**

Disclosure as required by the Accounting Standard – 18 are given below:

(a) Name of the Related Parties and descriptions of Relationships

(i) Subsidiary Companies

Name	**Nature of Relationship**
Neuland Laboratories Inc., USA	Wholly Owned Subsidiary w.e.f. January 4, 2007
Neuland Laboratories K.K., Japan	Wholly Owned Subsidiary w.e.f. July 14, 2008
CATO Research Neuland India Private Limited	Partly Owned Subsidiary w.e.f. May 14, 2008

(ii) Key Management Personnel

Name	**Nature of Relationship**
Dr. D. R. Rao	Chairman & Managing Director
Mr. D. Sucheth Rao	Chief Executive Officer, Whole Time Director and son of Chairman & Managing Director
Mr. D. Saharsh Rao	President – Contract Research, Whole Time Director and son of Chairman & Managing Director

(iii) Relatives of Key Management Personnel

Name	**Nature of Relationship**
Mrs. D. Vijaya Rao	Wife of Chairman & Managing Director
Mrs. D. Rohini N Rao	Wife of Chief Executive Officer
Mrs. D. Deepthi Rao	Wife of President – Contract Research

(iv) Others

Name	Nature of Relationship
M/s. Sucheth & Saharsh Holdings Private Limited	Enterprise owned or significantly influenced by Key Management Personnel

(b) Transactions with Related Parties

₹In Million

Description	For half year ended	For the Year ended March 31				
	September 30, 2011	2011	2010	2009	2008	2007
Subsidiary Companies						
- Services received	43.28	57.36	46.83	42.74	-	-
- Rent paid	-	-	-	0.96	0.76	-
Key Management Personnel						
- Remuneration	7.37	14.91	14.34	12.35	10.22	7.82
- Commission	-	-	-	6.00	3.70	3.35
- Dividend	-	-	-	3.46	2.36	-
- Office maintenance	0.21	0.42	0.42	0.42	0.42	0.37
Relative of Key Management Personnel						
- Rent paid	-	-	-	-	-	0.86
Others						
- Rent paid	0.40	0.75	0.68	0.62	1.15	2.12
- Inter-corporate deposit taken	30.00	22.50	-	-	-	-
- Advance paid	-	-	-	-	15.75	15.00
- Interest on inter-corporate deposit	2.37	-	-	-	-	-

(c) Balances outstanding with Related Parties

₹In Million

Description	As at	As at March 31				
	September 30, 2011	2011	2010	2009	2008	2007
Receivables from						
- Subsidiary Companies	3.99	3.37	1.96	0.26	-	-
- Key Management Personnel	-	-	-	-	-	-
- Relatives of Key Management Personnel	-	-	-	-	-	-
- Others	4.02	2.21	17.54	17.42	2.00	2.00
Payables						
- Subsidiary Companies	14.57	4.50	2.81	3.69	-	-

- Key Management Personnel	8.77	7.34	6.53	0.43	0.32	-
- Relatives of Key Management Personnel	0.07	0.03	5.11	0.06	0.02	0.07
- Others	54.88	22.71	-	-	-	0.16
Investment in Share Capital of Subsidiary Companies	2.81	2.81	2.81	1.89	-	-

4. EARNINGS PER SHARE (EPS)

For Earnings per Share disclosure refer Annexure - 11

5. During the year 2008-09, the Company had opted to adopt the amendment to the Companies (Accounting Standards) Rules, 2006 effected by a notification dated 31.03.2009 issued by Ministry of Corporate affairs, Govt. of India. Pursuant to this adoption, for the half year ended September 30, 2011, an amount of ₹ (19.67) million (March 31, 2011: ₹ 4.74 million, March 31, 2010: ₹ 50.70 million, March 31, 2009: ₹ (108.50) million, March 31, 2008: ₹ 29.37 million) being foreign exchange fluctuations gain / (loss) pertaining to foreign currency loan availed for acquisition of depreciable capital assets is adjusted to the cost of such assets.

6. Employee Benefits

(a) Gratuity (Funded)

(i) Expense recognised in the Statement of Profit & Loss

₹ In Million

Description	Half year ended	For the Year ended March 31			
	September 30, 2011	**2011**	**2010**	**2009**	**2008**
Current Service Cost	1.44	6.43	3.67	2.90	2.40
Interest Cost	1.29	2.07	1.78	1.33	1.18
Expected Return on Plan Assets	(0.20)	(0.55)	(0.54)	(0.43)	(0.28)
Net Actuarial (Gains) / Losses	(1.58)	2.26	(0.20)	1.40	(1.04)
Total Expense	0.94	10.21	4.70	5.19	2.26

(ii) Net Assets/ (Liability) recognised in the Balance Sheet

₹ In Million

Description	Half year ended	For the Year ended March 31			
	September 30, 2011	**2011**	**2010**	**2009**	**2008**
Present Value of Defined Obligation	30.56	32.17	25.88	22.22	17.12
Fair Value of Plan Assets	3.03	4.95	9.12	5.06	5.72
Funded Status [Surplus / (Deficit)] Difference	(27.53)	(27.22)	(16.76)	(17.15)	(11.39)
Net Asset / (Liability)	(27.53)	(27.22)	(16.76)	(17.15)	(11.39)

(iii) Change in Obligation during the year

₹ In Million

Description	Half year ended	For the Year ended March 31			
	September 30, 2011	**2011**	**2010**	**2009**	**2008**

Present Value of the Defined Benefit Obligation at the beginning of the Year	32.17	25.88	22.22	17.12	14.72
Current Service Cost	1.44	6.43	3.67	2.90	2.40
Interest Cost	1.29	2.07	1.78	1.33	1.18
Actuarial (Gains) / Losses	(1.73)	2.26	(0.25)	1.40	(1.02)
Benefit Payments	(2.60)	(4.47)	(1.53)	(0.52)	(0.16)
Present Value of the Defined Benefit Obligation at the end of the Year	30.56	32.17	25.88	22.22	17.12

(iv) Change in Assets during the year

₹In Million

Description	Half year ended	For the Year ended March 31			
	September 30, 2011	2011	2010	2009	2008
Fair Value of Plan Assets at the beginning of the Year	4.95	9.12	5.06	5.72	3.45
Difference in Opening balance	0.08	-	-	-	-
Expected Return on Plan Assets	0.20	0.55	0.54	0.43	0.28
Contribution by Employer	-	-	5.00	-	2.13
Actual Benefits Paid	(2.05)	(4.47)	(1.53)	(0.52)	(0.16)
Actuarial Gains / (Losses) and adjustments on Plan Assets	(0.15)	0.25	0.04	(0.57)	0.02
Fair Value of Plan Assets at the end of the Year	3.03	4.95	9.12	5.06	5.72

(v) Actuarial Assumptions

Numbers in %

Description	Half year ended	For the Year ended March 31			
	September 30, 2011	2011	2010	2009	2008
Discount rate	8.00	8.00	8.00	7.76	8.00
Rate of Return on Plan Assets	8.00	8.00	8.00	8.00	8.00
Salary Escalation Rate (Management Staff)	4.00	4.00	4.00	4.00	4.00
Attrition rate	4.00	4.00	4.00	4.00	4.00
Mortality	Standard Table LIC (1994-96) Ultimate	Standard Table LIC (1994-96) ultimate	Standard Table LIC (1994-96) ultimate	Standard Table LIC (1994-96) ultimate	Standard Table LIC (1994-96) ultimate
Disability	No explicit Allowance	No explicit allowance	No explicit allowance	No explicit allowance	No explicit allowance

The estimates of future salary increases considered in Actuarial valuation takes into account the inflation rate on long term basis.

(b) Leave Encashment

(i) Expense recognised in the Statement of Profit & Loss

₹In Million

Description	Half year ended	For the Year ended March 31			
	September 30, 2011	2011	2010	2009	2008
Current Service Cost	(0.68)	(0.12)	2.26	3.03	0.48
Interest Cost	0.44	0.89	0.70	0.50	0.48
Expected Return on Plan Assets	-	-	-	-	-
Net Actuarial (Gains) / Losses	0.33	1.99	0.64	0.09	0.58
Total Expense	0.09	2.76	3.60	2.98	1.53

(ii) Net Assets/ (Liability) recognised in the Balance Sheet

₹In Million

Description	Half year ended	For the Year ended March 31			
	September 30, 2011	2011	2010	2009	2008
Present Value of Defined Obligation	10.28	10.96	11.08	9.45	(6.29)
Fair Value of Plan Assets	-	-	-	-	-
Funded Status [Surplus / (Deficit)] Difference	(10.28)	(10.96)	(11.08)	(9.45)	(6.29)
Net Asset / (Liability)	(10.28)	(10.96)	(11.08)	(9.45)	(6.29)

(iii) Change in Obligation during the year

₹In Million

Description	Half year ended	For the Year ended March 31			
	September 30, 2011	2011	2010	2009	2008
Present Value of the Defined Benefit Obligation at the beginning of the Year	10.96	11.08	9.45	6.29	5.94
Current Service Cost	(0.68)	(0.12)	2.26	3.03	0.48
Interest Cost	0.44	0.89	0.71	0.50	0.48
Actuarial (Gains) / Losses and adjustments	0.33	1.99	0.01	0.22	0.58
Benefit Payments	(0.77)	(2.88)	(1.35)	(0.59)	(1.18)
Present Value of the Defined Benefit Obligation at the end of the Year	10.28	10.96	11.08	9.45	6.29

(iv) Actuarial Assumptions

Numbers in %

Description	Half year ended	For the Year ended March 31			
	September 30, 2011	2011	2010	2009	2008
Discount rate	8.00	8.00	8.00	7.76	8.00
Rate of Return on Plan Assets	8.00	8.00	8.00	8.00	8.00
Salary Escalation Rate (Management Staff)	4.00	4.00	4.00	4.00	4.00
Attrition rate	4.00	4.00	4.00	4.00	4.00
Mortality	Standard Table LIC (1994-96)	Standard Table LIC (1994-96)	Standard Table LIC (1994-96)	Standard Table LIC (1994-96)	Standard Table LIC (1994-96)

	Ultimate	ultimate	ultimate	ultimate	ultimate
Disability	No explicit Allowance	No explicit allowance	No explicit allowance	No explicit allowance	No explicit allowance

The estimates of future salary increases considered in Actuarial valuation takes into account the inflation rate on long term basis.

(c) Contribution to Provident Fund – Defined Contribution Plan

Amount recognised and included in Annexure -2 "Standalone Restated Summary of Profit and Loss Account - Payments and Benefits to Employees" ₹ 5.30 million (March 31, 2011: ₹ 11.37 million, March 31, 2010: ₹ 10.05 million, March 31, 2009: ₹ 9.01 million, March 31, 2008: ₹ 8.02 million, March 31, 2007: ₹ 6.96 million).

7. Deferred Tax

₹In Million

Description	As at	As at March 31				
	September 30, 2011	2011	2010	2009	2008	2007
(A) Deferred Tax Liabilities:						
(i) Depreciation difference	53.01	59.29	65.16	52.19	41.37	50.47
(ii) Deferred revenue expenditure	-	-	-	-	-	0.90
(iii) Capital expenditure on R&D	171.23	172.87	167.45	165.47	123.63	24.31
TOTAL (A)	**224.24**	**232.16**	**232.61**	**217.66**	**165.00**	**75.68**
(B) Deferred Tax Assets:						
(i) Unabsorbed depreciation and loss	227.74	214.77	206.78	147.77	111.59	12.75
(ii) Provisions	14.88	15.93	14.28	15.78	10.47	12.52
(iii) Inventory	18.51	18.95	17.62	14.86	17.29	16.08
TOTAL (B)	**261.13**	**249.65**	**238.68**	**178.41**	**139.35**	**41.35**
Net Deferred Tax Assets / (Liabilities) [(B) – (A)]	**36.89**	**17.49**	**6.07**	**(39.25)**	**(25.65)**	**(34.33)**

As at September 30, 2011, March 31, 2011 and March 31, 2010, as a result of carried forward losses the deferred tax calculations result into a Deferred Tax Asset (DTA). The Company has not recognized the DTA as a matter of prudence.

8. Employee Stock Option Scheme – 2008

Pursuant to the resolution passed by the Board of directors on July 20, 2007 and members of the Company at the Annual General Meeting held on July 20th, 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for permanent employees and directors of the Company and of its subsidiaries, as may be decided by the Compensation Committee/Board. The scheme provides that the total number of options granted there under will be not more than 3% of the paid up capital. Each option, on exercise, is convertible into one equity share of the company having face value of ₹ 10. Pursuant to a resolution passed by the Remuneration & Compensation Committee vide Circular Resolution dated 17th November -2008, 34,500 options have been granted at an exercise price of ₹104, which is the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

Stock options activity under the scheme is as follows:

Description	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Option Outstanding at the beginning of the year	23,000	29,000	34,500	-
Options Granted	-	-	-	34,500
Options Exercised	-	-	-	-
Options Lapsed	3,500	6,000	5,500	-
Options Outstanding at the year end	19,500	23,000	29,000	34,500

9. During the half year ended September 30, 2011, Revenue of ₹ 5.83 million (March 31, 2011: ₹ 35.51 million) [including ₹ Nil (March 31, 2011: ₹ 5.39 million) for earlier periods] has been accounted under Export incentives receivable under Focus market scheme as per notification dated August 27, 2009 by Director General of Foreign Trade.

10. Contingent Liability:

(a) Claims against the Company not acknowledged as debts

(i) Customs duty demand of ₹ 2.29 million including interest (March 31, 2011: ₹ 2.29 million, March 31, 2010: ₹ 2.29 million, March 31, 2009: ₹ 2.29 million, March 31, 2008: ₹ 2.29 million, March 31, 2007: ₹ 2.29 million). The same was adjusted against the pre-deposit of ₹ 4.00 million (March 31, 2011: ₹ 4.00 million, March 31, 2010: ₹ 4.00 million, March 31, 2009: ₹ 4.00 million, March 31, 2008: ₹ 4.00 million, March 31, 2007: ₹ 4.00 million) made by the Company. The Company has filed an appeal against the demand before the Appellate Tribunal, Chennai, which is yet to be decided. Simultaneously the Company also filed an appeal before Honourable High Court of Madras for refund of balance of Pre-deposit together with interest. As the export obligations against the material imported under DEEC scheme have been completed, the Company expects the outcome in its favour.

(ii) Andhra Pradesh Gas Power Corporation Limited and its shareholders (including Neuland) have filed writ petition before the Division Bench of High Court of A.P, which has been admitted and favourable interim orders have been granted. The Company has been advised that it has a strong case to succeed in the pending appeal.

(iii) Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, the Company expects no liability on this account.

(iv) During the year 2007-08 and 2008-09, the Company has received final assessment order from the commercial tax department for a demand of ₹2.72 million for the Assessment Year 2004-05 and ₹4.72 Million for Assessment Year 2005-06, respectively, for non submission of sales tax forms. As the Company expects to collect the relevant pending sales tax forms, a writ petition has been filed with High Court of Andhra Pradesh against the demand. Out of the total demand of ₹7.44 million, the company has paid an amount of ₹ 4.09 million to the department under protest and is shown under Current Assets.

(b) Bills discounted amount to ₹ Nil (March 31, 2011: ₹ Nil, March 31, 2010: ₹ Nil, March 31, 2009: ₹ 37.82 million, March 31, 2008: ₹ 115.15 million, March 31, 2007: ₹ 160.98 million).

(c) Unexpired Letters of Credit opened on behalf of the Company by Bank for the raw material amounting to ₹ 446.48 million (March 31, 2011: ₹ 537.79 million, March 31, 2010: ₹ 438.25 million, March 31, 2009: ₹ 256.69 million, March 31, 2008: ₹ 223.20 million, March 31, 2007: ₹ 57.15 million).

(d) Estimated amounts of contracts on capital account to be executed and not provided for, net of advance ₹ 2.82 million (March 31, 2011: ₹ 1.28 million, March 31, 2010: ₹ 11.48 million, March 31, 2009: ₹ 95.00 million, March 31, 2008: ₹ 59.54 million, March 31, 2007: 56.73 million).

(e) Bank Guarantees given by the Company to Central Excise and Customs and other Government authorities amounting to ₹ 36.91 million (March 31, 2011: ₹ 13.59 million, March 31, 2010: ₹ 9.35 million, March 31, 2009: ₹ 10.33 million, March 31, 2008: ₹ 11.41 million, March 31, 2007: ₹ 1.76 million).

(f) During the year 2010-2011, a demand of ₹ 31.84 million was raised by the Income Tax Department for the Assessment Year 2004-2005, by the Assessing Officer by reopening the assessment under section 148 of the Income Tax Act, 1961. The Hon'ble CIT (Appeals) vide his order dated May 3, 2011 has upheld Company's plea and adjudicated in favour of the company stating the re opening of the assessment as bad in law, and the reopened proceedings void *ab initio*.

(g) During the year 2011-12, a demand of ₹ 36.61 million was raised by the Income Tax Department for the Assessment Year 2009-10, by the Assessing Officer under section 143(3) of the Income Tax Act, 1961. The Company filed an appeal with Hon'ble CIT (Appeals) against the order.

11. Fixed Assets include vehicles and machinery acquired under Hire Purchase Agreement amounting to ₹ 52.52 million as on September 30, 2011 (March 31, 2011: ₹ 52.52 million, March 31, 2010: ₹ 32.97 million, March 31, 2009: ₹ 19.33 million, March 31, 2008: ₹ 11.94 million, March 31, 2007: ₹ 15.35 million). The hire purchase charges have been charged to Profit & Loss Account. The Hire purchase installment due within one year is ₹ 11.58 million (March 31, 2011: ₹ 12.62 million, March 31, 2010: ₹ 10.36 million, March 31, 2009: ₹ 5.40 million, March 31, 2008: ₹ 3.33 million, March 31, 2007: ₹ 3.33 million).

12. During 2007-2008 and earlier years, the Company had availed ₹ 5.00 million as unsecured loan from ICICI Bank under SPREAD (Sponsored Research and Development Scheme). Since the project was unsuccessful in commercialization, the same was written back as per the terms and conditions of the loan agreement during the previous year and included in Other Income in 2008-09.

Annexure - 5: Details of Other Income as restated

(₹in Million)

Particulars	Half year ended	For the year ended March 31					Nature of Income	Related to Business Income or Not
	September 30, 2011	2011	2010	2009	2008	2007		
Interest Received	4.45	9.03	8.27	7.03	4.04	5.01	*Recurring*	Related
Miscellaneous Income	4.31	1.16	1.34	8.29	5.18	2.29	*Non recurring*	Related
Foreign Exchange Gain (Net)	-	14.57	-	60.65	37.94	12.80	*Recurring*	Related
Product Development Charges Received	17.98	32.23	32.73	29.37	6.26	19.55	*Recurring*	Related
Total	**26.74**	**56.99**	**42.34**	**105.34**	**53.42**	**39.65**		

Note: The Classification of the income into recurring and non-recurring is based on the current operations and business activity of the Company.

Annexure - 6: Details of Investments as restated

(₹ in Million)

Particulars	As at	As at March 31				
	September 30, 2011	2011	2010	2009	2008	2007
LONG TERM (Un Quoted) - At Cost						
In Subsidiaries						
Neuland Laboratories K.K., Japan	1.54	1.54	1.54	1.54	-	-
Neuland Laboratories Inc., USA	0.05	0.05	0.05	0.00	-	-
CATO Research Neuland India Private Limited	1.22	1.22	1.22	0.35	-	-
In Shares, Debentures and Bonds						
Jeedimetla Effluent Treatment Limited	0.22	0.22	0.22	0.22	0.22	0.22
Patancheru Enviro-Tech Limited	2.09	2.09	2.09	2.09	2.09	2.09
Andhra Pradesh Gas Power Corporation Limited	70.40	70.40	70.40	70.40	70.40	70.40
Others						
Investment in Government Securities	0.15	0.15	0.15	0.12	0.12	0.02
Investment in Mutual Fund	1.00	1.00	1.00	1.00	1.00	-
Total Investments as restated	**76.67**	**76.67**	**76.67**	**75.72**	**73.83**	**72.73**

Annexure - 7: Details of Sundry Debtors, Loans and Advances as restated

(₹ in Million)

Particulars	As at September 30, 2011	As at March 31 2011	2010	2009	2008	2007
Sundry Debtors (Unsecured)						
Outstanding for more than six months						
i. Considered good	37.06	31.52	35.51	18.20	6.12	8.89
ii. Considered doubtful	19.04	24.81	23.93	25.42	19.22	15.85
Other Debts - Considered good	1,201.66	964.20	692.75	693.30	508.14	413.51
Total	**1,257.76**	**1,020.53**	**752.19**	**736.92**	**533.48**	**438.25**
Less: Provision for doubtful debts	19.04	24.81	23.93	25.42	19.22	15.85
Total	**1,238.72**	**995.72**	**728.26**	**711.50**	**514.26**	**422.40**
Adjustments	**-**	**-**	**-**	**-**	**-**	**-**
Total Sundry Debtors as restated	**1,238.72**	**995.72**	**728.26**	**711.50**	**514.26**	**422.40**
Loans and Advances						
Advance recoverable in cash or in kind for the value to be received						
Balances with Central Excise	81.29	57.55	53.52	27.80	16.64	18.43
Advance to Suppliers	0.60	7.59	20.66	17.09	24.59	13.82
Other Advances	4.22	8.41	23.40	44.89	44.64	8.48
Deposits	22.62	21.81	20.98	20.59	21.07	19.11
Export Benefits Receivable	103.72	128.64	80.49	75.99	77.69	56.22
Other Claims Receivable	142.45	123.32	94.02	5.01	83.70	29.65
Advances to Subsidiaries	3.99	3.37	1.96	-	-	-
Prepaid Expenses	7.20	9.23	9.04	6.76	3.79	4.85
Advance Payment of Taxes	18.04	12.55	81.04	73.16	76.70	74.08
Interest accrued on Bank Deposits	6.22	9.79	9.73	6.15	3.15	2.63
Total	**390.35**	**382.26**	**394.84**	**277.44**	**351.97**	**227.27**

Annexure - 7: Details of Sundry Debtors, Loans and Advances as restated (Contd)

(₹ in Million)

Particulars	As at	As at March 31				
	September 30, 2011	**2011**	**2010**	**2009**	**2008**	**2007**
Considered good	390.35	382.26	394.84	277.44	351.97	227.27
Considered doubtful	-	-	-	-	-	-
Total	**390.35**	**382.26**	**394.84**	**277.44**	**351.97**	**227.27**
Less: Provision for doubtful advances	-	-	-	-	-	-
Total Loans and Advances	**390.35**	**382.26**	**394.84**	**277.44**	**351.97**	**227.27**
Adjustments	**8.53**	**8.53**	**8.53**	**22.59**	**(16.63)**	**(11.24)**
Total Loans and advances as restated	**398.88**	**390.79**	**403.37**	**300.03**	**335.34**	**216.03**

Annexure - 8: Details of Secured Loans as restated

(₹ in Million)

Particulars	As at	As at March 31				
	September 30, 2011	2011	2010	2009	2008	2007
Term Loans						
From Bank						
Foreign Currency Loans	225.13	234.35	349.17	523.99	469.34	410.99
Rupee Loans	787.15	743.29	890.06	726.86	325.42	45.55
From Others	-	-	-	1.50	4.50	8.40
Working Capital Finance from Banks	1,209.85	1,108.60	1,074.38	737.74	532.17	301.55
Loans from Non Banking Financial Company	81.92	189.58	-	-	-	-
Hire Purchase Loans	14.37	20.10	18.21	13.07	9.42	7.85
Total Secured Loans as restated	**2,318.42**	**2,295.92**	**2,331.82**	**2,003.16**	**1,340.85**	**774.34**

DETAILS OF SECURED LOANS OUTSTANDING AS AT SEPTEMBER 30, 2011

a) Term Loans

(₹in Million)

Description	Amount Sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
Bank of India	120	39.42	1% above BPLR	Repayable in 48 instalments of ₹ 2.50 million commencing from one (1) month after disbursement (i.e. from November 2008). Interest to be serviced separately every month, as and when applied.	First pari passu charge on fixed assets. Guarantees by Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.
Bank of India	316	244.86	0.050% below BPLR.	Repayable in 20 quarterly instalments of ₹ 15.8 million commencing from twenty four (24) months after first disbursement (i.e. commencing quarter ending June 2010, with last instalment payable in March 2015). Interest during moratorium period to be serviced as and when applied.	First pari passu charge by way of mortgage and hypothecation over all fixed assets (excluding specifically charged assets) of the Company, both present and future. Second Pari Passu charge on entire current assets of the Company, both present and future. Guarantees by Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.
Export-Import Bank of India	300	180.00	PLR minus 1.5%, payable monthly	Repayable in 20 equal quarterly instalments commencing from the date	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and

Description	Amount Sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
				of first disbursement (i.e. commencing from quarter ended December 2009.)	future, of the Company. Second Pari Passu Charge on entire current assets of the Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.
State Bank of India	132	118.49	1.50% above SBAR	Monthly instalments of • ₹ 0.15 million for the period April 2010 till March 2011 • ₹ 2.65 million for the period April 2011 till March 2012 • ₹ 2.70 million for the period April 2012 till March 2013 • ₹ 2.70 million for the period April 2013 till March 2014 • ₹ 2.80 million for the period April 2014 till March 2015	Pari Passu first charge (Hypothecation) on fixed assets and equitable mortgage of land and buildings along with other term lenders situated at Sy. No. 347, 474, 488, 489 and 490 Bonthapally to the extent of Acres 10.48, at Nanakramguda to the extent of Acres 5.00 and at Plot No. 92, 93, 94, 257 and 258 to the extent of Acres 9.17 at Pashamylaram. Pari Passu Second Charge (Hypothecation) on the current assets of the Company. Second Charge on Pledge of 1,00,000 equity shares of the Company in the name of Dr. Davuluri Rama Mohan Rao (first charge for the working capital limits) Lien on fixed deposits of ₹ 2.50 million. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
State Bank of India	88	74.41	1.50% above SBAR	Monthly instalments of:	Pari Passu first charge (Hypothecation) on fixed assets and equitable mortgage of land and

Description	Amount Sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
				• ₹ 0.15 million for the period April 2011 till March 2012 • ₹ 0.40 million for the period April 2012 till March 2013 • ₹ 2 million for the period April 2013 till March 2014 • ₹ 2.40 million for the period April 2014 till March 2015 • ₹ 2.40 million for the first 11 months of the period April 2015 till March 2016 and ₹ 2.20 million for the last instalment.	buildings along with other term lenders situated at Sy. No. 347, 474, 488, 489 and 490 Bonthapally to the extent of Acres 10.48, at Nanakramguda to the extent of Acres 5.00 and at Plot No. 92, 93, 94, 257 and 258 to the extent of Acres 9.17 at Pashamylaram. Pari Passu Second Charge (Hypothecation) on the current assets of the Company. Second Charge on Pledge of 1,00,000 equity shares of the Company in the name of Dr. Davuluri Rama Mohan Rao (first charge for the working capital limits) Lien on fixed deposits of ₹ 2.50 million. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
State Bank of India	80	0.00	**SBAR** at the time of sanction. Interest reset to 7.25% above base rate as per revised sanction letter dated April 20, 2011	Repayable in 16 quarterly instalments of ₹ 5 million each commencing from October 2007	Pari Passu first charge on present and future fixed assets of the Company. Pari Passu first charge on lease hold rights on 2 Acres of land situated at S.No.490/1, Bonthapally village, Jinnaram mandal belonging to M/s Sucheth & Saharsh Holdings (P) Ltd. Pari Passu second charge on Company’s current assets. Pari Passu second charge on pledge of one lakh equity shares of Dr. D.R.Rao (first charge with the working capital bankers on Pari

Description	Amount Sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
					Passu basis) Pari Passu charge on 2 Acres of land situated at S.No.490/1, Bonthapally village, Jinnaram mandal belonging to M/s Sucheth & Saharsh Holdings (P) Ltd. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
Export-Import Bank of India	360	225.13	LIBOR (6 months) + 500 bps	Repayment in 20 quarterly instalments commencing from April 2009	First Pari Passu charge by way of mortgage and hypothecation over all immoveable properties and moveable fixed assets of the Company, both present and future, excluding assets of approx. ₹ 12.10 million that are specifically charged to TIFAC. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.
State Bank of India	150	79.97	7.75% above base rate	Repayable in 36 monthly instalments of ₹ 4.15 million commencing from January 2012	Pari passu first charge on Company’s fixed assets. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
Export-Import Bank of India	100	50.00	LTMLR plus 250 bps and LTMLR will be reset every 3 months	Repayment in 20 quarterly instalments with 24 months moratorium from the date of first drawal, i.e.	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding assets that are specifically charged) of the Company, both present and future. Personal Guarantee of Dr.

Description	Amount Sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
				September 2011	Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.
TOTAL	**1,646**	**1,012.28**			

b) Cash Credit and Working Capital Loans

(₹in Million)

Particulars	Amount sanctioned	Amount outstanding	Rate of interest	Repayment terms	Securities offered
State Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	750	939.44	6.75% above Base rate for Cash Credit Interest rate as applicable to Export Finance for Packing Credit and Bill Discounting	Repayable on demand	Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of the Company in the name of Dr. Davuluri Rama Mohan Rao. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
Indian Overseas Bank - Cash Credit, Packing Credit, Foreign Bill Discounting	90	91.38	Base Rate + 4% and SBI rate whichever is higher Interest rate on Packing Credit and Bill Discounting as applicable	Repayable on demand	Pari Passu first charge on all the chargeable current assets including hypothecation of stocks and receivables on pari passu basis. First pari passu charge on current assets of the Company including hypothecation of stocks in cash of packing credit and documents of the title of

Particulars	Amount sanctioned	Amount outstanding	Rate of interest	Repayment terms	Securities offered
					goods / accepted hundies. Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of the Company in the name of Dr. Davuluri Rama Mohan Rao. Pari Passu charge on the 402,000 shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL"). Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	180	179.03	1% above BPLR Interest rate as applicable for export credit	Repayable on demand	First pari passu charge on current assets of the Company. Pari passu second charge on fixed assets of the Company. Pari passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL"). Pledge of 100,000 equity shares of the Company in the name of Dr. Davuluri Rama Mohan Rao. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
TOTAL	**1,020**	**1,209.85**			

c) Loan from Non Banking Finance Company

(₹in Million)

Description	Amount Sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
SBI Global Factors Limited	150	81.92	LIBOR + 650 bps	Repayable on due dates of the invoices factored.	Pari passu first charge by way of hypothecation on all assets of the Company, present and future. Pari passu second charge on fixed assets of the Company. Pledge of 100,000 unencumbered equity shares of the Company owned by Dr. D.R.Rao.
TOTAL	**150**	**81.92**			

d) Vehicle and Equipment Loans

(₹in Million)

Name of the Bank	Total Loan Amount	Amount Outstanding	Rate of Interest	Repayment terms	Securities offered
Axis Bank Limited	0.51	0.08	11.75%	36 equal monthly instalments commencing from Mar 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.79	0.13	11.75%	36 equal monthly instalments commencing from Mar 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.36	0.06	11.75%	36 equal monthly instalments commencing from Mar 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.60	0.10	11.75%	36 equal monthly instalments commencing from Apr 2009	Hypothecation of the Vehicle
Axis Bank Limited	7.10	1.78	10.75%	36 equal monthly instalments commencing from Jun 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.51	0.14	11.00%	36 equal monthly instalments commencing from Jul 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.40	0.11	11.00%	36 equal monthly instalments commencing from Jul 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.40	0.11	11.00%	36 equal monthly instalments commencing from Jul 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.26	0.07	11.00%	36 equal monthly instalments commencing from Jul 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.26	0.07	11.00%	36 equal monthly instalments commencing from Jul 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.35	0.11	11.00%	36 equal monthly instalments commencing from Aug 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.60	0.19	11.00%	36 equal monthly instalments commencing from Aug 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.96	0.32	9.50%	36 equal monthly instalments commencing from Sep 2009	Hypothecation of the Vehicle
Kotak Mahindra Prime Limited	1.94	0.56	4.75%	36 equal monthly instalments commencing from Aug 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.76	0.27	8.00%	36 equal monthly instalments commencing from Oct 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.40	0.18	9.50%	36 equal monthly instalments commencing from Jan 2010	Hypothecation of the Vehicle
Axis Bank Limited	0.56	0.25	9.50%	36 equal monthly instalments commencing from Jan 2010	Hypothecation of the Vehicle

Name of the Bank	Total Loan Amount	Amount Outstanding	Rate of Interest	Repayment terms	Securities offered
Axis Bank Limited	0.51	0.23	10.00%	36 equal monthly instalments commencing from Jan 2010	Hypothecation of the Vehicle
Axis Bank Limited	0.67	0.34	8.75%	36 equal monthly instalments commencing from Mar 2010	Hypothecation of the Vehicle
Kotak Mahindra Prime Limited	0.80	0.53	8.50%	36 equal monthly instalments commencing from Aug 2010	Hypothecation of the Vehicle
Kotak Mahindra Prime Limited	0.60	0.40	8.50%	36 equal monthly instalments commencing from Aug 2010	Hypothecation of the Vehicle
Bank of India	0.31	0.02	12.50%	36 equal monthly instalments commencing from Oct 2008	Hypothecation of the Vehicle
Bank of India	0.32	0.02	12.50%	36 equal monthly instalments commencing from Oct 2008	Hypothecation of the Vehicle
Bank of India	0.67	0.03	12.50%	36 equal monthly instalments commencing from Oct 2008	Hypothecation of the Vehicle
Bank of India	0.44	0.05	11.50%	36 equal monthly instalments commencing from Jan 2009	Hypothecation of the Vehicle
Bank of India	0.58	0.37	10.50%	36 equal monthly instalments commencing from Jun 2010	Hypothecation of the Vehicle
Bank of India	0.60	0.40	10.00%	36 equal monthly instalments commencing from Sep 2010	Hypothecation of the Vehicle
First Leasing Company of India Limited	20.00	7.45	11.75%	36 equal monthly instalments commencing from Aug 2010	Hypothecation of the Machinery
TOTAL	**42.26**	**14.37**			

Annexure - 9: Details of Unsecured Loans as restated

(₹ in Million)

Particulars	As at	As at March 31				
	September 30, 2011	**2011**	**2010**	**2009**	**2008**	**2007**
Short Term Loans						
From Banks	1.11	1.04	-	-	-	5.00
From Others	47.98	17.94	-	-	-	0.48
Inter Corporate Loans	54.87	22.50	-	-	-	-
Total Unsecured Loans as restated	**103.96**	**41.48**	**-**	**-**	**-**	**5.48**

DETAILS OF UNSECURED LOANS OUTSTANDING AS AT SEPTEMBER 30, 2011

Short Term Loans

(₹ in Million)

Particulars	Amount sanctioned	Amount outstanding	Rate of interest	Repayment terms	Securities Offered
Sucheth and Saharsh Holdings Private Limited.	52.50	54.87*	16%	Repayable on Demand	NA
G. C. Chemie Pharmie Limited	59.12	47.98	21%	Repayable on due dates	NA
Overdraft on Current Accounts with Banks	-	1.11	18.25%	Repayable on Demand	NA
TOTAL	**111.62**	**103.96**			

* includes interest accrued and due amounting to ₹ 2.37 million

Annexure - 10: Details of Reserves and Surplus as restated

(₹ in Million)

Particulars	As at	As at March 31				
	September 30, 2011	2011	2010	2009	2008	2007
CAPITAL RESERVE						
As per last Balance Sheet	0.33	0.33	0.33	0.33	0.33	0.33
SECURITIES PREMIUM						
As per last Balance Sheet	360.54	360.54	360.54	360.54	360.54	360.54
GENERAL RESERVE						
As per last Balance Sheet	241.91	241.91	241.91	182.06	103.57	35.78
Less: Adjustment for						
Employee Benefits	-	-	-	-	6.65	-
Foreign Exchange Gain	-	-	-	28.57	-	-
Add: Transfer from Profit and Loss Account	-	-	-	88.42	85.14	67.79
Total	**241.91**	**241.91**	**241.91**	**241.91**	**182.06**	**103.57**
Adjustments	27.11	27.11	27.11	27.11	(1.46)	(8.11)
General Reserve, as restated	**269.02**	**269.02**	**269.02**	**269.02**	**180.60**	**95.46**
REVALUATION RESERVE						
As per last Balance Sheet	11.99	12.80	13.84	14.94	16.04	17.14
Less: Depreciation on revalued assets	0.41	0.81	1.04	1.10	1.10	1.10
Revaluation Reserve, as restated	**11.58**	**11.99**	**12.80**	**13.84**	**14.94**	**16.04**
Profit and Loss Account - Balance as restated	**26.02**	**46.06**	**(4.63)**	**67.84**	**3.41**	**58.36**
Restated Reserves and Surplus	**667.49**	**687.94**	**638.06**	**711.57**	**559.82**	**530.73**

Annexure - 11: Summary of Accounting Ratios as restated

Particulars	Half year ended	For the year ended March 31				
	September 30, 2011	2011	2010	2009	2008	2007
Earnings per Share (in ₹)						
Basic	(3.71)	9.39	(13.43)	32.42	8.52	16.14
Diluted	(3.71)	9.38	(13.41)	32.36	8.52	16.14
Net Asset value per share (in ₹)	131.32	135.39	126.00	139.42	111.10	105.02
Return on Net Worth (%)	-2.83%	6.94%	-10.66%	23.25%	7.67%	15.37%
Weighted average number of equity shares outstanding during the period used for computing basic Earnings per Share	5,396,455	5,396,455	5,396,455	5,396,455	5,396,455	5,396,455
Weighted average number of equity shares outstanding during the period used for computing Diluting Earnings per Share	5,401,780	5,402,735	5,404,374	5,405,876	5,396,455	5,396,455
Number of Shares Outstanding at the end of the year	5,396,455	5,396,455	5,396,455	5,396,455	5,396,455	5,396,455

1 **The ratios have been computed as below:**

Basic and Diluted Earnings per share (in ₹) =

$$\frac{\textbf{Net Profit After Tax - Restated}}{\textbf{Weighted average number of equity shares outstanding during the year}}$$

Net Asset Value per Share (in ₹) =

$$\frac{\textbf{Net Worth - Restated}}{\textbf{Total number of equity shares outstanding at the end of the year}}$$

Return on Net Worth (%) =

$$\frac{\textbf{Net profit after Tax - Restated}}{\textbf{Net worth - Restated at the end of the year}}$$

2 **Net profit- Restated as appearing in the "Standalone Restated Summary of Profit and Loss" has been considered for the purpose of computing the above ratios.**

3 **Earnings Per Share calculation are done in accordance with Accounting Standard 20 on Earnings Per Share.**

4 **Net Worth means Equity Share Capital + Reserves and Surplus as appearing in "Standalone Restated Summary of Assets & Liabilities ".**

Annexure -12: Statement of Capitalisation as restated

(₹ in Million)

Particulars		**Pre-issue as at September 30, 2011**	**Post Issue**
Borrowing			
Short Term Debt		1,676.51	**1,676.51**
Long Term Debt	**(A)**	745.87	**745.87**
Total Debts		**2,422.38**	**2,422.38**
Share Holders' Funds			
Equity Share Capital		54.67	**77.16**
Securities Premium		360.54	**439.24**
Reserves and Surplus (excluding revaluation reserve)		295.37	**295.37**
Less: Miscellaneous expenses not written off		1.94	**1.94**
Total Share Holders' Funds	**(B)**	**708.64**	**809.83**
Total Capitalization		**3,131.02**	**3,232.21**
Long term Debt / Equity Share Holders' Funds [(A) / (B)]		**1.05**	**0.92**

1. The above has been completed based on restated summary statements
2. Short term debts are debts due within next one year from September 30, 2011

Annexure - 13: Statement of Tax Shelter as restated

(₹in Million)

Particulars		Half year ended	For the year ended March 31				
		September 30, 2011	2011	2010	2009	2008	2007
Profit Before Tax as per Summary Statement of Profit & Loss as restated	**A**	**(20.04)**	**47.16**	**(111.57)**	**189.92**	**43.79**	**106.91**
Income Tax rate applicable under Normal Provisions	**B**	33.22%	33.22%	33.99%	33.99%	33.99%	33.66%
Tax Rate on Long Term Capital Gain	**C**	22.15%	22.15%	22.66%	22.66%	22.66%	22.44%
Tax Rate on Short Term Capital Gain	**D**	16.61%	16.61%	16.99%	16.99%	11.33%	11.22%
Income Tax rate applicable under MAT provisions	**E**	19.93%	19.93%	16.99%	11.33%	11.33%	11.22%
Notional tax at Normal rates (A x B)	**F**	**(6.66)**	**15.67**	**(37.92)**	**64.55**	**14.88**	**35.99**
Adjustments:							
Permanent Differences							
Weighted Deduction for R&D u/s 35(2AB)		(63.62)	(115.57)	(56.91)	(75.40)	(107.17)	(71.47)
Other Adjustments		-	-	-	-	(29.37)	(4.91)
Total	**G**	**(63.62)**	**(115.57)**	**(56.91)**	**(75.40)**	**(136.54)**	**(76.38)**
Timing Differences							
Difference between tax depreciation and book depreciation		16.91	18.36	(32.15)	(40.26)	5.18	12.52
Disallowances under section 40/43B		1.76	31.86	27.21	28.69	10.18	9.34
Other Adjustments		(7.36)	(20.69)	(15.94)	(115.58)	(191.93)	(154.97)
Total	**H**	**11.31**	**29.53**	**(20.88)**	**(127.15)**	**(176.57)**	**(133.11)**
Net Adjustments (G + H)	**I**	**(52.31)**	**(86.04)**	**(77.79)**	**(202.55)**	**(313.11)**	**(209.49)**
Tax savings thereon (I x B)	**J**	**(17.38)**	**(28.58)**	**(26.44)**	**(68.85)**	**(106.42)**	**(70.52)**
Total Taxation (F + J)	**K**	**(24.04)**	**(12.91)**	**(64.36)**	**(4.30)**	**(91.54)**	**(34.53)**
Taxable Income for MAT purpose (as per restated Profit and Loss account)	**L**	-	**47.16**	-	**189.92**	**43.79**	**102.00**
Tax payable under MAT provisions (L x E)	**M**	**-**	**9.40**	**-**	**21.52**	**4.96**	**11.44**

Annexure - 13: Statement of Tax Shelter as restated (Contd)

(₹in Million)

Particulars		Half year ended	For the year ended March 31				
		September 30, 2011	2011	2010	2009	2008	2007
Wealth Tax	**N**	**-**	**0.21**	**0.15**	**-**	**-**	**-**
Deferred Tax	**O**	**-**	**-**	**(39.25)**	**13.60**	**(8.67)**	**7.12**
Fringe Benefit Tax	**P**	**-**	**-**	**-**	**2.79**	**1.53**	**1.23**
MAT Credit Entitlement	**Q**	**-**	**9.40**	**-**	**21.56**	**-**	**-**
Excess Provision no longer required	**R**	**-**	**3.74**	**-**	**1.38**	**-**	**-**
Total Tax Expense [(Higher of K or M) + N + O + P - Q - R]	**S**	**-**	**(3.53)**	**(39.10)**	**14.97**	**(2.18)**	**19.79**
Carried forward losses * (including unabsorbed depreciation)	**T**	**72.35**	**38.88**	**179.8**	**79.82**	**221.51**	**109.57**

* As per income tax return filed subject to final assessment

Note: Numbers for the half year ended September 30, 2011 are extracted from draft computation of income tax.

Annexure - 14: Details of Dividends Paid

(₹in Million)

Class of Shares	Half year ended	For the Year ended March 31				
	September 30, 2011	2011	2010	2009	2008	2007
Equity Share of ₹ 10 each fully paid	5,396,455	5,396,455	5,396,455	5,396,455	5,396,455	5,396,455
Dividend Rate (%)	-	-	-	35%	25%	25%
Dividend (in ₹)	-	-	-	18.89	13.49	13.67
Tax on Dividend (in ₹)	-	-	-	3.21	2.29	1.91

Annexure - 15: Consolidated Restated Summary of Assets and Liabilities

(₹ in Million)

Particulars	As at	As at March 31		
	September 30, 2011	**2011**	**2010**	**2009**
A. Fixed Assets				
Gross Block	2,513.84	2,462.19	2,354.68	2,056.49
Less: Accumulated Depreciation/Amortisation	951.18	877.51	725.64	589.61
Net Block	1,562.66	1,584.68	1,629.04	1,466.88
Less: Revaluation Reserve	11.58	11.99	12.80	13.84
Net Block After Adjustment of Revaluation Reserve	1,551.08	1,572.69	1,616.24	1,453.04
Capital Work-in-Progress	275.73	272.57	302.48	368.02
Total	**1,826.81**	**1,845.26**	**1,918.72**	**1,821.06**
B. Investments	**73.86**	**73.86**	**73.86**	**73.83**
C. Current Assets, Loans and Advances				
Inventories	872.84	799.16	719.27	704.66
Sundry Debtors	1,255.92	997.03	728.39	711.50
Cash and Bank balances	144.20	152.70	134.21	111.12
Loans and Advances	398.86	390.28	404.25	324.92
Total	**2,671.82**	**2,339.17**	**1,986.12**	**1,852.20**
D. Total Assets (A + B + C)	**4,572.49**	**4,258.29**	**3,978.70**	**3,747.09**
E. Liabilities and Provisions				
Secured Loans	2,318.42	2,295.92	2,331.82	2,003.16
Unsecured Loans	103.96	41.48	-	-
Total	**2,422.38**	**2,337.40**	**2,331.82**	**2,003.16**
F. Deferred Tax Liability (Net)	**-**	**-**	**-**	**39.25**
G. Minority Interest	**3.12**	**3.49**	**3.70**	**0.12**
H. Current Liabilities and Provisions				
Current Liabilities	1,376.49	1,138.71	851.48	815.47
Provisions	55.05	43.14	109.04	131.62
Total	**1,431.54**	**1,181.85**	**960.52**	**947.09**
I. Total Liabilities and Provisions (E + F + G + H)	**3,857.04**	**3,522.74**	**3,296.04**	**2,989.62**
J. Net Worth (D - I)	**715.45**	**735.55**	**682.66**	**757.47**

Annexure - 15: Consolidated Restated Summary of Assets and Liabilities (continued)

(₹ in Million)

Particulars	As at	As at March 31		
	September 30, 2011	2011	2010	2009
Represented by				
Shareholders' Fund				
Equity Share Capital	54.67	54.67	54.67	54.67
Share Application Money	-	-	-	3.74
Reserves and Surplus	674.30	692.87	640.79	712.90
Less: Revaluation Reserve	11.58	11.99	12.80	13.84
Reserves and Surplus (net of Revaluation Reserve)	**662.72**	**680.88**	**627.99**	**699.06**
Less: Miscellaneous expenditure not written off	1.94	-	-	-
Net Worth	**715.45**	**735.55**	**682.66**	**757.47**

Annexure - 16: Consolidated Restated Summary of Profit and Loss

(₹in Million)

Particulars	For half year ended	For the year ended March 31		
	September 30, 2011	2011	2010	2009
INCOME				
Sales				
Sale of Manufactured Goods	2,246.02	3,936.90	2,784.21	3,067.22
Total Sales	**2,246.02**	**3,936.90**	**2,784.21**	**3,067.22**
Other Income	26.86	57.24	42.49	105.34
Total Income	**2,272.88**	**3,994.14**	**2,826.70**	**3,172.56**
Expenditure				
(Increase)/Decrease in Finished Goods and Work in Process	(67.01)	(31.71)	(35.55)	(138.56)
Raw Material Consumed	1,542.55	2,530.80	1,626.07	2,029.73
Manufacturing Expenses	187.07	333.51	299.21	315.82
Payments and Benefits to Employees	173.18	297.31	258.24	253.16
Administration, Selling and Other Expenses	218.03	362.37	381.20	348.95
Total Expenditure	**2,053.82**	**3,492.28**	**2,529.17**	**2,809.10**
Profit Before Interest, Depreciation, Tax and Minority Interest	**219.06**	**501.86**	**297.53**	**363.46**
Interest and Finance Cost	163.90	298.37	256.73	143.63
Profit Before Depreciation, Tax and Minority Interest	**55.16**	**203.49**	**40.80**	**219.83**
Depreciation/ Amortisation	73.26	154.11	135.60	73.70
Profit Before Tax, Minority Interest and restatement	**(18.10)**	**49.38**	**(94.80)**	**146.13**
Adjustments on account of restatement (Refer Annexure 18(B)(1))	**-**	**-**	**(15.31)**	**45.81**
Profit before Tax, Minority Interest, Exceptional Items and after Restatement	**(18.10)**	**49.38**	**(110.11)**	**191.94**
Exceptional items	-	-	-	-
Profit before Tax, Minority Interest and after Exceptional Items and Restatement	**(18.10)**	**49.38**	**(110.11)**	**191.94**

Annexure - 16: Consolidated Restated Summary of Profit and Loss (continued)

(₹in Million)

Particulars	For half year ended	For the year ended March 31		
	September 30, 2011	2011	2010	2009
Tax expense	**0.43**	**(3.30)**	**(25.59)**	**26.93**
Effect on Tax due to Restatement (Refer Annexure 18(B)(1))	-	-	(13.29)	(11.24)
Tax expense Restated	**0.43**	**(3.30)**	**(38.88)**	**15.69**
Profit After Tax , Exceptional Items and Restatement and Before Minority Interest	**(18.53)**	**52.68**	**(71.23)**	**176.25**
Minority Interest	0.37	0.21	0.16	0.03
Profit After Tax , Exceptional Items and Restatement	**(18.16)**	**52.89**	**(71.07)**	**176.28**
Balance brought forward from Previous Year as restated	**50.99**	**(1.90)**	**69.17**	**3.41**
Profits available for appropriation	**32.83**	**50.99**	**(1.90)**	**179.69**
Appropriations				
Towards Dividend	-	-	-	18.89
Towards Tax on Dividend	-	-	-	3.21
Transferred to General Reserve	-	-	-	88.42
Total Appropriations	**-**	**-**	**-**	**110.52**
Balance carried to Balance Sheet	**32.83**	**50.99**	**(1.90)**	**69.17**

Annexure – 17: Consolidated Cash Flow Statement as restated

(₹in Million)

Particulars	For half year ended	For the year ended March 31		
	September 30, 2011	2011	2010	2009
A. Cash flow from Operating Activities :				
Net Profit Before Tax and Exceptional items as Restated	(18.10)	49.38	(110.11)	191.94
Adjustments for :				
Non Cash and Non Operating items	238.88	417.79	355.29	168.10
Operating Cash flow before Working Capital changes	**220.78**	**467.17**	**245.18**	**360.04**
Adjustments for:				
Trade and Other Receivables	(294.34)	(286.74)	(38.17)	(205.17)
Inventories	(73.67)	(79.91)	(14.60)	(150.47)
Loans and Advances	4.32	(54.47)	(59.09)	50.06
Trade Payables and Other Liabilities	228.20	299.76	40.20	173.27
Cash (used in) / generated from Operations	**85.29**	**345.81**	**173.52**	**227.73**
Direct Taxes Paid	(3.07)	(3.83)	(21.22)	(12.45)
Exceptional items	-	-	-	-
Net Cash (used in) / from Operating activities	**82.22**	**341.98**	**152.30**	**215.28**
B. Cash flow from Investing Activities :				
Purchase of Fixed Assets	(54.81)	(81.88)	(233.85)	(742.34)
Sale of Fixed Assets	-	1.14	0.45	0.37
Net Cash (used in) / from Investing activities	**(54.81)**	**(80.74)**	**(233.40)**	**(741.97)**

Annexure – 17: Consolidated Cash Flow Statement as restated (continued)

(₹in Million)

Particulars	For half year ended	For the year ended March 31		
	September 30, 2011	2011	2010	2009
C. Cash flow from Financing Activities :				
Proceeds from long-term borrowings	32.37	22.50	348.29	539.30
Increase in bank borrowings	(6.34)	224.85	336.64	205.56
Repayments of long-term borrowings	28.92	(259.70)	(356.27)	(82.55)
Interest Paid	(120.52)	(248.13)	(202.53)	(104.71)
Proceeds from / (Repayment of) Unsecured Loans	30.03	17.94	-	-
Share Application money received	-	-	-	3.86
Share Application money repaid	-	-	(3.58)	-
Share Capital proceeds from Minority	-	-	3.74	-
Change in Minority Interest	(0.37)	(0.21)	-	-
Dividend paid	-	-	(22.10)	(15.78)
Net Cash (used in) / from Financing activities	**(35.91)**	**(242.75)**	**104.19**	**545.68**
Net (Decrease) / Increase in Cash and Cash equivalents (A+B+C)	**(8.50)**	**18.49**	**23.09**	**18.99**
Cash and Cash equivalents at the beginning of the year	**152.70**	**134.21**	**111.12**	**92.13**
Cash and Cash equivalents as at end of the year	**144.20**	**152.70**	**134.21**	**111.12**

Annexure – 18

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting and use of estimates

(i) Financial statements are prepared under the historical cost convention, on accrual basis of accounting in accordance with the accounting principles generally accepted in India and in compliance with the provisions of Companies Act 1956, and comply with the mandatory accounting standards specified in Companies (Accounting Standard) Rules 2006, prescribed by the Central government.

(ii) The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

2. Principles of Consolidation

(i) The Consolidated Financial Statements relate to Neuland Laboratories Limited ('the Company') and its wholly owned subsidiaries and the joint venture. The Consolidated Financial Statements have been prepared on the following basis:

The financial statements of the Company, its subsidiaries and the joint venture have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.

The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

(ii) The subsidiaries and joint venture considered in the Consolidated Financial Statements are:

Name of the Company	Country of Incorporation	% interest as at September 30, 2011	% interest as at March 31, 2011	% interest as at March 31, 2010	% interest as at March 31, 2009
Subsidiaries					
Neuland Laboratories K.K.	Japan	100	100	100	100
Neuland Laboratories Inc.	USA	100	100	100	100
Joint Venture					
CATO Research Neuland India Private Limited	India	70	70	70	70

3. Revenue Recognition

(i) Sales are recognized on dispatch of products. Sales are inclusive of insurance, freight and exclusive of Sales Tax.

(ii) The export incentive are accrued and accounted on the basis of the actual exports made during the year.

(iii) Income from product development services are recognized when services are rendered or related costs are incurred in accordance with the terms of specific contracts.

4. Excise Duty

Excise Duty recovered is reduced from sale of products. Excise Duty in respect of finished goods is accounted for, as and when goods are cleared from the factory and stocks of finished goods are valued inclusive of excise duty where applicable.

5. Fixed Assets

(i) Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation and impairment losses. Cost of acquisition or construction is inclusive of freight, duties (net of CENVAT and VAT), taxes, incidental expenses relating to acquisition, cost of installation/erection, attributable interest and financial cost till such time assets are ready for its intended use.

(ii) Foreign Exchange gain/loss on borrowings for acquisition / construction of Fixed Assets have been reduced from/added to the related costs of assets with effect from 1st April 2007 as per ministry notification dated 31st March 2009 in amendment of accounting standards.

(iii) Certain land, buildings, plant & machinery and fixed assets are shown at re-valued values. Other fixed assets are shown at cost.

(iv) Depreciation on fixed assets is provided on Straight Line Method at the rates prescribed by Schedule XIV of the Companies Act, 1956 as amended, and is calculated on a pro-rata basis. Depreciation is charged on pro rata basis for assets purchased / sold during the year. Depreciation on value written up on revalued assets is calculated on SLM basis with reference to the remaining useful life of the asset and the Revaluation Reserve is charged with the difference between the depreciation calculated on such revalued costs and the historical cost.

(v) Borrowing costs that are attributable to the acquisition or construction of fixed assets are capitalized as part of such assets for the period up to the date of put to use. All other borrowing costs are charged to revenue.

(vi) Expenses on Research & Development equipment are capitalized.

(vii) Intangibles being cost of SAP ERP and software are amortized over a period of three years.

6. Impairment of Assets

In accordance with Accounting Standard 28 (AS 28) on " Impairment of Assets, where there is an indication of impairment of the Company's assets, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment based on internal/external factors. An impairment loss, if any, is recognized in the Profit & Loss account, wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of the assets is estimated at the higher of its net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. Previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

7. Investments

Long term Investments are carried at cost. However, provision for diminution in value if any is made to recognize a decline other than temporary in the value of investments.

8. Foreign currency Transactions

(i) Transactions in foreign exchange are accounted for at the average exchange rate for the month of transaction. Gains and losses arising thereon are recognized in the Profit and Loss Account. In respect of items covered by forward exchange contract, the premium or discount arising at the inception of such a forward exchange contract is amortised as an expense or income over the life of the contract;

(ii) Foreign currency monetary items are reported using exchange rates prevailing at the close of the year and exchange difference arising there from is charged / credited to Profit and Loss Account. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction;

(iii) In case of fixed assets, refer 5 (ii) above.

9. Inventories

Inventories are valued at lower of cost and estimated net realizable value, after providing for cost of obsolescence and other anticipated loss whenever considered necessary. Work-in-progress is valued at estimated cost on the basis of stage wise completion of the production. Finished goods and work in process include cost of conversion and other costs incurred in bringing the inventories to their present level of location and condition. Cost is determined by using the weighted average basis. Cost of finished goods includes excise duty, wherever applicable.

10. Taxation

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961. Deferred tax resulting from “timing differences” between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax assets pertaining to carried forward losses and unabsorbed depreciation are recognized only to the extent that there is a virtual certainty that these assets are realized. The deferred tax assets pertaining to other items are recognized to the extent that there is a reasonable certainty that the same can be realized.

11. Employee Stock Option Schemes (ESOS)

The Company accounts for compensation expense under the Employee Stock Option Schemes using the intrinsic value method as permitted by the Guidance Note on “Accounting for Employee Share-based Payments” issued by the Institute of Chartered Accountants of India. The difference between the market price and the exercise price as at the date of the grant is treated as compensation expense and charged over the vesting period.

12. Employee Benefits

(i) Defined Contribution Plan

The Company’s Employee’s Provident Fund administered through Government Provident Fund, Employee State Insurance Scheme and Labour Welfare Fund are considered as Defined Contribution Plans. The Company’s contributions paid/payable towards these defined contributions plan are recognised as expense in the Profit and Loss Account during the period in which the employee renders the related service. The interest rate payable by the said funds to the beneficiaries every year is being notified by the government. The company has no obligation to make good the shortfall, if any between the return from the investment and the interest rate.

(ii) Defined Benefit Plan

Company's liabilities towards gratuity, long term compensated absences are considered as Defined Benefit Plans. The present value of the obligations under such Defined Benefit Plans are determined based on actuarial valuation using the projected unit credit method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized immediately in the statement of profit and loss. The obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields at the balance sheet date on Government securities.

13. Contingencies and Provisions

A provision is recognized when the Company has a present obligation as a result of past events. Provisions are not discounted to present value and are determined based on the best estimate of the expenditure required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent liabilities are disclosed after careful examination of the facts and legal aspects of the matter involved.

B. NOTES TO ACCOUNTS

1. Adjustments / Regroupings

Impact of Restatement:

Statement of adjustments to Audited Consolidated Profit and Loss account

(₹in Million)

Particulars	For half year ended	For the year ended March 31		
	September 30, 2011	2011	2010	2009
Net Profit after tax and after extra ordinary items as per audited financial statements	**(18.16)**	**52.89**	**(69.05)**	**119.23**
Add/Less Adjustments for				
A. Prior Period Items				
a) Cenvat Clearing	-	-	(29.48)	22.79
b) Derivative Contracts	-	-	14.17	27.08
B. Changes in Accounting Policy				
a) Inventory valuation	-	-	-	(4.06)
Total Adjustments	**-**	**-**	**(15.31)**	**45.81**

Tax Effect on above	-	-	(13.29)	(11.24)
Total Adjustments (net of tax)	**-**	**-**	**(2.02)**	**57.05**
Restated Profit after tax	**(18.16)**	**52.89**	**(71.07)**	**176.28**

Explanation to Adjustments:

a. Prior Period Items

In the financial statements of the Company, certain items were identified as prior period items. For the purpose of this statement such prior period items have been appropriately adjusted to the respective years to which they relate.

b. Changes in Accounting Policy

i. Inventory Valuation

During the year ended March 31, 2009, on account of introduction of ERP, the Company had changed the method of determination of cost for inventory valuation from first in first out (FIFO) basis to weighted average basis. For the limited purpose of restatement, the inventory valuation for the prior years has been restated.

c. Tax impact of adjustments

For the purpose of the restated summary statements, adjustments have been made for the tax impact of the adjustments in the respective years to which the adjustment pertain.

Statement of Adjustments to Audited Assets and Liabilities

(₹in Million)

Particulars	As at	As at March 31		
	September 30, 2011	2011	2010	2009
1) Reserves and Surplus	11.33	11.33	11.33	13.35
2) Deferred Tax Liability	-	-	-	(2.13)
3) Current Liabilities	-	-	-	14.17
4) Provision	(1.12)	(1.12)	(1.12)	(1.12)
Total Liabilities	**10.21**	**10.21**	**10.21**	**24.27**
5) Fixed Assets	-	-	-	-
Less: Accumulated Depreciation	(1.68)	(1.68)	(1.68)	(1.68)
Net Block	1.68	1.68	1.68	1.68
6) Loans and Advances	8.53	8.53	8.53	22.59
Total Assets	**10.21**	**10.21**	**10.21**	**24.27**

2. SEGMENT REPORTING

(a) Company's operations are predominantly related to the manufacture of Bulk drugs, as such there is only one primary reportable segment. Secondary reportable segments are identified taking into account the geographical markets available to the products, the differing risks and returns and internal reporting system.

(b) As a part of secondary reporting, in view of the management the Indian and export markets represent geographical segments.

Sales by market- The following is the distribution of the Company's sale by geographical market:

Particulars	H1 2011-12		2010-11		2009-10		2008-09	
	Revenue (₹ Million)	**%**	**Revenue (₹ Million)**	**%**	**Revenue (₹ Million)**	**%**	**Revenue (₹ Million)**	**%**
India	432.64	19	756.05	19	533.02	19	495.47	16
Other than India	1,813.37	81	3,180.85	81	2,251.19	81	2,571.75	84
Total	**2,246.01**	**100**	**3,936.90**	**100**	**2,784.21**	**100**	**3,067.22**	**100**

(c) The Company does not track its assets and liabilities by geographical area.

3. RELATED PARTY TRANSACTIONS

Disclosure as required by the Accounting Standard – 18 are given below:

(a) Name of the Related Parties and descriptions of Relationships

(i) Key Management Personnel

Name	Nature of Relationship
Dr. D. R. Rao	Chairman & Managing Director
Mr. D. Sucheth Rao	Chief Executive Officer, Whole Time Director and son of Chairman & Managing Director
Mr. D. Saharsh Rao	President – Contract Research, Whole Time Director and son of Chairman & Managing Director
Mr. Tom Speace	President – Neuland Laboratories Inc.
Mr. Y. Kizawa	President – Neuland Laboratories K.K.

(ii) Relatives of Key Management Personnel

Name	Nature of Relationship
Mrs. D. Vijaya Rao	Wife of Chairman & Managing Director
Mrs. D. Rohini N Rao	Wife of Chief Executive Officer
Mrs. D. Deepthi Rao	Wife of President – Contract Research

(iii) Others

Name	Nature of Relationship
M/s. Sucheth & Saharsh Holdings Private Limited	Enterprise owned or significantly influenced by Key Management Personnel

(b) Transactions with Related Parties

₹In Million

Description	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Key Management Personnel				
- Remuneration	14.01	34.02	31.83	12.35
- Commission	-	-	-	6.00
- Dividend	-	-	-	3.46
- Office maintenance	0.21	0.42	0.42	0.42
Others				
- Rent paid	0.40	0.75	0.68	0.62
- Inter-corporate deposit taken	30.00	22.50	-	-
- Interest on Inter-corporate deposit	2.37	-	-	-

(c) Balances outstanding with Related Parties

₹In Million

Description	As at	As at March 31		
	September 30, 2011	2011	2010	2009
Receivables from				
- Others	4.02	2.21	17.55	17.42
Payables				
- Key Management Personnel	8.77	7.34	6.53	0.43
- Relatives of Key Management Personnel	0.07	0.03	5.11	0.06
- Others	54.88	22.71	-	-

4. EARNINGS PER SHARE (EPS)

For Earnings per Share disclosure refer Annexure - 25

5. During the year 2008-09, the Company had opted to adopt the amendment to the Companies (Accounting Standards) Rules, 2006 effected by a notification dated 31.03.2009 issued by Ministry of Corporate affairs, Govt. of India. Pursuant to this adoption, for the half year ended September 30, 2011, an amount of ₹ (19.67) million (March 31, 2011: ₹ 4.74 million, March 31, 2010: ₹ 50.70 million, March 31, 2009: ₹ (108.50) million) being foreign exchange fluctuations gain / (loss) pertaining to foreign currency loan availed for acquisition of depreciable capital assets is adjusted to the cost of such assets.

6. Employee Benefits

(a) Gratuity (Funded)

(i) Expense recognised in the Statement of Profit & Loss

₹In Million

Description	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Current Service Cost	1.44	6.43	3.67	2.90
Interest Cost	1.29	2.07	1.78	1.33
Expected Return on Plan Assets	(0.20)	(0.55)	(0.54)	(0.43)

Net Actuarial (Gains) / Losses	(1.58)	2.26	(0.20)	1.40
Total Expense	0.94	10.21	4.70	5.19

(ii) Net Assets/ (Liability) recognised in the Balance Sheet

₹In Million

Description	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Present Value of Defined Obligation	30.56	32.17	25.88	22.22
Fair Value of Plan Assets	3.03	4.95	9.12	5.06
Funded Status [Surplus / (Deficit)] Difference	(27.53)	(27.22)	(16.76)	(17.15)
Net Asset / (Liability)	(27.53)	(27.22)	(16.76)	(17.15)

(iii) Change in Obligation during the year

₹In Million

Description	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Present Value of the Defined Benefit Obligation at the beginning of the Year	32.17	25.88	22.22	17.12
Current Service Cost	1.44	6.43	3.67	2.90
Interest Cost	1.29	2.07	1.78	1.33
Actuarial (Gains) / Losses	(1.73)	2.26	(0.25)	1.40
Benefit Payments	(2.60)	(4.47)	(1.53)	(0.52)
Present Value of the Defined Benefit Obligation at the end of the Year	30.56	32.17	25.88	22.22

(iv) Change in Assets during the year

₹In Million

Description	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Fair Value of Plan Assets at the beginning of the Year	4.95	9.12	5.06	5.72
Difference in Opening balance	0.08	-	-	-
Expected Return on Plan Assets	0.20	0.55	0.54	0.43
Contribution by Employer	-	-	5.00	-
Actual Benefits Paid	(2.05)	(4.47)	(1.53)	(0.52)
Actuarial Gains / (Losses) and adjustments on Plan Assets	(0.15)	0.25	0.04	(0.57)
Fair Value of Plan Assets at the end of the Year	3.03	4.95	9.12	5.06

(v) Actuarial Assumptions

Numbers in %

Description	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Discount rate	8.00	8.00	8.00	7.76
Rate of Return on Plan Assets	8.00	8.00	8.00	8.00
Salary Escalation Rate (Management Staff)	4.00	4.00	4.00	4.00
Attrition rate	4.00	4.00	4.00	4.00

Mortality	Standard Table LIC (1994-96) ultimate	Standard Table LIC (1994-96) ultimate	Standard Table LIC (1994-96) ultimate	Standard Table LIC (1994-96) ultimate
Disability	No explicit allowance	No explicit allowance	No explicit allowance	No explicit allowance

The estimates of future salary increases considered in Actuarial valuation takes into account the inflation rate on long term basis.

(b) Leave Encashment

(i) Expense recognised in the Statement of Profit & Loss

₹In Million

Description	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Current Service Cost	(0.68)	(0.12)	2.26	3.03
Interest Cost	0.44	0.89	0.70	0.50
Expected Return on Plan Assets	-	-	-	-
Net Actuarial (Gains) / Losses	0.33	1.99	0.64	0.09
Total Expense	0.09	2.76	3.60	2.98

(ii) Net Assets/ (Liability) recognised in the Balance Sheet

₹In Million

Description	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Present Value of Defined Obligation	10.28	10.96	11.08	9.45
Fair Value of Plan Assets	-	-	-	-
Funded Status [Surplus / (Deficit)] Difference	(10.28)	(10.96)	(11.08)	(9.45)
Net Asset / (Liability)	(10.28)	(10.96)	(11.08)	(9.45)

(iii) Change in Obligation during the year

₹In Million

Description	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Present Value of the Defined Benefit Obligation at the beginning of the Year	10.96	11.08	9.45	6.29
Current Service Cost	(0.68)	(0.12)	2.26	3.03
Interest Cost	0.44	0.89	0.71	0.50
Actuarial (Gains) / Losses and adjustments	0.33	1.99	0.01	0.22
Benefit Payments	(0.77)	(2.88)	(1.35)	(0.59)
Present Value of the Defined Benefit Obligation at the end of the Year	10.28	10.96	11.08	9.45

(iv) Actuarial Assumptions

Numbers in %

Description	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Discount rate	8.00	8.00	8.00	7.76

Rate of Return on Plan Assets	8.00	8.00	8.00	8.00
Salary Escalation Rate (Management Staff)	4.00	4.00	4.00	4.00
Attrition rate	4.00	4.00	4.00	4.00
Mortality	Standard Table LIC (1994-96) ultimate	Standard Table LIC (1994-96) ultimate	Standard Table LIC (1994-96) ultimate	Standard Table LIC (1994-96) ultimate
Disability	No explicit allowance	No explicit allowance	No explicit allowance	No explicit allowance

The estimates of future salary increases considered in Actuarial valuation takes into account the inflation rate on long term basis.

(c) Contribution to Provident Fund – Defined Contribution Plan

Amount recognised and included in Annexure -16 "Consolidated Restated Summary of Profit and Loss Account - Payments and Benefits to Employees" ₹ 5.30 million (March 31, 2011: ₹ 11.37 million, March 31, 2010: ₹ 10.05 million, March 31, 2009: ₹ 9.01 million, March 31, 2008: ₹ 8.02 million, March 31, 2007: ₹ 6.96 million).

7. Employee Stock Option Scheme – 2008

Pursuant to the resolution passed by the Board of directors on July 20, 2007 and members of the Company at the Annual General Meeting held on July 20th, 2007, the Company had introduced Employee Stock Option Scheme ("the scheme") for permanent employees and directors of the Company and of its subsidiaries, as may be decided by the Compensation Committee/Board. The scheme provides that the total number of options granted there under will be not more than 3% of the paid up capital. Each option, on exercise, is convertible into one equity share of the company having face value of ₹ 10. Pursuant to a resolution passed by the Remuneration & Compensation Committee vide Circular Resolution dated 17th November -2008, 34,500 options have been granted at an exercise price of ₹ 104, which is the market price as on the date of the grant. Accordingly, the Company has not recognized any expense on account of grant of stock options.

Stock options activity under the scheme is as follows:

Description	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Option Outstanding at the beginning of the year	23,000	29,000	34,500	-
Options Granted	-	-	-	34,500
Options Exercised	-	-	-	-
Options Lapsed	3,500	6,000	5,500	-
Options Outstanding at the year end	19,500	23,000	29,000	34,500

8. Contingent Liability:

(a) Claims against the Company not acknowledged as debts

(i) Customs duty demand of ₹ 2.29 million including interest (March 31, 2011: ₹ 2.29 million, March 31, 2010: ₹ 2.29 million, March 31, 2009: ₹ 2.29 million). The same was adjusted against the pre-deposit of ₹ 4.00 million (March 31, 2011: ₹ 4.00 million, March 31, 2010: ₹ 4.00 million, March 31, 2009: ₹ 4.00 million) made by the Company. The Company has filed an appeal against the demand before the Appellate Tribunal, Chennai, which is yet to be decided. Simultaneously the Company also filed an appeal before Honourable High Court of Madras for refund of balance of Pre-deposit together with interest. As the export obligations against the material imported under DEEC scheme have been completed, the Company expects the outcome in its favour.

(ii) Andhra Pradesh Gas Power Corporation Limited and its shareholders (including Neuland) have filed writ petition before the Division Bench of High Court of A.P, which has been admitted and favourable interim orders have been granted. The Company has been advised that it has a strong case to succeed in the pending appeal.

(iii) Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, the Company expects no liability on this account.

(iv) During the year 2007-08 and 2008-09, the Company has received final assessment order from the commercial tax department for a demand of ₹2.72 million for the Assessment Year 2004-05 and ₹4.72 Million for Assessment Year 2005-06, respectively, for non submission of sales tax forms. As the Company expects to collect the relevant pending sales tax forms, a writ petition has been filed with High Court of Andhra Pradesh against the demand. Out of the total demand of ₹7.44 million, the company has paid an amount of ₹ 4.09 million to the department under protest and is shown under Current Assets.

(b) Bills discounted amount to ₹ Nil (March 31, 2011: ₹ Nil, March 31, 2010: ₹ Nil, March 31, 2009: ₹ 37.82 million).

(c) Unexpired Letters of Credit opened on behalf of the Company by Bank for the raw material amounting to ₹ 446.48 million (March 31, 2011: ₹ 537.79 million, March 31, 2010: ₹ 438.25 million, March 31, 2009: ₹ 256.69 million).

(d) Estimated amounts of contracts on capital account to be executed and not provided for, net of advance ₹ 2.82 million (March 31, 2011: ₹ 1.28 million, March 31, 2010: ₹ 11.48 million, March 31, 2009: ₹ 95.00 million).

(e) Bank Guarantees given by the Company to Central Excise and Customs and other Government authorities amounting to ₹ 36.91 million (March 31, 2011: ₹ 13.59 million, March 31, 2010: ₹ 9.35 million, March 31, 2009: ₹ 10.33 million).

(f) During the year 2010-2011, a demand of ₹ 31.84 million was raised by the Income Tax Department for the Assessment Year 2004-2005, by the Assessing Officer by reopening the assessment under section 148 of the Income Tax Act, 1961. The Hon'ble CIT (Appeals) vide his order dated May 3, 2011 has upheld Company's plea and adjudicated in favour of the company stating the re opening of the assessment as bad in law, and the reopened proceedings void *ab initio*.

(g) During the year 2011-2012, a demand of ₹ 36.61 million was raised by the Income Tax Department for the Assessment Year 2009-10, by the Assessing Officer under section 143(3) of the Income Tax Act, 1961. The Company filed an appeal with Hon'ble CIT (Appeals) against the order.

9. Fixed Assets include vehicles and machinery acquired under Hire Purchase Agreement amounting to ₹ 52.52 million as on September 30, 2011 (March 31, 2011: ₹ 52.52 million, March 31, 2010: ₹ 32.97 million, March 31, 2009: ₹ 19.33 million). The hire purchase charges have been charged to Profit & Loss Account. The Hire purchase installment due within one year is ₹ 11.58 million (March 31, 2011: ₹ 12.62 million, March 31, 2010: ₹ 10.36 million, March 31, 2009: ₹ 5.40 million).

Annexure - 19: Details of Consolidated Other Income as restated

(₹in Million)

Particulars	**For half year ended**	**For the year ended March 31**			**Nature of Income**	***Related to Business Income or Not***
	September 30, 2011	**2011**	**2010**	**2009**		
Interest Received	4.57	9.27	8.32	7.03	*Recurring*	Related
Miscellaneous Income	4.31	1.16	1.43	8.29	*Non recurring*	Related
Foreign Exchange Gain (Net)	-	14.58	0.01	60.65	*Recurring*	Related
Product Development Charges Received	17.98	32.23	32.73	29.37	*Recurring*	Related
Total	**26.86**	**57.24**	**42.49**	**105.34**		

Note: The Classification of the income into recurring and non-recurring is based on the current operations and business activity of the Company.

Annexure - 20: Details of Consolidated Investments as restated

(₹in Million)

Particulars	**As at**	**As at March 31**		
	September 30, 2011	**2011**	**2010**	**2009**
LONG TERM (Un Quoted) - At Cost				
In Shares, Debentures and Bonds				
Jeedimetla Effluent Treatment Limited	0.22	0.22	0.22	0.22
Patancheru Enviro-Tech Limited	2.09	2.09	2.09	2.09
Andhra Pradesh Gas Power Corporation Limited	70.40	70.40	70.40	70.40
Others				
Investment in Government Securities	0.15	0.15	0.15	0.12
Investment in Mutual Fund	1.00	1.00	1.00	1.00
Total Investments as restated	**73.86**	**73.86**	**73.86**	**73.83**

Annexure - 21: Details of Consolidated Sundry Debtors, Loans and Advances as restated

(₹in Million)

Particulars	As at	As at March 31		
	September 30, 2011	2011	2010	2009
Sundry Debtors (Unsecured)				
Outstanding for more than six months				
i. Considered good	37.06	32.70	35.51	18.20
ii. Considered doubtful	19.04	24.81	23.93	25.42
Other Debts - Considered good	1,218.86	964.33	692.88	693.30
Total	**1,274.96**	**1,021.84**	**752.32**	**736.92**
Less: Provision for doubtful debts	19.04	24.81	23.93	25.42
Total	**1,255.92**	**997.03**	**728.39**	**711.50**
Adjustments	**-**	**-**	**-**	**-**
Total Sundry Debtors as restated	**1,255.92**	**997.03**	**728.39**	**711.50**
Loans and Advances				
Advance recoverable in cash or in kind for the value to be received				
Balances with Central Excise	81.29	57.55	53.52	27.80
Advance to Suppliers	0.60	7.59	20.66	17.09
Other Advances	4.53	8.44	24.32	46.46
Deposits	24.44	23.35	22.38	20.59
Export Benefits Receivable	103.72	128.64	80.49	75.99
Other Claims Receivable	142.45	123.32	94.02	28.33
Prepaid Expenses	8.77	10.03	9.31	6.76
Advance Payment of Taxes	18.23	12.79	81.23	73.16
Interest accrued on Bank Deposits	6.30	10.04	9.79	6.15
Total	**390.33**	**381.75**	**395.72**	**302.33**

Annexure - 21: Details of Consolidated Sundry Debtors, Loans and Advances as restated (Contd)

(₹in Million)

Particulars	As at	As at March 31		
	September 30, 2011	2011	2010	2009
Considered good	390.33	381.75	395.72	302.33
Considered doubtful	-	-	-	-
Total	**390.33**	**381.75**	**395.72**	**302.33**
Less: Provision for doubtful advances	-	-	-	-
Total Loans and Advances	**390.33**	**381.75**	**395.72**	**302.33**
Adjustments	**8.53**	**8.53**	**8.53**	**22.59**
Total Loans and advances as restated	**398.86**	**390.28**	**404.25**	**324.92**

Annexure - 22: Details of Consolidated Secured Loans as restated

(₹in Million)

Particulars	As at	As at March 31		
	September 30, 2011	2011	2010	2009
Term Loans				
From Bank				
Foreign Currency Loans	225.13	234.35	349.17	523.99
Rupee Loans	787.15	743.29	890.06	726.86
From Others	-	-	-	1.50
Working Capital Finance from Banks	1,209.85	1,108.60	1,074.38	737.74
Loans from Non Banking Financial Company	81.92	189.58	-	-
Hire Purchase Loans	14.37	20.10	18.21	13.07
Total Secured Loans as restated	**2,318.42**	**2,295.92**	**2,331.82**	**2,003.16**

DETAILS OF SECURED LOANS OUTSTANDING AS AT SEPTEMBER 30, 2011

a) Term Loans

(₹in Million)

Description	Amount Sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
Bank of India	120	39.42	1% above BPLR	Repayable in 48 instalments of ₹ 2.50 million commencing from one (1) month after disbursement (i.e. from November 2008). Interest to be serviced separately every month, as and when applied.	First pari passu charge on fixed assets. Guarantees by Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.
Bank of India	316	244.86	0.050% below BPLR.	Repayable in 20 quarterly instalments of ₹ 15.8 million commencing from twenty four (24) months after first disbursement (i.e. commencing quarter ending June 2010, with last instalment payable in March 2015). Interest during moratorium period to be serviced as and when applied.	First pari passu charge by way of mortgage and hypothecation over all fixed assets (excluding specifically charged assets) of the Company, both present and future. Second Pari Passu charge on entire current assets of the Company, both present and future. Guarantees by Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.
Export-Import Bank of India	300	180.00	PLR minus 1.5%, payable monthly	Repayable in 20 equal quarterly instalments commencing from the date	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and

Description	Amount Sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
				of first disbursement (i.e. commencing from quarter ended December 2009.)	future, of the Company. Second Pari Passu Charge on entire current assets of the Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.
State Bank of India	132	118.49	1.50% above SBAR	Monthly instalments of • ₹ 0.15 million for the period April 2010 till March 2011 • ₹ 2.65 million for the period April 2011 till March 2012 • ₹ 2.70 million for the period April 2012 till March 2013 • ₹ 2.70 million for the period April 2013 till March 2014 • ₹ 2.80 million for the period April 2014 till March 2015	Pari Passu first charge (Hypothecation) on fixed assets and equitable mortgage of land and buildings along with other term lenders situated at Sy. No. 347, 474, 488, 489 and 490 Bonthapally to the extent of Acres 10.48, at Nanakramguda to the extent of Acres 5.00 and at Plot No. 92, 93, 94, 257 and 258 to the extent of Acres 9.17 at Pashamylaram. Pari Passu Second Charge (Hypothecation) on the current assets of the Company. Second Charge on Pledge of 1,00,000 equity shares of the Company in the name of Dr. Davuluri Rama Mohan Rao (first charge for the working capital limits) Lien on fixed deposits of ₹ 2.50 million. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
State Bank of India	88	74.41	1.50% above SBAR	Monthly instalments of:	Pari Passu first charge (Hypothecation) on fixed assets and equitable mortgage of land and

Description	Amount Sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
				• ₹ 0.15 million for the period April 2011 till March 2012 • ₹ 0.40 million for the period April 2012 till March 2013 • ₹ 2 million for the period April 2013 till March 2014 • ₹ 2.40 million for the period April 2014 till March 2015 • ₹ 2.40 million for the first 11 months of the period April 2015 till March 2016 and ₹ 2.20 million for the last instalment.	buildings along with other term lenders situated at Sy. No. 347, 474, 488, 489 and 490 Bonthapally to the extent of Acres 10.48, at Nanakramguda to the extent of Acres 5.00 and at Plot No. 92, 93, 94, 257 and 258 to the extent of Acres 9.17 at Pashamylaram. Pari Passu Second Charge (Hypothecation) on the current assets of the Company. Second Charge on Pledge of 1,00,000 equity shares of the Company in the name of Dr. Davuluri Rama Mohan Rao (first charge for the working capital limits) Lien on fixed deposits of ₹ 2.50 million. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
State Bank of India	80	0.00	**SBAR** at the time of sanction. Interest reset to 7.25% above base rate as per revised sanction letter dated April 20, 2011	Repayable in 16 quarterly instalments of ₹ 5 million each commencing from October 2007	Pari Passu first charge on present and future fixed assets of the Company. Pari Passu first charge on lease hold rights on 2 Acres of land situated at S.No.490/1, Bonthapally village, Jinnaram mandal belonging to M/s Sucheth & Saharsh Holdings (P) Ltd. Pari Passu second charge on Company's current assets. Pari Passu second charge on pledge of one lakh equity shares of Dr. D.R.Rao (first charge with the working capital bankers on Pari

Description	Amount Sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
					Passu basis) Pari Passu charge on 2 Acres of land situated at S.No.490/1, Bonthapally village, Jinnaram mandal belonging to M/s Sucheth & Saharsh Holdings (P) Ltd. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
Export-Import Bank of India	360	225.13	LIBOR (6 months) + 500 bps	Repayment in 20 quarterly instalments commencing from April 2009	First Pari Passu charge by way of mortgage and hypothecation over all immoveable properties and moveable fixed assets of the Company, both present and future, excluding assets of approx. ₹ 12.10 million that are specifically charged to TIFAC. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.
State Bank of India	150	79.97	7.75% above base rate	Repayable in 36 monthly instalments of ₹ 4.15 million commencing from January 2012	Pari passu first charge on Company's fixed assets. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
Export-Import Bank of India	100	50.00	LTMLR plus 250 bps and LTMLR will be reset every 3 months	Repayment in 20 quarterly instalments with 24 months moratorium from the date of first drawal, i.e.	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding assets that are specifically charged) of the Company, both present and future. Personal Guarantee of Dr.

Description	Amount Sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
				September 2011	Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.
TOTAL	**1,646**	**1,012.28**			

b) Cash Credit and Working Capital Loans

(₹in Million)

Particulars	Amount sanctioned	Amount outstanding	Rate of interest	Repayment terms	Securities offered
State Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	750	939.44	6.75% above Base rate for Cash Credit Interest rate as applicable to Export Finance for Packing Credit and Bill Discounting	Repayable on demand	Pari Passu first charge by way of hypothecation on current assets of the Company (other than receivables with SBI Global Factors Limited) Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of the Company in the name of Dr. Davuluri Rama Mohan Rao. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
Indian Overseas Bank - Cash Credit, Packing Credit, Foreign Bill Discounting	90	91.38	Base Rate + 4% and SBI rate whichever is higher Interest rate on Packing Credit and Bill Discounting as applicable	Repayable on demand	Pari Passu first charge on all the chargeable current assets including hypothecation of stocks and receivables on pari passu basis. First pari passu charge on current assets of the Company including hypothecation of stocks in cash of packing credit and documents of the title of

Particulars	Amount sanctioned	Amount outstanding	Rate of interest	Repayment terms	Securities offered
					goods / accepted hundies. Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of the Company in the name of Dr. Davuluri Rama Mohan Rao. Pari Passu charge on the 402,000 shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL"). Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
Bank of India - Cash Credit, Packing Credit, Foreign Bill Discounting	180	179.03	1% above BPLR Interest rate as applicable for export credit	Repayable on demand	First pari passu charge on current assets of the Company. Pari passu second charge on fixed assets of the Company. Pari passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL"). Pledge of 100,000 equity shares of the Company in the name of Dr. Davuluri Rama Mohan Rao. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.
TOTAL	**1,020**	**1,209.85**			

c) Loan from Non Banking Finance Company

(₹in Million)

Description	Amount Sanctioned	Amount Outstanding	Rate of Interest	Repayment Terms	Securities Offered
SBI Global Factors Limited	150	81.92	LIBOR + 650 bps	Repayable on due dates of the invoices factored.	Pari passu first charge by way of hypothecation on all assets of the Company, present and future. Pari passu second charge on fixed assets of the Company. Pledge of 100,000 unencumbered equity shares of the Company owned by Dr. D.R.Rao.
TOTAL	**150**	**81.92**			

d) Vehicle and Equipment Loans

(₹in Million)

Name of the Bank	Total Loan Amount	Amount Outstanding	Rate of Interest	Repayment terms	Securities offered
Axis Bank Limited	0.51	0.08	11.75%	36 equal monthly instalments commencing from Mar 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.79	0.13	11.75%	36 equal monthly instalments commencing from Mar 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.36	0.06	11.75%	36 equal monthly instalments commencing from Mar 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.60	0.10	11.75%	36 equal monthly instalments commencing from Apr 2009	Hypothecation of the Vehicle
Axis Bank Limited	7.10	1.78	10.75%	36 equal monthly instalments commencing from Jun 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.51	0.14	11.00%	36 equal monthly instalments commencing from Jul 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.40	0.11	11.00%	36 equal monthly instalments commencing from Jul 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.40	0.11	11.00%	36 equal monthly instalments commencing from Jul 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.26	0.07	11.00%	36 equal monthly instalments commencing from Jul 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.26	0.07	11.00%	36 equal monthly instalments commencing	Hypothecation of the Vehicle

Name of the Bank	Total Loan Amount	Amount Outstanding	Rate of Interest	Repayment terms	Securities offered
				from Jul 2009	
Axis Bank Limited	0.35	0.11	11.00%	36 equal monthly instalments commencing from Aug 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.60	0.19	11.00%	36 equal monthly instalments commencing from Aug 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.96	0.32	9.50%	36 equal monthly instalments commencing from Sep 2009	Hypothecation of the Vehicle
Kotak Mahindra Prime Limited	1.94	0.56	4.75%	36 equal monthly instalments commencing from Aug 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.76	0.27	8.00%	36 equal monthly instalments commencing from Oct 2009	Hypothecation of the Vehicle
Axis Bank Limited	0.40	0.18	9.50%	36 equal monthly instalments commencing from Jan 2010	Hypothecation of the Vehicle
Axis Bank Limited	0.56	0.25	9.50%	36 equal monthly instalments commencing from Jan 2010	Hypothecation of the Vehicle
Axis Bank Limited	0.51	0.23	10.00%	36 equal monthly instalments commencing from Jan 2010	Hypothecation of the Vehicle
Axis Bank Limited	0.67	0.34	8.75%	36 equal monthly instalments commencing from Mar 2010	Hypothecation of the Vehicle
Kotak Mahindra Prime Limited	0.80	0.53	8.50%	36 equal monthly instalments commencing from Aug 2010	Hypothecation of the Vehicle
Kotak Mahindra Prime Limited	0.60	0.40	8.50%	36 equal monthly instalments commencing from Aug 2010	Hypothecation of the Vehicle
Bank of India	0.31	0.02	12.50%	36 equal monthly instalments commencing from Oct 2008	Hypothecation of the Vehicle
Bank of India	0.32	0.02	12.50%	36 equal monthly instalments commencing from Oct 2008	Hypothecation of the Vehicle
Bank of India	0.67	0.03	12.50%	36 equal monthly instalments commencing from Oct 2008	Hypothecation of the Vehicle
Bank of India	0.44	0.05	11.50%	36 equal monthly instalments commencing from Jan 2009	Hypothecation of the Vehicle
Bank of India	0.58	0.37	10.50%	36 equal monthly instalments commencing from Jun 2010	Hypothecation of the Vehicle
Bank of India	0.60	0.40	10.00%	36 equal monthly instalments commencing from Sep 2010	Hypothecation of the Vehicle
First Leasing	20.00	7.45	11.75%	36 equal monthly	Hypothecation of

Name of the Bank	Total Loan Amount	Amount Outstanding	Rate of Interest	Repayment terms	Securities offered
Company of India Limited				instalments commencing from Aug 2010	the Machinery
TOTAL	**42.26**	**14.37**			

Annexure - 23: Details of Consolidated Unsecured Loans as restated

(₹in Million)

Particulars	As at	As at March 31		
	September 30, 2011	2011	2010	2009
Short Term Loans				
From Banks	1.11	1.04	-	-
From Others	47.98	17.94	-	-
Inter Corporate Loans	54.87	22.50	-	-
Total Unsecured Loans as restated	**103.96**	**41.48**	**-**	**-**

DETAILS OF UNSECURED LOANS OUTSTANDING AS AT SEPTEMBER 30, 2011

Short Term Loans

(₹in Million)

Particulars	Amount sanctioned	Amount outstanding	Rate of interest	Repayment terms	Securities Offered
Sucheth and Saharsh Holdings Private Limited.	52.50	54.87*	16%	Repayable on Demand	NA
G. C. Chemie Pharmie Limited	59.12	47.98	21%	Repayable on due dates	NA
Overdraft on Current Accounts with Banks	-	1.11	18.25%	Repayable on Demand	NA
TOTAL	**111.62**	**103.96**			

* includes interest accrued and due amounting to ₹ 2.37 million

Annexure - 24: Details of Consolidated Reserves and Surplus as restated

(₹in Million)

Particulars	As at	As at March 31		
	September 30, 2011	**2011**	**2010**	**2009**
CAPITAL RESERVE				
As per last Balance Sheet	0.33	0.33	0.33	0.33
SECURITIES PREMIUM				
As per last Balance Sheet	360.54	360.54	360.54	360.54
GENERAL RESERVE				
As per last Balance Sheet	241.91	241.91	241.91	182.06
Less: Adjustment for				
Foreign Exchange Gain	-	-	-	28.57
Add: Transfer from Profit and Loss Account	-	-	-	88.42
Total	**241.91**	**241.91**	**241.91**	**241.91**
Adjustments	27.11	27.11	27.11	27.11
General Reserve, as restated	**269.02**	**269.02**	**269.02**	**269.02**
REVALUATION RESERVE				
As per last Balance Sheet	11.99	12.80	13.84	14.94
Less: Depreciation on revalued assets	0.41	0.81	1.04	1.10
Revaluation Reserve, as restated	**11.58**	**11.99**	**12.80**	**13.84**
Profit and Loss Account - Balance as restated	**32.83**	**50.99**	**(1.90)**	**69.17**
Restated Reserves and Surplus	**674.30**	**692.87**	**640.79**	**712.90**

Annexure - 25: Summary of Consolidated Accounting Ratios as restated

Particulars	For half year ended	For the year ended March 31		
	September 30, 2011	2011	2010	2009
Earnings per Share (in ₹)				
Basic	(3.37)	9.76	(13.20)	32.66
Diluted	(3.36)	9.75	(13.18)	32.60
Net Asset value per share (in ₹)	132.58	136.30	126.50	140.36
Return on Net Worth (%)	-2.59%	7.16%	-10.43%	23.27%
Weighted average number of equity shares outstanding during the period used for computing basic Earnings per Share	5,396,455	5,396,455	5,396,455	5,396,455
Weighted average number of equity shares outstanding during the period used for computing Diluting Earnings per Share	5,401,780	5,402,735	5,404,374	5,405,876
Number of Shares Outstanding at the end of the year	5,396,455	5,396,455	5,396,455	5,396,455

1 **The ratios have been computed as below:**

Basic and Diluted Earnings per share (in ₹) = **Net Profit After Tax - Restated** / **Weighted average number of equity shares outstanding during the year**

Net Asset Value per Share (in ₹) = **Net Worth - Restated** / **Total number of equity shares outstanding at the end of the year**

Return on Net Worth (%) = **Net profit after Tax - Restated** / **Net worth - Restated at the end of the year**

2 **Net profit- Restated as appearing in the "Consolidated Restated Summary of Profit and Loss" has been considered for the purpose of computing the above ratios.**

3 **Earnings Per Share calculation are done in accordance with Accounting Standard 20 on Earnings Per Share.**

4 **Net Worth means Equity Share Capital + Reserves and Surplus as appearing in "Consolidated Restated Summary of Assets & Liabilities ".**

Annexure - 26: Statement of Consolidated Capitalisation Statement as restated

(₹in Million)

Particulars	Pre-issue as at September 30, 2011	Post Issue
Borrowing		
Short Term Debt	1,676.51	1,676.51
Long Term Debt **(A)**	745.87	745.87
Total Debts	**2,422.38**	2,422.38
Share Holders' Funds		
Equity Share Capital	54.67	77.16
Securities Premium	360.54	439.24
Reserves and Surplus (excluding revaluation reserve)	302.18	302.18
Less: Miscellaneous expenses not written off	1.94	1.94
Total Share Holders' Funds (B)	**715.45**	**816.64**
Total Capitalization	**3,137.83**	**3,239.02**
Long term Debt / Equity Share Holders' Funds [(A) / (B)]	**1.04**	**0.91**

Notes:

1. The above has been completed based on restated summary statements

2. Short term debts are debts due within next one year from September 30, 2011.

Annexure - 27: Statement of Consolidated Tax Shelter as restated

(₹in Million)

Particulars		For half year ended	For the year ended March 31		
		September 30, 2011	2011	2010	2009
Profit Before Tax as per Summary Statement of Standalone Profit & Loss as restated	**A**	**(20.04)**	**47.16**	**(111.57)**	**189.92**
Income Tax rate applicable under Normal Provisions	**B**	33.22%	33.22%	33.99%	33.99%
Tax Rate on Long Term Capital Gain	**C**	22.15%	22.15%	22.66%	22.66%
Tax Rate on Short Term Capital Gain	**D**	16.61%	16.61%	16.99%	16.99%
Income Tax rate applicable under MAT provisions	**E**	19.93%	19.93%	16.99%	11.33%
Notional tax at Normal rates (A x B)	**F**	**(6.66)**	**15.67**	**(37.92)**	**64.55**
Adjustments:					
Permanent Differences					
Weighted Deduction for R&D u/s 35(2AB)		(63.62)	(115.57)	(56.91)	(75.40)
Total	**G**	**(63.62)**	**(115.57)**	**(58.42)**	**(54.89)**
Timing Differences					
Difference between tax depreciation and book depreciation		16.91	18.36	(32.15)	(40.26)
Disallowances under section 40/43B		1.76	31.86	27.21	28.69
Other Adjustments		(7.36)	(20.69)	(15.94)	(115.58)
Total	**H**	**11.31**	**29.53**	**(20.88)**	**(127.15)**
Net Adjustments (G + H)	**I**	**(52.31)**	**(86.04)**	**(77.79)**	**(202.55)**
Tax savings thereon (I x B)	**J**	**(17.38)**	**(28.58)**	**(26.44)**	**(68.85)**
Total Taxation (F + J)	**K**	**(24.04)**	**(12.91)**	**(64.36)**	**(4.30)**
Taxable Income for MAT purpose (as per restated Profit and Loss account)	**L**	-	**47.16**	-	**189.92**

Annexure - 27: Statement of Consolidated Tax Shelter as restated (Contd)

(₹in Million)

Particulars		For half year ended	For the year ended March 31		
		September 30, 2011	2011	2010	2009
Wealth Tax	**N**	**-**	**0.21**	**0.15**	**-**
Deferred Tax	**O**	**-**	**-**	**(39.25)**	**13.60**
Fringe Benefit Tax	**P**	**-**	**-**	**-**	**2.79**
MAT Credit Entitlement	**Q**	**-**	**9.40**	**-**	**21.56**
Excess Provision no longer required	**R**	**-**	**3.74**	**-**	**1.38**
Tax Expense [(Higher of K or M) + N + O + P - Q - R]	**S**	**-**	**(3.53)**	**(39.10)**	**14.97**
Taxes as accounted by Foreign Subsidiary Companies	**R**	**0.43**	**0.23**	**0.22**	**0.72**
Total Tax Expense	**T**	**0.43**	**(3.30)**	**(38.88)**	**15.69**
Carried forward losses * (including unabsorbed depreciation)	**U**	**72.35**	**38.88**	**179.8**	**79.82**

* As per income tax return filed subject to final assessment

Note: Numbers for the half year ended September 30, 2011 are extracted from draft computation of income tax.

Annexure - 28: Details of Consolidated Dividends Paid

(₹in Million)

Class of Shares	For half year ended	For the Year ended March 31		
	September 30, 2011	2011	2010	2009
Equity Share of ₹ 10 each fully paid	5,396,455	5,396,455	5,396,455	5,396,455
Dividend Rate (%)	-	-	-	35%
Dividend (in ₹)	-	-	-	18.89
Tax on Dividend (in ₹)	-	-	-	3.21

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

*You should read the following discussion on our financial condition and results of operations together with restated audited consolidated financial statements of our Company for Fiscal 2009, Fiscal 2010, Fiscal 2011 and the half year ended on September 30, 2011, including the notes thereto and reports thereon. This financial information has been prepared in accordance with Indian GAAP, the SEBI ICDR Regulations and the Companies Act and restated in accordance with the SEBI ICDR Regulations. Our company's Fiscal ends on March 31st of each year; all references to a particular period are to the twelve month period ended March 31st of that year. This discussion may contain forward looking statements and may reflect our current views with respect to the plans, estimates and beliefs as well as future events and financial performance. Actual results may differ materially from those anticipated in these forward looking statements as a result of certain factors contingencies that could impact our financial condition and results of operations such as those set forth in the section titled **"Risk Factors"** beginning on page 11. You are advised to also refer the chapter titled "**Our Business"** beginning on page 83.*

OVERVIEW OF OUR BUSINESS

Our Company is a manufacturer of active pharmaceutical ingredients and peptides and a provider of chemistry related contract research and contract manufacturing services. Exports account for over 81% of the revenues of our Company, with a very strong global customer base.

Our Company was incorporated on January 7, 1984 in Hyderabad and is listed on the BSE and the NSE. Our Company is led by Dr. Davuluri Rama Mohan Rao, who has 40 years of industry experience and is the Chairman and Managing Director of our Company.

SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO THE LAST AUDITED FINANCIAL STATEMENTS THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS

In the opinion of the Board of Directors of our Company, there have arisen the following developments, since the date of the last audited financial statements included in this Letter of Offer, any circumstance that materially and adversely affect or is likely to affect our business or profitability or the value of our assets or our ability to pay our liabilities within the next 12 months.

Unaudited Financial Results for the quarter ended December 31, 2011 filed with the Stock Exchanges as per Clause 41 of the Listing Agreement

(in ₹ Million)

	Quarter Ended (Unaudited)	
	31.12.2011	**31.12.2010**
Net Sales/Income from Operations	1081.62	953.42
Other Operating Income	20.57	14.89
Total Sales	**1102.19**	**968.31**
Expenditure		
(Increase)/Decrease in Stock in Trade and Work in Process	(5.33)	26.30
Raw Material Consumed	667.56	550.30
Employee Costs	89.80	64.45
Depreciation	38.28	39.02
Manufacturing Expenses	103.33	85.68
Administration, Selling and Other Expenses	114.05	86.07
Total Expenditure	**1007.69**	**851.82**
Profit Before Foreign Exchange (gain)/loss and Interest	**94.50**	**116.49**
Foreign Exchange (gain) / loss (Net)	44.53	(0.84)
Profit from Operations before Interest	**49.97**	**117.33**
Interest (Net)	83.97	75.74

Profit/(Loss) Before Tax	**(34.00)**	**41.59**
Tax Expense	-	2.10
Net Profit/(Loss) for the period	**(34.00)**	**39.49**
Paid-up Equity Share Capital (Face Value ₹ 10 per share)	54.67	54.67
Earnings per Share (EPS)		
Basic	(6.30)	7.32
Diluted	(6.29)	7.30
Segment Revenue (Net Sales)		
(a) India	193.19	171.91
(b) Other than India	888.43	781.51

- EPS for the quarters is not annualised.
- Previous quarter/year figures have been regrouped wherever necessary

Certain Factors Affecting our Results of Operations

There are several factors which can affect our results of operations including macro-economic factors, factors specific to our industry, globally and in India, and factors which are specific to us. We list below some of the factors that can affect our results of operations

Research and Development

Our R&D focus is on increasing our cost competitiveness through improving operational efficiencies, and on developing non-infringing processes. Further we continually invest in R&D to complement our existing product portfolio and also develop products in niche therapeutic segments. We also intend to leverage our R&D capabilities to expand in the CRAMS and the Peptides segment. Our growth is dependent on strengthening our existing product portfolio, expanding our presence in CRAMS and Peptide businesses.

Industry Competition and Consolidation Pressures

The API industry is subject to increased competition from the introduction of competing products and new entrants, including international players, to expand or augment existing operations or products and extend the scope of their geographical operations, as well as a trend towards consolidation of industry players. These factors render a significant challenge in expanding the customer base and increase of Market shares. Further adequate availability of key raw materials at manageable price levels is critical and price fluctuations due to competitive pricing pressures may affect our margins. Such factors may affect significantly our income and financial condition, hence our ability to expand our product portfolio and customer base could be a significant challenge.

Client Concentration Risk

Our 54 % of the revenue comes from the 7 Customer groups. We are focused on extending these relationships as these partners increasingly involve our participation across a wider range of products and services. In the event of any one or more customers cease to continue doing business with us, will have a material adverse impact on our business and revenues. Further, some of our customers have been large and established players having better bargaining power which may adversely affect our margins and profitability. However technology advantage, cost competitiveness and collaborative effort with customer can mitigate the risk of losing customer.

Foreign Exchange Fluctuations

Our export earning 81% of our Total revenues for the Fiscal year 2011 and the half year ended September 30, 2011, further, significant portion of raw materials are imported by us.

Exports:

₹in Million

Description	For the Financial Period											
	Half year ended September 30, 2011		Fiscal 2011		Fiscal 2010		Fiscal 2009		Fiscal 2008		Fiscal 2007	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
India	432.64	19	756.05	19	533.02	19	495.47	16	445.68	21	699.05	35
Other than India	1,813.25	81	3,179.67	81	2,251.19	81	2,571.75	84	1,731.35	79	1,322.65	65
Total	**2245.89**	**100**	**3,935.72**	**100**	**2,784.21**	**100**	**3,067.22**	**100**	**2,177.03**	**100**	**2,021.70**	**100**

Imports:

₹in Million

Description			For the Financial Period									
	Half year ended September 30, 2011		2011		2010		2009		2008		2007	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
Imported	925.53	60	1,690.13	67	1,025.49	62	1,001.67	50	752.89	55	750.84	56
Indigenous	617.02	40	840.67	33	630.06	38	1,009.33	50	621.88	45	592.75	44
Total	**1542.55**	**100**	**2,530.80**	**100**	**1,655.55**	**100**	**2,011.00**	**100**	**1,374.77**	**100**	**1,343.59**	**100**

Most of our Exports and Imports are denominated in US Dollars, Any fluctuation in the value of Rupee against such currencies can have significant impact on our results of operations.

We are following a hedging policy to mitigate the risks of foreign exchange fluctuation. The Board is being updated at end of every quarter about their open position. Our Company as a policy does play in only open forwards or options.Our Company does not have any speculative positions or does any transactions in currencies where it does not have underlying transactions.

Macro Economic Factors

Macro-economic factors, both in the Indian and international context, such as economic instability, political uncertainty, social upheavals, natural calamities or acts of God could influence our performance, which in turn could influence our results. In addition to the macro economic situation, inflationary pressures, fluctuations in interest rates and exchange rates would have material effect on key aspects of our operations, including the costs of our raw materials , the prices at which we can sell our products, the cost of borrowing required to fund our operations and our profit margins.

Borrowings

On October 21, 2011, our Company entered into a Working Capital Consortium Agreement with SBI, BOI and Indian Overseas Bank, with respect to the working capital facilities of our Company. Indian Overseas Bank, vide its sanction letter dated January 11, 2012 enhanced the existing working capital facilities to ₹156 million. The loan is secured *inter alia* by the hypothecation of our current assets. Further, BOI vide its sanction letter dated February 2, 2012 sanctioned additional bill discounting facilities of ₹ 100 million. Both these facilities are payable on demand.

Please refer some of these factors described in chapter titled ***"Risk Factors"*** beginning on page 11. For further details of our borrowings, please see the chapter titled "***Financial Indebtedness***" beginning on page 229.

Results of Operations

The following table sets out our standalone restated profit and loss statement based on the standalone financial statements for the half year ended September 30, 2011, FY 2011, FY 2010, FY 2009, FY 2008 and FY 2007, the components of which are expressed as a percentage of total income for the periods indicated.

₹ in Million

Particulars	for the Financial Period											
	Half year ended September 30, 2011	**% of Total Income**	**Fiscal 2011**	**% of Total Income**	**Fiscal 2010**	**% of Total Income**	**Fiscal 2009**	**% of Total Income**	**Fiscal 2008**	**% of Total Income**	**Fiscal 2007**	**% of Total Income**
INCOME												
Sales												
Sale of Manufactured Goods	2,245.89	98.82	3,935.72	98.57	2,784.21	98.50	3,067.22	96.68	2,177.03	97.60	2,021.70	98.08
Total Sales	**2,245.89**	**98.82**	**3,935.72**	98.57	**2,784.21**	98.50	**3,067.22**	96.68	**2,177.03**	97.60	**2,021.70**	98.08
Other Income	26.74	1.18	56.99	1.43	42.34	1.50	105.34	3.32	53.42	2.40	39.65	1.92
Total Income	**2,272.63**	**100.00**	**3,992.71**	100.00	**2,826.55**	100.00	**3,172.56**	100.00	**2,230.45**	100.00	**2,061.35**	100.00
Expenditure												
(Increase)/Decrease in Finished Goods and Work in Process	-67.01	-2.95	-31.71	-0.79	-35.55	-1.26	-138.56	-4.37	-27.98	-1.25	-55.61	-2.70
Raw Material Consumed	1,542.55	67.88	2,530.80	63.39	1,626.07	57.53	2,029.73	63.98	1,381.73	61.95	1,347.38	65.36
Manufacturing Expenses	187.07	8.23	333.51	8.35	299.21	10.59	315.82	9.95	218.41	9.79	199.77	9.69
Payments and Benefits to Employees	146.68	6.45	260.6	6.53	232.15	8.21	224.31	7.07	154.27	6.92	126.51	6.14
Administration, Selling and Other Expenses	246.22	10.83	399.87	10.02	408.6	14.46	379.86	11.97	243.18	10.90	214.94	10.43
Total Expenditure	**2,055.51**	**90.45**	**3,493.07**	**87.49**	**2,530.48**	**89.53**	**2,811.16**	**88.61**	**1,969.61**	**88.31**	**1,832.99**	**88.92**
Profit Before Interest, Depreciation and Tax	**217.12**	**9.55**	**499.64**	**12.51**	**296.07**	**10.47**	**361.4**	**11.39**	**260.84**	**11.69**	**228.36**	**11.08**
Interest and Finance Cost	163.90	7.21	298.37	7.47	256.73	9.08	143.59	4.53	99.34	4.45	75.36	3.66
Profit Before Depreciation and Tax	**53.22**	**2.34**	**201.27**	**5.04**	**39.34**	**1.39**	**217.81**	**6.87**	**161.5**	**7.24**	**153**	**7.42**
Depreciation/ Amortisation	73.26	3.22	154.11	3.86	135.6	4.80	73.7	2.32	54.85	2.46	53.16	2.58
Profit Before Tax and restatement	**-20.04**	**-0.88**	**47.16**	**1.18**	**-96.26**	**-3.41**	**144.11**	**4.54**	**106.65**	**4.78**	**99.84**	**4.84**
Adjustments on account of restatement	**-**	**-**	**-**	**0.00**	**-15.31**	**-0.54**	**45.81**	**1.44**	**-62.86**	**-2.82**	**7.07**	**0.34**

Profit before Tax, Exceptional Items and after Restatement	**-20.04**	**-0.88**	**47.16**	**1.18**	**-111.57**	**-3.95**	**189.92**	**5.99**	**43.79**	**1.96**	**106.91**	**5.19**
Exceptional items	-	-	-	-	-	-	-	-	-	-	-	-
Profit before Tax, and after Exceptional Items and Restatement	**-20.04**	**-0.88**	**47.16**	**1.18**	**-111.57**	**-3.95**	**189.92**	**5.99**	**43.79**	**1.96**	**106.91**	**5.19**
Tax expense	-	-	-3.53	-0.09	-25.81	-0.91	26.21	0.83	-6.87	-0.31	9.46	0.46
Effect on Tax due to Restatement	-	-	-	0.00	-13.29	-0.47	-11.24	0.35	4.69	0.21	10.33	0.50
Tax expense Restated	-	-	-3.53	-0.09	-39.1	-1.38	14.97	0.47	-2.18	-0.10	19.79	0.96
Profit After Tax , Exceptional Items and Restatement	**-20.04**	**-0.88**	**50.69**	**1.27**	**-72.47**	**-2.56**	**174.95**	**5.51**	**45.97**	**2.06**	**87.12**	**4.23**

Description of Profit and Loss Statement Line Items

Income: Our income mainly comprises sales of APIs and API intermediates and other income. Payment terms for our products and services vary with the terms of the respective purchase orders or contracts under which such sales are made.

Sales: Our sales have increased from ₹ 2021.7 million in Fiscal 2007 to ₹ 3935.72 million in Fiscal 2011. For the half year ended September 30, 2011, our sales revenue was ₹ 2245.89 million. We sell our products in both the domestic and the export market and over the years we have increased our focus on the export markets which is reflected in the table below:

₹ in Million

Description	**For the Financial Period ended**											
	September 30, 2011		**2011**		**2010**		**2009**		**2008**		**2007**	
	Value	**%**	**Value**	**%**	**Value**	**%**	**Value**	**%**	**Value**	**%**	**Value**	**%**
Domestic	432.64	19	756.05	19	533.02	19	495.47	16	445.68	21	699.05	35
Export	1,813.25	81	3,179.67	81	2,251.19	81	2,571.75	84	1,731.35	79	1,322.65	65
Total	**2245.89**	**100**	**3,935.72**	**100**	**2,784.21**	**100**	**3,067.22**	**100**	**2,177.03**	**100**	**2,021.70**	**100**

Other income: Other income mainly comprises interest income earned from fixed deposits which are kept as margin money for availing letter of credit facilities from banks, product development charges received and other miscellaneous income.

Expenditure: Our expenditures mainly consist of materials consumed, manufacturing expenses, payments and benefits to employees, administrative, selling and distribution expenses.

(Increase)/Decrease in Finished Goods and Work in Progress: (Increase)/Decrease in Finished Goods and Work in Progress includes cost incurred in finished goods and work in progress

Raw Materials consumed: Cost of materials consumed includes cost of raw materials. Raw materials consumed by us are both indigenously sourced and imported.

Manufacturing Expenses: Manufacturing expenses mainly comprise cost of stores and consumables, packing material, power and fuel, carriage inwards, repairs and maintenance expenses, effluent treatment and transport charges and testing charges.

Payments and Benefits to Employees: Payments and Benefits to Employees mainly comprise salaries, wages and other allowances paid to our employees, contribution to statutory funds and other staff welfare expenses.

Administration, Selling and Other Expenses: Administration, Selling and Other expenses mainly comprise rent, rates and taxes, travelling expenses, professional charges, selling & distribution expenses, freight and forwarding charges, research and development expenses, insurance expenses and other expenses.

Interest and Financial Cost: Our interest and finance costs represent interest paid on loans availed from banks, bank charges, bill discounting & negotiation charges and other charges.

Depreciation / Amortisation: Depreciation / amortisation comprise of the depreciation on the tangible and intangible assets of our company and are calculated using the straight-line method.

Tax Expense: Our provision for taxation encompasses income tax, fringe benefits tax, wealth tax and deferred tax. Deferred tax liability arises mainly due to the difference between tax and book written down value of assets.

Half Year ended September 30, 2011:

Sales: Our sales amounted to ₹ 2245.89 million for the half year ended September 30, 2011 out of which export sales and domestic sales amounted to ₹1813.25 million and ₹432.64 million respectively.

Other Income: Our other income was ₹26.74 million for the half year ended September 30, 2011, consisting of ₹4.45 million of interest received, product development charges of ₹17.98 million and other miscellaneous income of ₹4.31 million. Other income constituted 1.18% of total income to our Company.

(Increase)/Decrease in Finished Goods and Work in Progress: Increase in Finished Goods and Work in Progress amounted to ₹67.01 million for the half year ended September 30, 2011.

Raw Materials Consumed: Raw materials consumption amounted to ₹1,542.55 million for the half year ended September 30, 2011. This accounted for the highest proportion to total income of about 67.88% of our Company.

Manufacturing Expenses: Manufacturing expenses amounted to ₹187.07 million for the half year ended September 30, 2011.

Payments and Benefits to Employees: Payment and benefits to employees aggregated to ₹146.68 million for the half year ended September 30, 2011.

Administration, Selling and Other Expenses: Administration, Selling and Other expenses aggregated to ₹246.22 million for the half year ended September 30, 2011.

Profit before interest, depreciation and tax: Our profit before interest, depreciation and tax amounted to ₹217.12 million for the half year ended September 30, 2011. As a percentage of total income, this amounted to 9.55%.

Interest and Financial Cost: Interest and finance costs amounted to ₹163.90 million for the half year ended September 30, 2011.

Depreciation / Amortisation: Depreciation / amortisation on fixed assets amounted to ₹73.26 million for the half year ended September 30, 2011. Net additions to the gross block aggregated to ₹31.98 million for the half year ended September 30, 2011.

Profit before Tax after restatement: Our Company has suffered a loss of ₹20.04 million for the half year ended September 30, 2011.

Tax Expense: There was no tax benefit or expense for the half year ended September 30, 2011. The final tax liability will be determined on the basis of the operations for the year ended March 31, 2012.

Profit after Tax as restated: Our Company has suffered a loss of ₹20.04 million for the half year ended September 30, 2011.

Year ended March 31, 2011:

Sales: Our sales amounted to ₹ 3,935.72 million for the year ended March 31, 2011 out of which export sales and domestic sales amounted to ₹ 3,179.67 million and ₹ 756.05 million respectively.

Other Income: Our other income was ₹ 56.99 million for the year ended March 31, 2011, consisting of ₹ 9.03 million of interest received, foreign exchange gain of ₹ 14.57 million and product development charges of ₹ 32.23 million. Other income constituted 1.43% of total income to our Company.

(Increase)/Decrease in Finished Goods and Work in Progress: Increase in Finished Goods and Work in Progress amounted to ₹ 31.71 million for the year ended March 31, 2011.

Raw Materials Consumed: Raw materials consumption amounted to ₹ 2,530.80 million for the year ended March 31, 2011. This accounted for the highest proportion to total income of about 63.38% of our Company.

Manufacturing Expenses: Manufacturing expenses amounted to ₹ 333.51 million for the year ended March 31, 2011.

Payments and Benefits to Employees: Payment and benefits to employees aggregated to ₹ 260.60 million for the year ended March 31, 2011.

Administration, Selling and Other Expenses: Administration, Selling and Other expenses aggregated to ₹ 399.87 million for the year ended March 31, 2011.

Profit before interest, depreciation and tax: Our profit before interest, depreciation and tax amounted to ₹ 499.64 million for the year ended March 31, 2011. As a percentage of total income, this amounted to 12.51 %.

Interest and Financial Cost: Interest and finance costs amounted to ₹ 298.37 million for the year ended March 31, 2011.

Depreciation / Amortisation: Depreciation / amortisation on fixed assets amounted to ₹ 154.11 million for the year ended March 31, 2011. Net additions to the gross block aggregated to ₹ 116.52 million for the year ended March 31, 2011.

Profit before Tax after restatement: Our profit before tax was ₹ 47.16 million for the year ended March 31, 2011.

Tax Expense: Our total tax benefit for the year ended March 31, 2011 amounted to ₹ 3.53 million.

Profit after Tax as restated: Our profit after tax was ₹ 50.69 million for the year ended March 31, 2011. This constituted about 1.27% of the total income of our Company.

Year ended March 31, 2011 compared to March 31, 2010

Sales: Our sales increased by 41.36% from ₹ 2,784.21 million for the year ended March 31, 2010 to ₹ 3,935.72 million for the year ended March 31, 2011. The composition of export and domestic sales is as follows:

(₹in Million)

Description	For the year ended march 31			
	2011		2010	
	Amount	**%**	**Amount**	**%**
Domestic	756.05	19	533.02	19
Export	3,179.67	81	2,251.19	81
Total	**3,935.72**	**100**	**2,784.21**	**100**

Other Income: Our other income increased by 34.60% from ₹ 42.34 million for the year ended March 31, 2010 to ₹ 56.99 million for the year ended March 31, 2011. Interest Income increased from ₹ 8.27 million during the year ended March 31, 2010 to ₹ 9.03 million for the year ended March 31, 2011. The foreign exchange gain for the year ended March 31, 2011 amounted to ₹ 14.57 million. Income from product development decreased marginally from ₹ 32.73 million for the year ended March 31, 2010 to ₹ 32.23 million for the year ended March 31, 2011. Miscellaneous income also decreased marginally from ₹ 1.34 million for the year ended March 31, 2010 to ₹ 1.16 million for the year ended March 31, 2011.

(Increase)/Decrease in Finished Goods and Work in Progress: Increase in Finished Goods and Work in Progress amounted to ₹ 31.71 million for the year ended March 31, 2011 as against ₹ 35.55 million for the year ended March 31, 2010.

Raw Materials Consumed: Raw materials consumption increased 55.63% from ₹ 1,626.07 million for the year ended March 31, 2010 to ₹ 2,530.80 million for the year ended March 31, 2011. Raw materials consumed as a percentage **of total income** increased from 57.53 % during the year ended March 31, 2010 to 63.39 % during the year ended March 31, 2011.

Manufacturing Expenses: Manufacturing expenses amounted to ₹ 333.51 million for the year ended March 31, 2011 which is an increase of 11.46% as compared to ₹ 299.21 million incurred for the year ended March 31, 2010. It includes stores and consumables, power and fuel, carriage inwards, repairs and maintenance, effluent treatment and transport charges, packing material and testing charges. Manufacturing expenses as a percentage of total income decreased from 10.59% during the year ended March 31, 2010 to 8.35% during the year ended March 31, 2011.

Payments and Benefits to Employees: Payment and benefits to employees aggregated to ₹ 260.60 million for the year ended March 31, 2011 indicating an increase of 12.26% from ₹ 232.15 million incurred during the year ended March 31, 2010. Payments and Benefits to Employees as a percentage of total income decreased from 8.21% during the year ended March 31, 2010 to 6.53% during the year ended March 31, 2011.

Administration, Selling and Other Expenses: Administration, Selling and Other expenses decreased by 2.14% from ₹ 408.6 million during the year ended March 31, 2010 to ₹ 399.87 million for the year ended March 31, 2011. It includes rent, rates & taxes, travelling expenses, professional charges, remuneration to auditors, insurance, advertisement, sales commission, selling and distribution expenses, freight and forwarding charges, provision for doubtful debts & advances, other expense, foreign exchange loss, sitting fees and R&D charges. Administration, Selling and Other Expenses as a percentage of total income decreased from 14.46% during the year ended March 31, 2010 to 10.02% during the year ended March 31, 2011.

Profit before interest, depreciation and tax: Our profit before interest, depreciation and tax amounted to ₹ 499.64 million for the year ended March 31, 2011 as against ₹ 296.07 million reported for the year ended March 31, 2010. Profit before interest, depreciation and tax as a percentage of total income increased from 10.47% during the year ended March 31, 2010 to 12.51% during the year ended March 31, 2011.

Interest and Financial Cost: Interest and finance costs amounted to ₹ 298.37 million for the year ended March 31, 2011 as against ₹ 256.73 million for the year ended March 31, 2010. It includes interest on working capital, interest on term loan less interest capitalized, discounting and negotiation charges and others. Interest and financial cost as a percentage of total income decreased from 9.08% during the year ended March 31, 2010 to 7.47% during the year ended March 31, 2011.

Depreciation / Amortisation: Depreciation / amortisation on fixed assets increased by 13.65% from ₹ 135.60 million for the year ended March 31, 2010 to ₹ 154.11 million for the year ended March 31, 2011. Depreciation

/ amortisation as a percentage of total income decreased from 4.80% during the year ended March 31, 2010 to 3.86% during the year ended March 31, 2011. Depreciation is calculated on Straight Line Method by our Company.

Profit before Tax after restatement: Our profit before tax was ₹ 47.16 million for the year ended March 31, 2011 as against ₹111.57 million loss for the year ended March 31. 2010. Profit before Tax after restatement as a percentage of total income increased from -3.95% during the year ended March 31, 2010 to 1.18% during the year ended March 31, 2011.

Tax Expense: Our total tax benefit for the year ended March 31, 2011 amounted to ₹ 3.53 million as against a tax benefit of ₹ 39.10 million for the year ended March 31, 2010. Tax Benefit as a percentage of total income decreased from 1.38% during the year ended March 31, 2010 to 0.09% during the year ended March 31, 2011.

Profit after Tax as restated: Our profit after tax was ₹ 50.69 million for the year ended March 31, 2011 as compared to ₹ 72.47 loss for the year ended March 31, 2010. Profit after tax as a percentage of total income increased from -2.56% during the year ended March 31, 2010 to 1.27% during the year ended March 31, 2011.

Year ended March 31, 2010 compared to March 31, 2009

Sales: Our sales decreased by 9.23% from ₹ 3,067.22 million for the year ended March 31, 2009 to ₹ 2,784.21 million for the year ended March 31, 2010. The composition of export and domestic sales is as follows:

(₹in Million)

Description	For the year ended march 31			
	2010		2009	
	Amount	%	Amount	%
Domestic	533.02	19	495.47	16
Export	2,251.19	81	2,571.75	84
Total	**2,784.21**	**100**	**3,067.22**	**100**

Other Income: Our other income decreased by 59.81% from ₹ 105.34 million for the year ended March 31, 2009 to ₹ 42.34 million for the year ended March 31, 2010. Interest Income increased from ₹ 7.03 million during the year ended March 31, 2009 to ₹ 8.27 million for the year ended March 31, 2010. The foreign exchange gain for the year ended March 31, 2009 amounted to ₹ 60.65 million. Income from product development increased from ₹ 29.37 million for the year ended March 31, 2009 to ₹ 32.73 million for the year ended March 31, 2010. Miscellaneous income also decreased from ₹ 8.29 million for the year ended March 31, 2009 to ₹ 1.34 million for the year ended March 31, 2010.

(Increase)/Decrease in Finished Goods and Work in Progress: Increase in Finished Goods and Work in Progress amounted to ₹ 35.55 million for the year ended March 31, 2010 as against ₹ 138.56 million for the year ended March 31, 2009.

Raw Materials Consumed: Raw materials consumption decreased 19.88% from ₹ 2029.73 million for the year ended March 31, 2009 to ₹ 1,626.07 million for the year ended March 31, 2010. Raw materials consumed as a percentage of total income decreased from 63.98 % during the year ended March 31, 2009 to 57.53% during the year ended March 31, 2010.

Manufacturing Expenses: Manufacturing expenses amounted to ₹ 299.21 million for the year ended March 31, 2010 which is a decrease of 5.26% as compared to ₹ 315.82 million incurred for the year ended March 31, 2009. . It includes stores and consumables, power and fuel, carriage inwards, repairs and maintenance, effluent treatment and transport charges, packing material and testing charges. Manufacturing expenses as a percentage of total income increased from 9.95% during the year ended March 31, 2009 to 10.59% during the year ended March 31, 2010.

Payments and Benefits to Employees: Payment and benefits to employees aggregated to ₹ 232.15 million for the year ended March 31, 2010 indicating an increase of 3.50% from ₹ 224.31 million incurred during the year ended March 31, 2009. Payments and Benefits to Employees as a percentage of total income increased from 7.07% during the year ended March 31, 2009 to 8.21% during the year ended March 31, 2010.

Administration, Selling and Other Expenses: Administration, Selling and Other expenses increased 7.56% from ₹ 379.86 million during the year ended March 31, 2009 to ₹ 408.6 million for the year ended March 31, 2010. It includes rent, rates & taxes, travelling expenses, professional charges, remuneration to auditors, insurance, advertisement, sales commission, selling and distribution expenses, freight and forwarding charges, provision for doubtful debts & advances, other expense, foreign exchange loss, sitting fees and R&D charges. Administration, Selling and Other Expenses as a percentage of total income increased from 11.97% during the year ended March 31, 2009 to 14.46% during the year ended March 31, 2010.

Profit before interest, depreciation and tax: Our profit before interest, depreciation and tax amounted to ₹ 296.07 million for the year ended March 31, 2010 as against ₹ 361.4 million reported for the year ended March 31, 2009. Profit before interest, depreciation and tax as a percentage of total income decreased from 11.39% during the year ended March 31, 2009 to 10.47% during the year ended March 31, 2010.

Interest and Financial Cost: Interest and finance costs amounted to ₹ 256.73 million for the year ended March 31, 2010 as against ₹ 143.59 million for the year ended March 31, 2009. It includes interest on working capital, interest on term loan less interest capitalized, discounting and negotiation charges and others. Interest and Financial Cost as a percentage of total income increased from 4.53% during the year ended March 31, 2009 to 9.08% during the year ended March 31, 2010.

Depreciation / Amortisation: Depreciation / amortisation on fixed assets increased by 83.99% from ₹ 73.70 million for the year ended March 31, 2009 to ₹ 135.60 million for the year ended March 31, 2010. Depreciation / amortisation as a percentage of total income increased from 2.32% during the year ended March 31, 2009 to 4.80% during the year ended March 31, 2010. Depreciation is calculated on Straight Line Method by our Company.

Profit before Tax after restatement: Our profit before tax was ₹ 189.92 million for the year ended March 31, 2009 as against ₹ 111.57 million loss for the year ended March 31. 2010. Profit before Tax as a percentage of total income decreased from 5.99% during the year ended March 31, 2009 to -3.95% during the year ended March 31, 2010.

Tax Expense: Our total tax benefit for the year ended March 31, 2010 amounted to ₹ 39.10 million as against a tax expense of ₹ 14.97 million for the year ended March 31, 2009. Tax expense as a percentage of total income decreased from 0.47% during the year ended March 31, 2009 to -1.38% during the year ended March 31, 2010.

Profit after Tax as restated: Our profit after tax was ₹ 174.95 million for the year ended March 31, 2009 as compared to ₹ 72.47 loss for the year ended March 31, 2010. Profit after tax as a percentage of total income decreased from 5.51% during the year ended March 31, 2009 to -2.56% during the year ended March 31, 2010.

Year ended March 31, 2009 compared to March 31, 2008

Sales: Sales increased by 40.89% from ₹ 2,177.03 million for the year ended March 31, 2008 to ₹ 3,067.22 million for the year ended March 31, 2009. The composition of export and domestic sales is as follows:

₹ in Million

Description	For the year ended March 31			
	2009		2008	
	Amount	%	Amount	%
Domestic	495.47	16	445.68	21
Export	2,571.75	84	1,731.35	79
Total	**3,067.22**	**100**	**2,177.03**	**100**

Other Income: Other income increased by 97.19% from ₹ 53.42 million for the year ended March 31, 2008 to ₹ 105.34 million for the year ended March 31, 2009. Interest Income increased from ₹ 4.04 million during the year ended March 31, 2008 to ₹ 7.03 million for the year ended March 31, 2009. The foreign exchange gain for the year ended March 31, 2009 amounted to ₹ 60.65 million as against ₹ 37.94 million for the year ended March 31, 2008. Income from product development increased from ₹ 6.26 million for the year ended March 31, 2008 to ₹ 29.37 million for the year ended March 31, 2009. Miscellaneous income increased from ₹ 5.18 million for the year ended March 31, 2008 to ₹ 8.29 million for the year ended March 31, 2009.

(Increase)/Decrease in Finished Goods and Work in Progress: Increase in Finished Goods and Work in Progress amounted to ₹ 138.56 million for the year ended March 31, 2009 as against ₹ 27.98 million for the year ended March 31, 2008.

Raw Materials Consumed: Raw materials consumption increased 46.89% from ₹ 1381.73 million for the year ended March 31, 2008 to ₹ 2,029.73 million for the year ended March 31, 2009. Raw materials consumed as a percentage of total income increased from 61.95 % during the year ended March 31, 2008 to 63.98% during the year ended March 31, 2009.

Manufacturing Expenses: Manufacturing expenses amounted to ₹ 315.82 million for the year ended March 31, 2009 which is an increase of 44.60% as compared to ₹ 218.41 million incurred for the year ended March 31, 2008. It includes stores and consumables, power and fuel, carriage inwards, repairs and maintenance, effluent treatment and transport charges, packing material and testing charges. Manufacturing expenses as a percentage of total income increased marginally from 9.79% during the year ended March 31, 2008 to 9.95% during the year ended March 31, 2009.

Payments and Benefits to Employees: Payment and benefits to employees aggregated to ₹ 224.31 million for the year ended March 31, 2009 indicating an increase of 45.40% from ₹ 154.27 million incurred during the year ended March 31, 2008. Payments and Benefits to Employees as a percentage of total income increased from 6.92% during the year ended March 31, 2008 to 7.07% during the year ended March 31, 2009.

Administration, Selling and Other Expenses: Administration, Selling and Other expenses increased 56.2% from ₹ 243.18 million during the year ended March 31, 2008 to ₹ 379.86 million for the year ended March 31, 2009. It includes rent, rates & taxes, travelling expenses, professional charges, remuneration to auditors, insurance, advertisement, sales commission, selling and distribution expenses, freight and forwarding charges, provision for doubtful debts & advances, other expense, foreign exchange loss, sitting fees and R&D charges. Administration, Selling and Other Expenses as a percentage of total income increased from 10.9% during the year ended March 31, 2008 to 11.97% during the year ended March 31, 2009.

Profit before interest, depreciation and tax: Our profit before interest, depreciation and tax amounted to ₹ 361.4 million for the year ended March 31, 2009 as against ₹ 260.84 million reported for the year ended March 31, 2008. Profit before interest, depreciation and tax as a percentage of total income decreased from 11.69% during the year ended March 31, 2008 to 11.39% during the year ended March 31, 2009.

Interest and Financial Cost: Interest and finance costs amounted to ₹ 143.59 million for the year ended March 31, 2009 as against ₹ 99.34 million for the year ended March 31, 2008. It includes interest on working capital, interest on term loan less interest capitalized, discounting and negotiation charges and others. Interest and Financial Cost as a percentage of total income increased marginally from 4.45% during the year ended March 31, 2008 to 4.53% during the year ended March 31, 2009.

Depreciation / Amortisation: Depreciation / amortisation on fixed assets increased by 34.36% from ₹ 54.85 million for the year ended March 31, 2008 to ₹ 73.70 million for the year ended March 31, 2009. Depreciation / amortisation as a percentage of total income decreased from 2.46% during the year ended March 31, 2008 to 2.32% during the year ended March 31, 2009. Depreciation is calculated on Straight Line Method by our Company.

Profit before Tax after restatement: Our profit before tax was ₹ 43.79 million for the year ended March 31, 2008 as against ₹ 189.92 million for the year ended March 31. 2009. Profit before Tax as a percentage of total income increased from 1.96% during the year ended March 31, 2008 to 5.99% during the year ended March 31, 2009.

Tax Expense: Our total tax benefit for the year ended March 31, 2008 amounted to ₹ 2.18 million as against a tax expense of ₹ 14.97 million for the year ended March 31, 2009. Tax expense as a percentage of total income increased from -0.10% during the year ended March 31, 2008 to 0.47% during the year ended March 31, 2009.

Profit after Tax as restated: Our profit after tax was ₹ 174.95 for the year ended March 31, 2009 as compared to₹ 45.97 million for the year ended March 31, 2008. Profit after tax as a percentage of total income increased from 2.06% during the year ended March 31, 2008 to 5.51% during the year ended March 31, 2009.

Year ended March 31, 2008 compared to March 31, 2007

Sales: Sales increased by 7.68% from ₹ 2021.70 million for the year ended March 31, 2007 to ₹ 2177.03 million for the year ended March 31, 2008. The composition of export and domestic sales is as follows:

(₹ in Million)

DESCRIPTION	FOR THE YEAR ENDED MARCH 31			
	2008		2007	
	Amount	%	Amount	%
Domestic	445.68	21	699.05	35
Export	1,731.35	79	1,322.65	65
Total	**2,177.03**	**100**	**2,021.70**	**100**

Other Income: Other income increased by 34.72% from ₹ 39.65 million for the year ended March 31, 2007 to ₹ 53.42 million for the year ended March 31, 2008. Interest Income decreased from ₹ 5.01 million during the year ended March 31, 2007 to ₹ 4.04 million for the year ended March 31, 2008. The foreign exchange gain for the year ended March 31, 2007 amounted to ₹ 12.80 million as against ₹ 37.94 million for the year ended March 31, 2008. Income from product development decreased from ₹ 19.55 million for the year ended March 31, 2007 to ₹ 6.26 million for the year ended March 31, 2008. Miscellaneous income increased from ₹ 2.29 million for the year ended March 31, 2007 to ₹ 5.18 million for the year ended March 31, 2008.

(Increase)/Decrease in Finished Goods and Work in Progress: Increase in Finished Goods and Work in Progress amounted to ₹ 55.61 million for the year ended March 31, 2007 as against ₹ 27.98 million for the year ended March 31, 2008.

Raw Materials Consumed: Raw materials consumption increased 2.54% from ₹ 1347.38 million for the year ended March 31, 2007 to ₹ 1,381.73 million for the year ended March 31, 2008. Raw materials consumed as a percentage of total income decreased from 65.36 % during the year ended March 31, 2007 to 61.95% during the year ended March 31, 2008.

Manufacturing Expenses: Manufacturing expenses amounted to ₹ 218.41 million for the year ended March 31, 2008 which is an increase of 9.33% as compared to ₹ 199.77 million incurred for the year ended March 31, 2007. It includes stores and consumables, power and fuel, carriage inwards, repairs and maintenance, effluent treatment and transport charges, packing material and testing charges. Manufacturing expenses as a percentage of total income increased from 9.69% during the year ended March 31, 2007 to 9.79% during the year ended March 31, 2008.

Payments and Benefits to Employees: Payment and benefits to employees aggregated to ₹ 154.27 million for the year ended March 31, 2008 indicating an increase of 21.94% from ₹ 126.51 million incurred during the year ended March 31, 2007. Payments and Benefits to Employees as a percentage of total income increased from 6.14% during the year ended March 31, 2007 to 6.92% during the year ended March 31, 2008.

Administration, Selling and Other Expenses: Administration, Selling and Other expenses increased 13.14% from ₹ 214.94 million during the year ended March 31, 2007 to ₹ 243.18 million for the year ended March 31, 2008. It includes rent, rates & taxes, travelling expenses, professional charges, remuneration to auditors, insurance, advertisement, sales commission, selling and distribution expenses, freight and forwarding charges, provision for doubtful debts & advances, other expense, foreign exchange loss, sitting fees and R&D charges. Administration, Selling and Other Expenses as a percentage of total income increased from 10.43% during the year ended March 31, 2007 to 10.90% during the year ended March 31, 2008.

Profit before interest, depreciation and tax: Our profit before interest, depreciation and tax amounted to ₹ 260.84 million for the year ended March 31, 2008 as against ₹ 228.36 million reported for the year ended March 31, 2007. Profit before interest, depreciation and tax as a percentage of total income decreased from 11.08% during the year ended March 31, 2007 to 11.69% during the year ended March 31, 2008.

Interest and Financial Cost: Interest and finance costs amounted to ₹ 99.34 million for the year ended March 31, 2008 as against ₹ 75.36 million for the year ended March 31, 2007. It includes interest on working capital, interest on term loan less interest capitalized, discounting and negotiation charges and others. Interest and Financial Cost as a percentage of total income increased from 3.66% during the year ended March 31, 2007 to 4.45% during the year ended March 31, 2008.

Depreciation / Amortisation: Depreciation / amortisation on fixed assets increased by 3.18% from ₹ 53.16 million for the year ended March 31, 2007 to ₹ 54.85 million for the year ended March 31, 2008. Depreciation / amortisation as a percentage of total income decreased marginally from 2.58% during the year ended March 31, 2007 to 2.46% during the year ended March 31, 2008. Depreciation is calculated on Straight Line Method by our Company.

Profit before Tax after restatement: Our profit before tax was ₹ 106.91 million for the year ended March 31, 2007 as against ₹ 43.79 million for the year ended March 31. 2008. Profit before Tax as a percentage of total income increased from 5.19% during the year ended March 31, 2007 to 1.96% during the year ended March 31, 2008.

Tax Expense: Our total tax benefit for the year ended March 31, 2008 amounted to ₹ 2.18 million as against a tax expense of ₹ 19.79 million for the year ended March 31, 2007. Tax expense as a percentage of total income decreased from 0.96% during the year ended March 31, 2007 to -0.10% during the year ended March 31, 2008.

Profit after Tax as restated: Our profit after tax was ₹ 45.97 million for the year ended March 31, 2008 as compared to ₹ 87.12 million for the year ended March 31, 2007. Profit after tax as a percentage of total income decreased from 4.23% during the year ended March 31, 2007 to 2.06% during the year ended March 31, 2008.

FACTORS THAT MAY AFFECT THE RESULTS OF THE OPERATIONS:

Unusual or infrequent events or transactions

Except as discussed in this Letter of Offer, there have been no other events or transactions that, to our knowledge, may be described as "unusual" or "infrequent".

Significant economic changes

Except as discussed in this Letter of Offer, to the best of our knowledge, there have been no other significant economic changes that are likely to have a material adverse impact on our operations or financial condition.

Known trends or uncertainties

Our business has been impacted and we expect will continue to be impacted by the trends identified in this section and the uncertainties described in "***Risk Factors***" on page 11. To our knowledge, except as we have described in this Letter of Offer, there are no other known factors, which we expect to have a material adverse impact on our revenues or income from continuing operations.

Future changes in relationship between costs and revenues

Except as described in this section and in "***Risk Factors***" and "***Our Business***" on pages 11 and 83, respectively, to the best of our knowledge, there is no future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.

Extent to which material increases in net sales or revenue are due to increased sale volume, introduction of new products or services or increased sales prices

The extent to which material increases in net sales or revenue are due to increased sale volume, introduction of new products or services or increased sales prices is discussed in this section above.

Significant regulatory changes that materially affected or are likely to affect income from continuing operations

Except as described in "***Regulations and Policies***" on page 99, there have been no significant regulatory changes that have materially affected or are likely to affect our income from continuing operations.

The extent to which our business is seasonal

Our business is not seasonal in nature.

Any significant dependence on a single or few suppliers or customers

Significant dependence on a single or few suppliers or customers are described under the sections titled "***Risk Factors***" and "***Our Business***" beginning on pages 11 and 83, respectively of the Letter of Offer.

Competitive conditions

Competitive conditions are as described under the sections titled "***Industry Overview***" and "***Our Business***" beginning on pages 79 and 83, respectively of the Letter of Offer.

FINANCIAL INDEBTEDNESS

As on January 31, 2012, our Company has significant outstanding secured borrowing of approximately ₹ 2676.27 million and unsecured borrowing of approximately ₹ 52.50 million. A summary of such outstanding borrowing together with a brief description of certain significant terms of such financing arrangements is as under:

Rupee Term Loans

(in ₹ million)

Name of the lender and nature and date of the loan agreement	Purpose of the loan	Amount sanctioned and availed and date of drawdown	Outstanding as on January 31, 2012	Security	Repayment date/ schedule/ Amount Repaid	Rate of interest (% per annum)	Prepayment clause (if any)
Bank of India Loan Agreement Dated September 27, 2008 Sanction Letter dated February 15, 2012	Corporate Loan	120 Drawn on October 1, 2008	25.41	First pari passu charge on fixed assets. Guarantees by Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.	Repayable in 48 installments of ₹ 2.5 million commencing from one (1) month after disbursement (i.e. from November 2008). Interest to be serviced separately every month, as and when applied. Principal amount Repaid as on January 31, 2012: ₹ 87.50 million	4.5% over Base Rate	Nil
Bank of India Loan Agreement Dated March 28, 2008 Sanction Letter dated February 15, 2012	Term Loan	316 First Tranche Drawn on March 28, 2008 and Final Tranche Drawn on November 28, 2008	206.99	First pari passu charge by way of mortgage and hypothecation over all fixed assets (excluding specifically charged assets) of our Company, both present and future.	Repayable in 20 quarterly installments of ₹ 15.8 million commencing from twenty four (24) months after first disbursement (i.e. commencing quarter	4.5% over Base Rate	Nil

				Second Pari Passu charge on entire current assets of our Company, both present and future. Guarantees by Dr. Davuluri Rama Mohan Rao and Mr. Davuluri Sucheth Rao.	ending June 2010, with last instalment payable in March 2015). Interest during moratorium period to be serviced as and when applied. Principal amount Repaid as on January 31, 2012: ₹ 94.50 million		
Export-Import Bank of India Loan Agreement Dated December 19, 2007 Letter for reset of interest rate dated January 24, 2012	Term Loan for the purpose of part financing the expansion of manufacturing and R&D centre project at Hyderabad.	300 Drawn on December 31, 2007	180	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding of assets that are specifically charged), both present and future, of our Company. Second Pari Passu Charge on entire current assets of our Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Sucheth Rao.	Repayable in 20 equal quarterly installment commencing from the date of first disbursement (i.e. commencing quarter ended December 2009.) Principal amount Repaid as on January 31, 2012: ₹ 120.00 million	Long Term Minimum Lending Rate plus 330 basis points	Nil
State Bank of India Sanction Letter dated January 19, 2010.	Term Loan	132 Drawn on January 30, 2010	107.78	Pari Passu first charge (Hypothecation) on fixed assets and equitable mortgage of	Monthly installment of • ₹ 0.15 million for the	1.50% above SBAR	2% of the pre-paid amount

				land and buildings along with other term lenders situated at Sy. No. 347, 474, 488, 489 and 490 Bonthapally to the extent of Acres 10.48, at Nanakramguda to the extent of Acres 5.00 and at Plot No. 92, 93, 94, 257 and 258 to the extent of Acres 9.17 at Pashamylaram. Pari Passu Second Charge (Hypothecation) on the current assets of our Company. Second Charge on Pledge of 1,00,000 equity shares of our Company in the name of Dr. Davuluri Rama Mohan Rao (first charge for the working capital limits) Lien on fixed deposits of ₹ 2.50 million. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao.	period April 2010 till March 2011 • ₹ 2.65 million for the period April 2011 till March 2012 • ₹ 2.70 million for the period April 2012 till March 2013 • ₹ 2.70 million for the period April 2013 till March 2014 • ₹ 2.80 million for the period April 2014 till March 2015 Principal amount Repaid as on January 31, 2012: ₹ 25.65 million		

				Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.			
State Bank of India Sanction Letter January 19, 2010	Term Loan	88 Drawn on January 25, 2010	73.83	Pari Passu first charge (Hypothecation) on fixed assets and equitable mortgage of land and buildings along with other term lenders situated at Sy. No. 347, 474, 488, 489 and 490 Bonthapally to the extent of Acres 10.48, at Nanakramguda to the extent of Acres 5.00 and at Plot No. 92, 93, 94, 257 and 258 to the extent of Acres 9.17 at Pashamylaram. Pari Passu Second Charge (Hypothecation) on the current assets of our Company. Second Charge on Pledge of 1,00,000 equity shares of our Company in the name of Dr. Davuluri Rama Mohan Rao (first charge for the working	Monthly installment of: • ₹ 0.15 million for the period April 2011 till March 2012 • ₹ 0.40 million for the period April 2012 till March 2013 • ₹ 2 million for the period April 2013 till March 2014 • ₹ 2.40 million for the period April 2014 till March 2015 • ₹ 2.40 million for the first 11 months of the period April 2015 till March 2016 and • ₹ 2.20 million for the last installment. Principal	1.50% above SBAR	2% of the pre-paid amount

				capital limits) Lien on fixed deposits of ₹ 2.50 million. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.	amount Repaid as on January 31, 2012: ₹ 1.25 million		
State Bank of India Sanction letter April 20, 2011 Supplemental Loan Agreement Dated April 25, 2011	Corporate Loan	150 Drawn on May 14, 2011	80.01	Pari passu first charge on Company's fixed assets. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.	Repayable in 36 monthly installment of ₹ 4.15 million commencing from January 2012 Principal amount Repaid as on January 31, 2012: ₹ Nil million	7.75% above base rate	Nil
Export-Import Bank of India Sanction Letter dated September 21, 2011 Loan Agreement Dated September 28, 2011	Term Loan for part financing R&D activities at Unit 1	100 Drawn on September 29, 2011	50	First Pari Passu charge by way of mortgage and hypothecation over all fixed assets (excluding assets that are specifically charged) of our Company, both present and future. Personal Guarantee of Dr. Davuluri Rama Mohan	Repayment in 20 quarterly instalments with 24 months moratorium from the date of first drawal, i.e. September 2011 Principal amount Repaid as on January 31, 2012: ₹ Nil million	Long Term Minimum Lending Rate (LTMLR) plus 250 basis points and LTMLR will be reset every 3 months	Nil

				Rao and Mr. Davuluri Sucheth Rao.			

Foreign Loans

(in million)

Name of the lender and nature and date of the loan agreement	Purpose of the loan	Amount sanctioned and availed and date of drawdown	Outstanding as on January 31, 2012	Security	Repayment date/ schedule and Amount Repaid	Rate of interest (% per annum)	Prepayment clause (if any)
State Bank of India Sanction Letter July 26, 2006*	Term Loan to part finance cost of upgradation of existing facilities and creation of new capacities	80 Drawn on September 8, 2007	-	Pari Passu first charge on present and future fixed assets of our Company. Pari Passu first charge on lease hold rights on 2 Acres of land situated at S.No.490/1, Bonthapally village, Jinnaram mandal belonging to M/s Sucheth & Saharsh Holdings Private Limited Pari Passu second charge on Company's current assets. Pari Passu second charge on pledge of 1,00,000 equity shares of Dr. D.R.Rao (first charge with the working capital bankers on Pari Passu basis) Pari Passu charge on 2 Acres of land situated at S.No.490/1, Bonthpally village, Jinnaram mandal belonging to M/s Sucheth & Saharsh Holdings Private Limited Personal	Repayable in 16 quarterly installment of ₹ 5 million each commencing from October 2007 Principal amount Repaid as on January 31, 2012: ₹ 80.00 million	**SBAR** at the time of sanction Interest reset to 7.25% above base rate as per revised sanction letter dated April 20, 2011	2% p.a. on the amount of loan pre-paid, computed for the unexpired period of the loan. The bank has the right to accelerate repayment in case, the cash accrual position of our Company is satisfactory.

				Guarantee of Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.			
Export-Import Bank of India Sanction Letter January 31, 2007 Loan Agreement Dated February 7, 2007	Term Loan for expansion and modernisation of existing facilities of our Company and construction of new corporate office	360 (USD equivalent of ₹ 360 Million) First Tranche drawn on February 23, 2007 and the last Tranche was drawn on September 28, 2007	190.69 (US$ 3.86 million converted at an exchange rate of ₹ 49.4628 per US$ as on January 31, 2012)	First Pari Passu charge by way of mortgage and hypothecation over all immoveable properties and moveable fixed assets of our Company, both present and future, excluding assets of approx. ₹ 12.10 million that are specifically charged to TIFAC. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao.	Repayable in 20 quarterly instalment commencing April 20, 2009. Principal amount Repaid as on January 31, 2012: ₹ 228.84 million (US$ 4.63 million converted at an exchange rate of ₹ 49.4628 per US$ as on January 31, 2012)	LIBOR (6 months) + 500 bps	Nil

**Loan has been repaid. E-Form 17 is yet to be filed with the Registrar of Companies.*

Hire Purchase Loans

Name of the lender and nature and date of the loan agreement *	Purpose of the loan	Amount sanctioned and availed (in million)	Outstanding as on January 31, 2012 (in million)	Security	Repayment date/ schedule and Amount Repaid	Rate of interest (% per annum)	Prepayment clause (if any)
Axis Bank Limited Agreement Dated January 29, 2009	Hire Purchase Loan for Vehicles	0.51	0.02	Hypothecation of the Vehicle	36 equal monthly installments commencing from March 2009 Principal amount Repaid as on January 31, 2012: ₹ 0.49 million	11.75%	Nil
Axis Bank	Hire	0.79	0.03	Hypothecatio	36 equal	11.75%	Nil

Limited Agreement Dated January 29, 2009	Purchase Loan for Vehicles			n of the Vehicle	monthly installments commencing from March 2009 Principal amount Repaid as on January 31, 2012: ₹ 0.76 million		
Axis Bank Limited Agreement Dated January 29, 2009	Hire Purchase Loan for Vehicles	0.36	0.01	Hypothecation of the Vehicle	36 equal monthly installments commencing from March 2009 Principal amount Repaid as on January 31, 2012: ₹ 0.35 million	11.75%	Nil
Axis Bank Limited Agreement Dated February 26, 2009	Hire Purchase Loan for Vehicles	0.60	0.02	Hypothecation of the Vehicle	36 equal monthly installments commencing from April 2009 Principal amount Repaid as on January 31, 2012: ₹ 0.58 million	11.75%	Nil
Axis Bank Limited Agreement Dated May 6, 2009	Hire Purchase Loan for Vehicles	7.10	0.91	Hypothecation of the Vehicle	36 equal monthly installments commencing from June 2009 Principal amount Repaid as on January 31, 2012: ₹ 6.19 million	10.75%	Nil
Axis Bank Limited Agreement Dated June 10, 2009	Hire Purchase Loan for Vehicles	0.51	0.08	Hypothecation of the Vehicle	36 equal monthly installments commencing from July 2009 Principal amount	11.00%	Nil

					Repaid as on January 31, 2012: ₹ 0.43 million		
Axis Bank Limited Agreement Dated June 10, 2009	Hire Purchase Loan for Vehicles	0.40	0.06	Hypothecation of the Vehicle	36 equal monthly installments commencing from July 2009 Principal amount Repaid as on January 31, 2012: ₹ 0.34 million	11.00%	Nil
Axis Bank Limited Agreement Dated June 12, 2009	Hire Purchase Loan for Vehicles	0.40	0.06	Hypothecation of the Vehicle	36 equal monthly installments commencing from July 2009 Principal amount Repaid as on January 31, 2012: ₹ 0.34 million	11.00%	Nil
Axis Bank Limited Agreement Dated June 10, 2009	Hire Purchase Loan for Vehicles	0.26	0.04	Hypothecation of the Vehicle	36 equal monthly installments commencing from July 2009 Principal amount Repaid as on January 31, 2012: ₹ 0.22 million	11.00%	Nil
Axis Bank Limited Agreement Dated June 10, 2009	Hire Purchase Loan for Vehicles	0.26	0.04	Hypothecation of the Vehicle	36 equal monthly installments commencing from July 2009 Principal amount Repaid as on January 31, 2012: ₹ 0.22 million	11.00%	Nil
Axis Bank Limited Agreement Dated July	Hire Purchase Loan for Vehicles	0.35	0.07	Hypothecation of the Vehicle	36 equal monthly installments commencin	11.00%	Nil

2, 2009					g from August 2009 Principal amount Repaid as on January 31, 2012: ₹ 0.28 million		
Axis Bank Limited Agreement Dated July 11, 2009	Hire Purchase Loan for Vehicles	0.60	0.11	Hypothecation of the Vehicle	36 equal monthly installments commencing from August 2009 Principal amount Repaid as on January 31, 2012: ₹ 0.49 million	11.00%	Nil
Axis Bank Limited Agreement Dated August 14, 2009	Hire Purchase Loan for Vehicles	0.96	0.21	Hypothecation of the Vehicle	36 equal monthly installments commencing from September 2009 Principal amount Repaid as on January 31, 2012: ₹ 0.75 million	9.50%	Nil
Kotak Mahindra Prime Limited Agreement Dated August 11, 2009	Hire Purchase Loan for Vehicles	1.94	0.34	Hypothecation of the Vehicle	36 equal monthly installments commencing from August 2009 Principal amount Repaid as on January 31, 2012: ₹ 1.60 million	4.75%	Nil
Axis Bank Limited Agreement Dated September 19, 2009	Hire Purchase Loan for Vehicles	0.76	0.18	Hypothecation of the Vehicle	36 equal monthly installments commencing from October 2009	8.00%	Nil

					Principal amount Repaid as on January 31, 2012: ₹ 0.58 million		
Axis Bank Limited Agreement Dated November 27, 2009	Hire Purchase Loan for Vehicles	0.40	0.13	Hypothecation of the Vehicle	36 equal monthly installments commencing from January 2010 Principal amount Repaid as on January 31, 2012: ₹ 0.27 million	9.50%	Nil
Axis Bank Limited Agreement Dated November 25, 2009	Hire Purchase Loan for Vehicles	0.56	0.19	Hypothecation of the Vehicle	36 equal monthly installments commencing from January 2010 Principal amount Repaid as on January 31, 2012: ₹ 0.37 million	9.50%	Nil
Axis Bank Limited Agreement Dated November 24, 2009	Hire Purchase Loan for Vehicles	0.51	0.17	Hypothecation of the Vehicle	36 equal monthly installments commencing from January 2010 Principal amount Repaid as on January 31, 2012: ₹ 0.34 million	10.00%	Nil
Axis Bank Limited Agreement Dated January 29, 2010	Hire Purchase Loan for Vehicles	0.67	0.26	Hypothecation of the Vehicle	36 equal monthly installments commencing from March 2010 Principal amount Repaid as on January 31, 2012: ₹	8.75%	Nil

					0.41 million		
Kotak Mahindra Prime Limited Agreement Dated August 31, 2010	Hire Purchase Loan for Vehicles	0.80	0.45	Hypothecation of the Vehicle	36 equal monthly installments commencing from August 2010 Principal amount Repaid as on January 31, 2012: ₹ 0.35 million	8.50%	Nil
Kotak Mahindra Prime Limited Agreement Dated August 31, 2010	Hire Purchase Loan for Vehicles	0.60	0.33	Hypothecation of the Vehicle	36 equal monthly installments commencing from August 2010 Principal amount Repaid as on January 31, 2012: ₹ 0.27 million	8.50%	Nil
Bank of India Agreement Dated June 30, 2010	Hire Purchase Loan for Vehicles	0.58	0.31	Hypothecation of the Vehicle	36 equal monthly installments commencing from June 2010 Principal amount Repaid as on January 31, 2012: ₹ 0.27 million	10.50%	Nil
Bank of India Agreement Dated September 1, 2010	Hire Purchase Loan for Vehicles	0.60	0.32	Hypothecation of the Vehicle	36 equal monthly installments commencing from September 2010 Principal amount Repaid as on January 31, 2012: ₹ 0.28 million	10.00%	Nil
First Leasing Company of India	Hire Purchase Loan for Machinery	20.00	6.32	Hypothecation of the Machinery	36 equal monthly installments commencin	11.75%	Nil

Limited Agreement Dated January 29, 2010	Drawn in several installments from March 31, 2010 till July 9, 2010				g from August 2010 Principal amount Repaid as on January 31, 2012: ₹ 13.68 million		
Kotak Mahindra Prime Limited Agreement Dated December 10, 2011	Hire Purchase Loan for Vehicles	0.76	0.73	Hypothecation of the Vehicle	36 equal monthly installments commencing from December 2011 Principal amount Repaid as on January 31, 2012: ₹ 0.03 million	11.25%	Nil
Kotak Mahindra Prime Limited Agreement Dated November 30, 2011	Hire Purchase Loan for Vehicles	0.94	0.90	Hypothecation of the Vehicle	36 equal monthly installments commencing from November 2011 Principal amount Repaid as on January 31, 2012: ₹ 0.04 million	11.25%	Nil
Kotak Mahindra Prime Limited Agreement Dated December 31, 2011	Hire Purchase Loan for Vehicles	1.08	1.08	Hypothecation of the Vehicle	36 equal monthly installments commencing from February 1, 2012 Principal amount Repaid as on January 31, 2012: ₹ 0	10.75%	Nil
Kotak Mahindra Prime Limited Agreement Dated January 31,	Hire Purchase Loan for Vehicles	0.85	0.85	Hypothecation of the Vehicle	24 equal monthly installments commencing from March 1, 2012	13.25%	Nil

2012					Principal amount Repaid as on January 31, 2012: ₹ 0		
Kotak Mahindra Prime Limited Agreement Dated January 31, 2012	Hire Purchase Loan for Vehicles	0.62	0.62	Hypothecation of the Vehicle	36 equal monthly installments commencing from March 1, 2012 Principal amount Repaid as on January 31, 2012: ₹ 0	11%	Nil

**Except as specified above, the loans were drawn down on the same date as the date of agreement.*

Working Capital and other Credit Facilities

(in million)

Name of the lender	**Facility**	**Amount sanctioned and availed**	**Outstanding as on January 31, 2012**	**Security**	**Repayment date/ schedule**	**Rate of interest (% per annum)**	**Prepayment clause (if any)**
State Bank of India Sanction Letter November 11, 2009 Working Capital Consortium Agreement dated October 21, 2011	Cash Credit, Packing Credit, Foreign Bill Discounting	750	818.92 (Includes Packing Credit of US$ 2.00 million converted at an exchange rate of ₹ 49.4628 per US$ as on January 31, 2012)	Pari Passu first charge by way of hypothecation on current assets other than receivables with SBI Global Factors Ltd.) of our Company. Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of our Company in the name of Dr. Davuluri Rama Mohan Rao.	Repayable on demand.	6.75% above Base rate for Cash Credit Interest rate as applicable to Export Finance for Packing Credit and Bill Discounting	

				Pari Passu second charge on the shares of APGCL subordinate to the first charge created in favour of APGCL. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.			
Indian Overseas Bank Sanction Letter November 13, 2010 Working Capital Consortium Agreement dated October 21, 2011 Sanction Letter dated January 11, 2012	Cash Credit, Packing Credit, Foreign Bill Discounting	90	90.64	Pari Passu first charge on all the chargeable current assets including hypothecation of stocks and receivables on pari passu basis. First pari passu charge on current assets of our Company including hypothecation of stocks in cash of packing credit and documents of the title of goods / accepted hundies. Pari Passu second charge on Company's	Repayable on demand	Base Rate + 4.5% Interest rate on Packing Credit and Bill Discounting as applicable	

				fixed assets. Pari Passu charge on 100,000 equity shares of our Company in the name of Dr. Davuluri Rama Mohan Rao. Pari Passu charge on the 402,000 shares of APGCL. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.			
Bank of India Sanction Letter July 13, 2010 Working Capital Consortium Agreement dated October 21, 2011 Sanction Letter dated February 15, 2012	Cash Credit, Packing Credit, Foreign Bill Discounting	280	260.93	First pari passu charge on current assets of our Company. Pari passu second charge on fixed assets of our Company. Pari passu second charge on the shares of APGCL. Pledge of 100,000 equity shares of our Company in the name of Dr. Davuluri	Repayable on demand	4% over base rate Interest rate as applicable for export credit	

				Rama Mohan Rao. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.			
SBI Global Factors Limited Agreement Dated October 1, 2010	Factoring of Export Debtors	150	60.04 (US$ 1.21 million converted at an exchange rate of ₹ 49.4628 per US$ as on January 31, 2012)	Pari passu first charge by way of hypothecation on all assets of our Company, present and future. Pari passu second charge on fixed assets of our Company Pledge of 100,000 unencumbered equity shares of our Company in the name of Dr. Davuluri Rama Mohan Rao	Repayable on due dates of the invoices factored.	LIBOR + 650 bps	LIBOR(6 months)

Unsecured Loans

(in million)

Name of the lender	**Purpose of the loan**	**Amount sanctioned and availed and date of draw down**	**Outstanding as on January 31, 2012 (in million)**	**Security**	**Repayment date/ schedule and Amount Repaid**	**Rate of interest (% per annum)**	**Prepayment clause (if any)**
Sucheth and Saharsh Holdings Private	Working Capital Funding	52.50 Draw Down on March 31,	52.50	NA	On Demand Principal and Interest amount	16%	Nil

Limited. Agreement Dated March 31, 2011 and August 20,2011		2011 and August 20, 2011			Repaid as on January 31, 2012: ₹ Nil million		

Other Financial Obligations (Non Fund Based)

(in ₹ Million)

Name of the Lender	**Facility**	**Amount sanctioned and availed**	**Outstanding as on January 31, 2012**	**Security**	**Repayment Date/ Schedule**
State Bank of India Sanction Letter April 20, 2011 Working Capital Consortium Agreement dated October 21, 2011	Letter of Credit, Buyers Credit, Bank Guarantees, Forward Contracts	526	392.08 (includes LCs in foreign currency - US$ 4.68 million and JPY 12.85 million converted at an exchange rate of ₹ 49.4628 per US$ and ₹ 0.6518 per JPY respectively as on January 31, 2012)	Pari Passu first charge by way of hypothecation on current assets (other than receivables with SBI Global Factors Ltd.) of our Company. Pari Passu second charge on Company's fixed assets. Pari Passu charge on 100,000 equity shares of our Company in the name of Dr. Davuluri Rama Mohan Rao. Pari Passu second charge on the shares of Andhra Pradesh Gas Power Corporation Limited ("APGCL") subordinate to the first charge created in favour of APGCL. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.	Letter of Credit and Buyers Credit repayable as per the terms usually ranging between 30 days to 120 days Bank Guarantees repayable as per the terms usually ranging between 45 days to 365 days Forward Contracts repayable as per the terms usually ranging between 30 days to 365 days
Indian Overseas Bank Sanction Letter November 13, 2010 Working Capital Consortium Agreement dated October 21, 2011	Letter of Credit, Bank Guarantee	66	63.37	First pari passu charge on entire current assets of our Company, document of the title of goods / accepted hundies. Counter guarantee of our Company.	Letter of Credit repayable as per the terms usually ranging between 30 days to 120 days Bank Guarantees repayable as per the terms usually ranging between 45 days to 365 days

Sanction Letter January 11, 2012					
Bank of India Sanction Letter July 13, 2010 Working Capital Consortium Agreement dated October 21, 2011 Sanction Letter February 15, 2012	Letter of Credit, Bank Guarantee	100	60.74 (includes LCs in foreign currency - US$ 5.13 million converted at an exchange rate of ₹ 49.4628 per US$ as on January 31, 2012)	First pari passu charge on current assets of our Company and cash margin of Letter of Credits and Bank Guarantees. Personal Guarantee of Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao. Corporate Guarantee of Sucheth and Saharsh Holdings Private Limited.	Letter of Credit repayable as per the terms usually ranging between 30 days to 120 days Bank Guarantees repayable as per the terms usually ranging between 45 days to 365 days

Note:Our Company entered into a working capital consortium agreement dated October 21, 2011 and executed a joint deed of hypothecation with State Bank of India, Bank of India and Indian Overseas Bank with respect to our working capital facilities.

Restrictive Covenants

Many of our financing agreements incorporate restrictive conditions and covenants that restrain our Company from undertaking certain corporate actions and require our Company to take the prior approval of the lender before carrying out such activities. For instance, our Company is required to obtain the prior written consent of the lenders in the following instances:

- Use of proceeds other than for the purposes for which they were granted;
- Enter into any contractual obligation of a long-term nature or affecting our Company financially to a significant extent;
- Change in the capital structure of our Company;
- Payment of dividend;
- Withdrawal of any funds that the Promoters have remitted into our Company;
- Drastic changes in the management set up;
- Make any fundamental changes such as the financial year of our Company;
- Enter into any borrowing or non-borrowing arrangements, either secured or unsecured, with any other lender or financial institution;
- Formulate any scheme for merger, amalgamation or re-organization;
- Implement any scheme of expansion or diversification or capital expenditure except normal replacement indicated in funds flow statement submitted, to and approved, by the lender;
- Approaching the capital markets for mobilising additional resources either in the form of debt or equity;
- Create or form a subsidiary of our Company;
- Undertake guarantee obligations on behalf of any other company, firm or person, including in certain cases, to the subsidiaries of our Company.

Some of our secured lenders have the right to convert their debt into equity, at a time felt appropriate by the lender, at a mutually acceptable formula.

The negative covenants as set out in the sanction letter dated April 20, 2011 issued by SBI are as under:

(i) Effect any change in the company's capital structure; in all cases of term loans, where a condition prohibiting disinvestments by promoters of their quota in the equity of the borrower company I without the prior approval of the Bank, all the promoters of the company should furnish an undertaking on the lines specified for this purpose. On the basis of the letter of undertaking, promoters should also furnish each year in the first week of April, the latter's confirmation together with the Auditor's certificate as on 31st March every year for record of the Bank.

(ii) Formulate any scheme of amalgamation or reconstruction.

(iii) Undertake any new project, implement any scheme of expansion or acquire fixed assets except those indicted in the funds flow statement submitted to the Bank from time to time and approved by the Bank.

(iv) Invest by way of share capital in or lend or advance funds to or place deposits with any other concern (including group companies); normal trade credit or security deposits in the normal course of business or advances to employees can, however, be extended.

(v) Enter into borrowing arrangement either secured or unsecured with any other bank, financial institution, company or otherwise or accept deposits apart from the arrangement indicated in the funds flow statements submitted to the Bank from time to time and approved by the Bank.

(vi) Undertake any guarantee obligation on behalf of any other company (including group companies).

(vii) Declare dividends for any year out of the profits relating to that year or of the previous years. It is however necessary for the borrower to ensure first that provisions are made and that no repayment obligations remain unmet at the time of making the request for Bank's approval for the declaration of dividend.

(viii) Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons.

(ix) Sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the Bank.

(x) Enter into any contractual obligation of a long-term nature or affecting the company financially to a significant extent.

(xi) Change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees, etc.

(xii) Undertake any trading activity other than the sale of products arising out of its own manufacturing operations.

(xiii) Permit any transfer of the controlling interest or make any drastic change in the management set- up.

(xiv) Repay monies brought in by the promoters/ directors/ principal shareholders and their friends and relatives by way of deposits / loans / advances. Further, the rate of interest, if any, payable on such deposits/ Loans/ advances should be lower than the rate of interest charged by the Bank on its term loan and payment of such interest will be subject to regular repayment of installments under term loans granted / deferred payment guarantees executed by the Bank or other repayment obligations, if any, due from the company to the Bank. All unsecured loans / deposits raised by the company for financing a project are always subordinate to the loans of the banks / financial institutions and should be permitted to be repaid only with the prior approval of the all the banks and the financial institutions concerned.

Our Company has obtained the requisite consents from its lenders in order to undertake the present rights issue.

Our Company has defaulted in some of the loans and is paying additional interest on such loans. For details of the outstanding defaults, please see the section "***Outstanding Litigation and Other Defaults***" on page 251.

For further information on restrictive covenants, please see the section "***Risk Factors***" on page 11 of this Letter of Offer.

Our Company has not given any loans or guarantees to or for and on behalf of any of our Directors, Promoters, Group Companies, related parties, material associate companies or key managerial personnel.

Fixed Deposits

Our Company had accepted deposits from the public under section 58A of the Companies Act, which have since matured. All unclaimed deposits have been remitted into the Investor Education and Protection Fund ("**IEPF**"). Our Company has complied with the relevant procedures before transferring the unclaimed deposit amounts to IEPF. Our Company transferred a sum of ₹70,964 to the IEPF on June 16, 2011.

STOCK MARKET DATA FOR EQUITY SHARES OF OUR COMPANY

The Equity Shares are listed on the Stock Exchanges. As the Equity Shares are traded on both the Stock Exchanges, stock market data has been given separately for each of these Stock Exchanges.

The closing price of the Equity Shares on July 7, 2011; the day on which the resolution of our Board of Directors approved this Issue, was ₹ 111.8 and ₹ 112.45 on the BSE and the NSE, respectively.

The Equity Shares are not frequently traded on the Stock Exchanges for the preceding twelve months, as defined under 'frequently traded shares' of SAST Regulations, 2011.

The high and low closing prices recorded on the BSE and NSE for the preceding three years and the number of Equity Shares traded on the days the high and low prices were recorded are stated below:

BSE								
Year Ending March 31	**High (₹)**	**Date of high**	**Volume on Date of High (No. of shares)**	**Low (₹)**	**Date of Low**	**Volume on Date of Low (No. Of Shares)**	**Average Price for the Year**	**No of trading days**
2011	164.4	Dec 03	1,00,411	85.0	May 25	10,401	111.9	254
2010	160.0	May 22	9,894	88.7	Apr 01	7,873	123.1	238
2009	198.0	Apr 17	1,638	80.50	Mar 06	1,775	132.23	228

Source: www.bseindia.com

NSE								
Year Ending March 31	**High (₹)**	**Date of high**	**Volume on Date of High (No. of Shares)**	**Low (₹)**	**Date of Low**	**Volume on Date of Low (No. Of Shares)**	**Average Price for the Year**	**No of Trading days**
2011	164.9	Dec 03	90,063	85.0	May 25	8,696	111.9	254
2010	169.8	May 28	3,816	95.0	Apr 01	50	123.1	237
2009	130.0	Nov 19	3,859	74.0	Oct 27	2,978	99.2	85*

**Our Company got listed on the NSE only on 13th Oct 2008*

Source: www.nseindia.com

The average volume of Equity Shares traded in the BSE and the NSE were 951 and 668 Equity Shares per day respectively for the six month period from August 1, 2011 to January 31, 2012. The number of trading days in this period was 124 days for BSE and 121 days for NSE.

The high and low prices and volume of Equity Shares traded on the respective dates during the last six months is as follows:

BSE								
Month, year	**High (₹)**	**Date of high**	**Volume on Date of high (No. of Shares)**	**Low (₹)**	**Date of Low**	**Volume on Date of low (No. Of Shares)**	**Average Price for the Month (closing)**	**No of trading days**
Sept 2011	94.90	Sep 05	123	82.25	Sep 07	2088	90.49	21
Oct 2011	96.70	Oct 31	786	81.50	Oct 10	1162	86.79	19
Nov 2011	89.90	Nov 8	1640	68.00	Nov 18	413	79.58	20
Dec 2011	87.85	Dec 2	1737	68.50	Dec 19	829	76.02	21
Jan 2012	88.00	Jan 27	965	71.00	Jan 2	89	79.09	22
Feb 2012	89.35	Feb 6	5593	75.45	Feb 28	1202	81.70	20

Source: www.bseindia.com

NSE								
Month, year	**High (₹)**	**Date of high**	**Volume on Date of high (No. Of Shares)**	**Low (₹)**	**Date of Low**	**Volume on Date of low (No. Of Shares)**	**Average Price for the Month (closing)**	**No of trading days**
Sept 2011	96.95	Sep 15	91	85.00	Sep 7	2808	89.95	21
Oct 2011	92.00	Oct 21	1256	81.50	Oct 7	2888	86.64	18
Nov 2011	91.70	Nov 28	1871	70.00	Nov 24	582	80.48	19
Dec 2011	85.00	Dec 2	135	68.50	Dec 19	1717	76.41	21
Jan 2012	87.90	Jan 27	1463	70.30	Jan 2	58	78.88	22
Feb 2012	88.20	Feb 8	1359	73.00	Feb 29	527	81.59	20

Source: www.nseindia.com

The high and low prices and volume of Equity Shares traded on the respective dates during the last four weeks is as follows:

BSE							
Week ended on#	**High (₹)**	**Date of high**	**Volume on Date of high (no. Of Shares)**	**Low (₹)**	**Date of Low**	**Volume on Date of low (no. Of Shares)**	**Average Price for the Week (closing)**
March 9, 2012	80.75	Mar 9	5591	77.55	Mar 5	698	77.20
March 2, 2012	83.9	Feb 29	1155	78.5	Feb 28	1202	80.57
February 24, 2012	80.5	Feb 22	17084	78.00	Feb 23	1362	79.25
February 17, 2012	84.50	Feb 13	3507	76.00	Feb 14	17107	80.06

 # Based on calendar week
Source: www.bseindia.com

NSE							
Week ended on#	**High (₹)**	**Date of high**	**Volume on Date of high (no. Of Shares)**	**Low (₹)**	**Date of Low**	**Volume on Date of low (no. Of Shares)**	**Average Price for the Week (closing)**
March 9, 2012	80.25	Mar 7	648	70.25	Mar 9	20527	77.01
March 2, 2012	88.00	Mar 2	211	73.00	Feb 29	527	78.56
February 24, 2012	80.00	Feb 21	2451	75.30	Feb 21	2451	77.89
February 17, 2012	84.00	Feb 14	1892	77.10	Feb 14	1892	79.84

 # Based on calendar week
Source: www.nseindia.com

SECTION VI – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND OTHER DEFAULTS

Except as described below, there are no outstanding litigations including, suits, criminal or civil prosecutions and taxation related proceedings before any judicial, quasi-judicial, arbitral or administrative tribunals, against our Company and its subsidiaries that would have a material adverse effect on our business, including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Act.

Further, there are no defaults, non-payment of statutory dues including, institutional/ bank dues and dues payable to holders of any debentures, bonds, fixed deposits and arrears of cumulative preference shares that would have a material adverse effect on our business other than unclaimed liabilities against our Company as of the date of this Letter of Offer.

Further, except as disclosed below, our Company and its subsidiaries are not involved in any litigation involving moral turpitude and neither have any proceedings relating to economic offences been initiated against our Company or its subsidiaries.

Further from time to time, we are involved in legal proceedings filed by and against us, arising in the ordinary course of our business. These legal proceedings, which are pending adjudication, are primarily in the nature of civil cases and in some instances, criminal proceedings. We believe that the number of proceedings in which we are involved is not unusual for a company of our size doing business in India.

*For details of contingent liabilities of our Company and its subsidiaries, refer to the section titled "**Financial Statements**" on page 139 of this Letter of Offer.*

Apart from the litigations disclosed below, there are no outstanding criminal or other litigations against our Company, the Promoters, the Promoter Group entities or the Directors.

1. Labour and Industrial Matters involving our Company:

(a) Pursuant to termination of the services of Mr. K. Annaji Rao, from Unit I of our Company, he raised an industrial dispute bearing ID No. 54 of 2004 before the Labour Court, which passed an award on July 7, 2009 in favour of the employee inter alia directing our Company to reinstate the employee into service with continuity of service but without attendant benefits and back wages. Our Company has challenged the award dated July 7, 2009 passed by the Labour Court before the High Court of Andhra Pradesh vide writ petition bearing WP No. 29272 of 2009. The High Court passed an interim order dated December 31, 2009 in WPMP No. 37914 of 2009 granting a stay on operation of the award dated July 7, 2009 subject to compliance with Section 17-B of the Industrial Disputes Act, 1947. In terms of the interim order, our Company is remitting the last drawn wages every month from January 2010 onwards. The case is pending for final disposal.

(b) Our Company terminated the services of 21 workmen from Unit II of our Company in the year 2003. The said workmen raised industrial disputes bearing ID Nos. 148 of 2003 to 165 of 2003, 167 of 2003, 175 of 2003 and 176 of 2003 before the Labour Court and the Labour Court passed an award dated April 4, 2007 in favour of the employees. Our Company has challenged the awards passed by the Labour Court before the High Court vide writ petition bearing WP Nos. 14174 of 2007, 14175 of 2007, 14178 of 2007, 14179 of 2007, 14181 of 2007, 14184 of 2007, 14186 of 2007, 14189 of 2007, 14206 of 2007, 14237 of 2007, 14239 of 2007, 14247 of 2007, 14250 of 2007, 14255 of 2007, 14256 of 2007, 14261 of 2007, 14264 of 2007, 14272 of 2007, 14278 of 2007, 14304 of 2007, 15213 of 2007. The High Court passed an interim order dated July 5, 2007 in 17794 of 2007, 17795 of 2007, 17798 of 2007, 17799 of 2007, 17801 of 2007, 17804 of 2007, 17806 of 2007, 17809 of 2007, 17826 of 2007, 17886 of 2007, 17889 of 2007, 17897 of 2007, 17900 of 2007, 17910 of 2007, 17911 of 2007, 17917 of 2007, 17920 of 2007, 17931 of 2007, 17939 of 2007, 17970 of 2007, 19174 of 2007 granting a stay on the operation of the award dated April 4, 2007 subject to compliance with Section 17-B of the Industrial Disputes Act, 1947. Out of 21 cases, our Company settled 13 cases out of court and the remaining 8 cases (WPMP No. 17939 of 2007, 17886 of 2007, 17798 of 2007, 17809 of 2007, 17889 of 2007, 17826 of 2007, 17804 of 2007 and 17897 of 2007) are still pending before the High Court. In terms of the interim order passed by the High Court, our Company is remitting the last drawn salary / wages every month.

(c) Our Company terminated the services of Mr. N. Yohan Reddy, a workman of our Company. The employee raised an industrial dispute bearing ID No. 35 of 2003 before the Additional Industrial Tribunal cum Additional Labour Court, Hyderabad and the Additional Industrial Tribunal cum Additional Labour Court, Hyderabad passed an award dated October 9, 2010. Our Company challenged the award dated October 9, 2010 passed by the Additional Industrial Tribunal cum Additional Labour Court, Hyderabad before the High Court vide writ petition bearing WP No. 3207 of 2007. The High Court vide its order dated February 20, 2007 in WPMP No. 4094 of 2007 granted an interim suspension on operation of the award. The matter is pending.

(d) Our Company suspended the services of Mr. K, Nagaraju, an employee from Unit I of our Company for an offence of theft. While the enquiry proceedings were pending, he filed MP No. 34 of 2005 before the Additional Labour Court, Hyderabad under Section 33C (2) of the Industrial Disputes Act, 1947 praying for our Company to pay him a sum of ₹ 1,20,000 together with 12% interest towards subsistence allowance for the period March 2003 to September 2004. Our Company has filed counters and led evidence. The case is pending for final disposal.

(e) The aforesaid Mr. K. Nagaraju also filed a petition bearing MP No. 1 of 2010 before the Labour Court-II, Hyderabad under Section 33 C (2) of the Industrial Disputes Act, 1947 praying for a sum of ₹ 4,83,000 together with 12% interest towards subsistence allowance for the period October 2004 to June 2010. The case is pending for final disposal.

(f) The aforesaid Mr. Nagaraju also filed a industrial dispute bearing ID No. 5 of 2012 before the Labour Court-II, Hyderabad praying for (a) setting aside the termination order dated August 30, 2010 passed by our Company terminating him from the services and (b) a direction to reinstate Mr. Nagaraju into services with continuity of service, attendance benefits and with full back wages. The case is pending.

(g) Our Company terminated the services of Mr. V. Raji Reddy, a workman of Unit I of our Company for an offence of theft. The employee raised an industrial dispute bearing ID No. 47 of 2008 before the Labour Court-II, Hyderabad and the Labour Court-II, Hyderabad passed an award dated January 31, 2011 directing our Company to reinstate the workman into service with continuity of service and 75% of back wages. Our Company challenged the award dated January 31, 2011 passed by the Labour Court before the High Court vide writ petition bearing WP No. 11111 of 2011. The High Court vide its interim order dated April 20, 2011 in WPMP No. 13629 of 2011 granted a stay on operation of the award subject to compliance of Section 17-B of the Industrial Disputes Act, 1947. The case is pending.

(h) The aforementioned Mr. V. Raji Reddy also filed a case bearing MP No. 10 of 2008 before the Labour Court-II, Hyderabad against our Company claiming for subsistence allowance. Our Company has been paying the subsistence allowance and produced the receipts before the Labour Court. The case is pending and posted for arguments.

(i) Our Company terminated the services of Mr. M.S. Prasad, a workman of our Company. The employee raised a case bearing MP No. 9 of 2006 before the Labour Court-II, Hyderabad and the Labour Court-II, Hyderabad passed an award dated September 30, 2009. Our Company challenged the said award before the High Court vide writ petition bearing WP No. 27346 of 2009. The High Court vide its order dated December 16, 2009 in WPMP No. 35611 of 2009 granted a stay on operation of the award. The matter is pending.

(j) The Competent Authority, Employee State Insurance passed an order dated December 24, 2008 directing our Company to pay ₹ 32,672 towards employees state insurance contribution on wages paid to 21 employees (who raised industrial dispute bearing ID No. 148 of 2003 to 165 of 2003, 167 of 2003, 175 of 2003 and 176 of 2003) for the period April 2008 till July 2008. Our Company has filed an appeal bearing EI No. 16 of 2009 before the ESI Court and has also filed chief examination affidavit in the matter. The case is pending and posted for trial.

If there is an adverse ruling against our Company in respect of all of the above Labour disputes, there would not be any significant financial impact on our Company.

2. **Property related disputes in which our Company is involved**:

(a) Ms. Surabhi Muthyalu, one of the neighbouring land owners of the Research and Development center of our Company situated at Bonthapally, filed a civil suit bearing OS No. 39 of 2007 before the Junior Civil Judge, Narsapur alleging that our Company had made certain illegal constructions and due to those constructions, borewell and crop at his land were damaged. Ms. Surabhi Muthyalu prayed the Junior Civil Judge, Narsapur for a grant of perpetual injunction in respect of land measuring Acres 0-15 Guntas in Survey No. 489/AA2 situated at Bonthapally Village restraining our Company, his men and agents, un-social elements and any other person(s) claiming through or on his behalf from interfering with the peaceful possession. Our Company has filed counter denying the allegations averred in the plaint as false. The Junior Civil Judge, Narsapur vide its order December 3, 2007 made the ad-interim injunction dated March 2, 2007 absolute. If there is an adverse ruling against our Company, there would be no significant financial impact on our Company.

(b) Our Company has filed a civil suit bearing OS No. 12 of 2008 before the District Court, Narsapur for demarcation and survey of land in Survey No. 291 situated at Bonthapally Village, Jinnaram Mandal, Medak District. The District Court has appointed an advocate commissioner. The case is pending.

(c) Our Company purchased land in Survey No. 490/2 situated at Bonthapally Village, Jinnaram Mandal, Medak District. The Revenue department issued notices to our Company for resumption of the said land on the ground that the same was 'assigned land'. Our Company has filed an application before the Collector, Medak District for regularization of the said land as per the applicable laws. Our Company also filed a writ petition bearing WP No. 6446 of 2011 before the High Court praying for an order not to take any coercive steps. The High Court vide its order dated March 18, 2011 directed the revenue department to not take any coercive steps till the disposal of the representation filed by our Company. The matter is pending before the Collector, Medak District. If there is an adverse ruling against our Company, there would be no significant financial impact on our Company.

(d) Our Company was allotted land measuring 5 Acres in Survey No. 115/35 situated at Nanakramguda Village, Serilimgampally Mandal, Ranga Reddy District by the Andhra Pradesh Industrial Infrastructure Corporation Limited for setting up a basic research and development center. However, a public interest litigation bearing WP No. 17623 of 2007 was filed challenging certain the allotments made by Andhra Pradesh Industrial Infrastructure Corporation Limited in and around Nanakramguda Village on the grounds *inter alia* actions of Andhra Pradesh Industrial Infrastructure Corporation Limited and government departments in allotting public properties to private companies, firms, individuals either by way of outright sale or lease without calling for tenders or advertisement as unconstitutional and to cancel the allotments and resume the lands in all case where the development has not commenced or the substantial progress has not been made strictly as per the terms and conditions of allotments and regulations. Our Company has been named as one of the parties to the said writ petition. The case is pending. If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹247 million.

3. **Criminal Cases involving our Company**:

A criminal case bearing CCSR No. 1753 of 2010 was filed by one Mr. T. Sriranga Rao before the Principal Special Judge for SPE and Anti Corruption Bureau, Hyderabad ("**ACB Court**") alleging *inter alia* that certain officials of the Andhra Pradesh Industrial Infrastructure Corporation Limited allotted land in and around Nanakramguda Village to the allottees named in the said case by illegal means and in violation of the regulations and norms of the Andhra Pradesh Industrial Infrastructure Corporation Limited and prayed that the compliant be referred to the Director General, ACB for investigation and report. Our Company is also referred to as one of the allotted companies. The ACB Court passed an interim order dated September 7, 2010 directing the aforesaid case to be forwarded to the Director General, ACB and the matter was adjourned to November 9, 2010. Being aggrieved by the said order, two of the respondents viz. (a) Mack Solutions Inc. and (b) Mr. Pardhasaradhi Rao filed criminal revision cases bearing Nos. 1727 of 2010 and 1728 of 2010 before the High Court. The High Court vide its orders dated (a) September 15, 2010 and (b) October 5, 2010 suspended the order dated September 7, 2010 made by the ACB Court. The case is pending before the High Court.

4. **Customs Cases involving our Company**:

The Commissioner of Customs, Chennai vide his order in original bearing No. 67/99 dated October 5, 1999 ordered our Company to pay an amount of ₹ 94,10,559 towards to custom duty along with interest on the goods / raw material imported for the period 1995-1996 in terms of the Duty Exemption Entitlement Credit Scheme. Being aggrieved by the said order, our Company filed an appeal before the Customs Excise and Gold (Control) Appellate Tribunal, Chennai. The Appellate Tribunal, Chennai vide his order bearing No. 1141 of 2000 and 1142 of 2000 dated August 23, 2000 set aside the order passed the Commissioner of Customs, Chennai and directed the Commissioner of Custom to conduct denovo enquiry. Pursuant thereto, the Commissioner of Customs, Chennai passed two order bearing No. (a) 36 of 2002 dated March 13, 2002 confirmed the duty of ₹ 6,91,844 along with a (a) penalty of ₹ 1,00,000 and (b) redemption fine of ₹ 3,00,000 and (b) 513 dated October 20, 2002 granted the refund of ₹ 17,14,041 out of the pre deposited amount of ₹ 40,00,000 and adjusted the balance of the pre deposited amount towards the duty along with 24% interest from the year 1995. In appeal, our Company has filed two cases viz. (a) appeal before the Appellate Tribunal, Chennai for setting aside the order in original bearing No. 36 of 2002 dated March 13, 2002 of the Commissioner of Customs, Chennai and (b) writ petition before the High Court of Madras for quashing the order bearing No. 513 dated October 20, 2002. The aforesaid matters are pending. If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹2.29 million.

5. **Service Tax Cases involving our Company:**

Our Company entered into a separate 'Master Services Agreements' with companies based in the United States of America, viz. (a) AM Pappas & Associates, LLC, (b) Ian Humphry & Pharma and (c) Pharma Q for rendering services in relation to the Research and Development activities, foreign regulatory markets. The Commissioner of Customs and Central Excise, Hyderabad issued several show cause notices since the year 2004 and orders demanding for the payment of the service tax for the services received by our Company from such entities in terms of Section 2(1) (d) (iv) of the Service Tax (Amendment) Rules, 2002 from the abroad. However, our Company has challenged the vires of 2(1) (d) (iv) of the Service Tax (Amendment) Rules, 2002 as well as the levy of the service tax. A brief summary of the demand made against our Company and the proceedings initiated by our Company are given herein below:

Date and particulars of the demand order/notice	**Amount of claim**	**Writ petition particulars filed by our company**	**Claim period**	**Interim orders (if any)**	**Estimated Liability (in ₹ million)**
No. HQ AE No. 102/2004 dated September 23, 2004	-	WP No. 21653 of 2004	-	-	Nil
C. No. HQST/AE/75/05 dated September 12, 2007 and Order No. 26/2008 dated September 18, 2008	(i) ₹ 21,25,649 towards service tax and ₹ 42,513 towards education cess (ii) a penalty of ₹ 100 per day for the default period till the date of payment (iii) ₹ 21, 68,162 towards mandatory penalty under Section 78 of the Finance Act, 1994	WP No. 14524 of 2007 And WP No. 26624 of 2008	For the period April 2006 till March 2007	The High Court vide its order dated December 23, 2008 directed the Additional Commissioner not to take any coercive steps against our Company.	2.17
No. 07 of 2007 (Service) dated February 27,	(i) ₹ 29,54,025 towards service tax and ₹ 32,945	WP No. 11387 of 2007	October 2000 to December 2005	The High Court vide its order dated June 5, 2007 stayed	2.98

2007	towards education cess (ii) a penalty of ₹ 100 per day for the default period till the date of payment (iii) ₹ 29, 86,070 towards mandatory penalty under Section 78 of the Finance Act, 1994			the operation of the order.	
57 of 2008 (Service) dated January 13, 2009	₹ 16,59,719 towards service tax including cess	WP No. 8665 of 2009	financial year 2007-2008	The High Court vide its order dated April 27, 2009 directed the Joint Commissioner (Service Tax) not to take any coercive steps against our Company.	1.65
No. 58 of 2009 dated December 16, 2009	₹ 22,74,584 towards service tax including cess along with a (i) penalty of ₹ 200 per day or 2% per month of such service tax amount confirmed , whichever is higher starting with the first day after due date till the date of actual payment of the outstanding service tax and (ii) a penalty of ₹ 5,000 is also imposed under Section 77 of the Finance Act, 1994	WP No. 403 of 2010	April 2008 to March 2009	The High Court vide its order January 1, 2010 granted a stay on operation of the order with a condition to pay a 50% of the amount relating to the demand of service tax including the interest thereon within a period of a six weeks. Our Company deposited an amount of ₹ 11, 62, 812.	1.14
No. 05 of 2009 dated December 4, 2009	₹ 3,66,428 towards service tax including cess along with a (i) penalty of ₹ 1,000 (ii) penalty of ₹ 100 per day for the default period till the date of payment (iii) ₹ 3,66,428 towards mandatory penalty under Section 78 of the Finance Act, 1994	WP No. 404 of 2010	January 2006 to March 2006	The High Court vide its order January 1, 2010 granted a stay on operation of the order with a condition to pay a 50% of the amount relating to the demand of service tax including the interest thereon within a period of a six weeks. Our Company deposited an amount of ₹ 1,88,314 .	0.19

The above mentioned proceedings are pending.

Additionally, our Company has received the following demand notices for payment of service tax including education cess for the services procured by it from overseas entities for the period specified there under:

(a) OR No. 123 of 2010 dated September 27, 2010 for a sum of ₹ 12, 94,010 for the period April 2009 till March 2010); and

(b) OR No. 82 of 2011 dated July 5, 2011 for a sum of ₹ 6,50,887 for the period April 2010 to March 2011.

Our Company responded to the said notices vide its letter dated November 10, 2010 and July 21, 2011, respectively denying all the averments. If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹1.3 million and ₹0.61 million, respectively.

6. Sales Tax matters involving our Company:

Our Company had made a claim of sales tax credit of a ₹ 5,54,369 before the Assessing Authority on April 26, 2005. However, the Assessing Authority, vide proceeding in Form VAT 126 dated September 29, 2005 restricted the sales tax credit to only ₹ 4,34,456. Our Company filed a tax appeal bearing TA No. 398 of 2009 in Form APP 401 before the Sales Tax Appellate Tribunal, Andhra Pradesh on May 23, 2009. The matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹0.43 million.

7. Income Tax matters involving our Company:

(a) Our Company had claimed deduction U/sec 80HHC of ₹ 1,71,34,078 for the Assessment Year 2002-2003. The Department filed an appeal with Commissioner of Income Tax (Appeals) and Income Tax Appellate Tribunal where in the appeal was dismissed in the both the cases. Aggrieved by this, the Department had filed an appeal bearing No. I.T.T.A. 289/11 before the High Court of Andhra Pradesh. The matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹2.06 million.

(b) Our Company had filed an appeal bearing ITA No. 034/ACIT-16(1)/CIT(A)-V/2006-07 before the Commissioner of Income Tax (Appeals)-V, Hyderabad against the assessment order dated March 30, 2006 passed by the Assistant Commissioner of Income Tax, Circle 16 (1), Hyderabad under Section 143 (3) of the IT Act in relation to the Assessment Year 2003-2004 disallowing a sum of (a) ₹. 36,51,059/ towards delayed payment of PF Contribution, and (b) ₹. 4,57,121/ towards delayed payment of ESI contribution under Section 43B of the IT Act. The Commissioner of Appeal vide his order dated August 28, 2006 dismissed the appeal bearing ITA No. 034/ ACIT-16(1)/CIT(A)-V/2006-07 and confirmed the order passed by the Assistant Commissioner of Income Tax, Hyderabad. Being aggrieved by the order of the Commissioner of Income Tax (Appeals)-V, Hyderabad, our Company has preferred an appeal bearing ITA No. 842 /Hyd/2006 before the Income Tax Appellate Tribunal. The Income Tax Appellate Tribunal vide its order dated May 5, 2008 allowed the appeal bearing ITA No. 842/Hyd/2006 by setting aside the order passed by the Assistant Commissioner of Income Tax. Being aggrieved by the order passed by the Income Tax Appellate Tribunal, the Commissioner of Income Tax-IV filed an income tax appeal bearing ITTA No. 89 of 2012 before the High Court. The matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹0.5 million.

(c) The Deputy Commissioner of Income Tax, Circle 16(1), Hyderabad vide the Assessment Order passed u/sec 143(3) of the Income Tax Act, 1961 dated December 12, 2010, for the Assessment Year 2008-09 had disallowed expenses aggregating ₹ 33,10,57,166 claimed by our Company. Aggrieved by this, our Company filed an appeal before the Commissioner of Income Tax (Appeals) – IV, Hyderabad. The matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹ 39.73 million.

(d) For the Assessment Year 2004-05, the assessment was completed u/sec 143(3) December 29, 2006. Thereafter, the assessing officer reopened the assessment u/sec 147 and completed the assessment determining the total income at ₹ 6,38,77,991 after setting a brought forward losses of earlier years. Our Company filed an appeal before the Commissioner of Income Tax (Appeals) – V, Hyderabad and received order dated May 3, 2011 ruling the reopening of the assessment is bad in law and the re-opened proceedings were held *ab initio* void. Aggrieved by this order, the Department filed an appeal bearing ITA No. 1350/HYD-2011 before the Income Tax Appellate Tribunal. The matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹ 7.66 million.

(e) The Assistant Commissioner of Income Tax, Circle 16(1), Hyderabad vide the Assessment Order passed u/sec 143(3) of the Income Tax Act, 1961 dated December 26, 2011, for the Assessment Year 2009-10 had disallowed expenses aggregating ₹ 21,01,17,058 claimed by our Company. Aggrieved by this, our Company has filed an appeal bearing No. 324/2011-12 before the Commissioner of Income Tax (Appeals) – V, Hyderabad. The matter is pending. If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹25.21 million.

8. Matters pending before the Enforcement Directorate

The Enforcement Officer, Enforcement Directorate (ED) issued direction bearing F. No. T-1/IMP/889/DZ/96/AD (P) dated August 9, 1996 under Section 39 of the Foreign Exchange Regulation Act, 1973 to our Company to deposit subscription amount of ₹ 30,00,000 paid by one Mr. Dharmesh Kumar Yadav who has applied for shares of our Company under the rights issue made in 1996 and also to surrender the original share certificate issued to Mr. Dharmesh Kumar Yadav (who was implicated in a urea scam case). Our Company replied to the notice and submitted the original share certificate. Thereafter the Enforcement Department has issued a notice bearing No. T-4/2-D/98 (SCN-V) dated May 1, 2007. A personal hearing was held on May 30, 2007, at the hearing company explained the facts and sent a written submission on November 13, 2007 requesting to drop further proceedings against our Company. There has been no been no response from the ED since then. Our Company has forfeited all the partly paid shares including the above in October 2005. If there is an adverse ruling against our Company, the estimated financial impact on our Company would be approx. ₹3 million.

9. Contingent liabilities not provided:

(a) Claims against our Company not acknowledged as debts.

(i) Customs duty demand of ₹ 2.29 million including interest. The same was adjusted against the pre-deposit of ₹4.00 million made by our Company. Our Company has filed an appeal against the demand before the Appellate Tribunal, Chennai, which is yet to be decided. Simultaneously our Company also filed an appeal before Honorable High Court of Madras for refund of balance of Pre-deposit together with interest. As the export obligations against the material imported under Duty Exemption Entitlement Scheme have been completed, our Company expects the outcome in its favour.

(ii) APGCL and its shareholders (including our Company) have filed writ petition before the Division Bench of High Court of A.P, which has been admitted and favourable interim orders have been granted. Our Company has been advised that it has a strong case to succeed in the pending appeal. In the event of any adverse orders, there would not be any significant financial impact on our Company.

(iii) Certain disputes, for unascertained amounts, are pending in the Labour Courts, A.P. As the chances of appellants succeeding in their claims being remote, our Company expects no liability on this account.

(b) Unexpired Letters of Credit opened on behalf of our Company by Bank for the raw material amounting to ₹ 446.48 million.

(c) Estimated amounts of contracts on capital account to be executed and not provided for Net of advance ₹ 2.82 million.

(d) Bank Guarantees given by our Company to Central Excise and Customs and other Government authorities amounting to ₹ 36.91 million.

10. Non Payment of Statutory Dues

Summary of the statutory dues that are due and outstanding as on date are set out below:

Name of the statutory due	Legislation	Month	Amount (In ₹)	Due date
	Income Tax Act, 1961			
Tax Deduction at Source		October, 2011	1,573,440	November 7, 2011
Tax Deduction at Source		November, 2011	3,115,653	December 7, 2011
Tax Deduction at Source		December, 2011	3,313,655	January 7, 2012
Tax Deduction at Source		January, 2012	2,378,209	February 7, 2012

11. Defaults in loan repayments:

Other than as set below, our Company does not owe any small scale undertaking or any other creditor, a sum exceeding ₹0.1 million, which is outstanding for more than 30 days.

Summary of the defaults by our Company in repayments of any loan installment under the existing loans of our Company:

Particulars	Fiscal 2012 (till January 31, 2012)	Fiscal 2011	Fiscal 2010
No of times the interest/principal payment was delayed	37	47	26
Total Penal interest on domestic borrowings (in ₹)	5,70,572	6,13,594	1,60,292
Total Penal interest on foreign currency borrowings (in $)	8,994	16,319	12,999

Summary of the outstanding defaults by our Company in repayments of any loan instalment under the existing loans of our Company:

Name of the Bank	Amount (In ₹)	Due date	Date of repayment
Rupee Term Loan -Exim Bank-III	15,000,000	December 31, 2011	Not yet paid

12. Litigation Against Group Company

Our Group Company, SSHPL purchased land measuring Acres 2-00 Guntas in Survey No. 490/1 situated at Bonthapally Village, Jinnaram Mandal, Medak District, Andhra Pradesh from Vishnu Industries under a Sale Deed dated May 30, 2005 registered as Document No 2363 of 2005 in the office of the Sub Registrar, Narsapur. Vishnu Industries acquired the aforesaid land from Sweet Dream Foam Private Limited under a Sale Deed dated January 11, 2005 registered as Document No. 129 of 2005 in the office of the Sub Registrar, Narsapur. However, one Mr. Murali Krishna, Director of Sweet Dreams Foam Private Limited made a complaint to the Commissioner and Inspector General of Registration and Stamps, Hyderabad with respect to the sale of land to SSHPL. Pursuant thereto, the Commissioner and Inspector General of Registration vide proceedings No. G1/AIG(S)/15718/2007 dated February 22, 2008, cancelled the sale deed executed in favour of Vishnu Industries and SSHPL without issuing any notice. SSHPL challenged the cancellation by filing a writ petition bearing WP No. 33571 of 2010 before the High Court of Andhra Pradesh. The High Court vide its order dated December 31, 2010 passed in WP MP No. 42554 of 2010 in WP No. 33571 / 2010 directed to maintain the status quo with regards to the possession of the property till further orders passed. The litigation is pending.

Material Developments since the last Balance Sheet date
For information on Material Developments, please refer to section titled '***Management Discussions and Analysis of Financial Condition and Results of Operations***' on page 215 of this Letter of Offer.

GOVERNMENT AND OTHER APPROVALS

Our Company has received the necessary consents, licenses, permissions and approvals from the Government of India and various governmental agencies required for our present business and to undertake the Issue and no further material approvals are required for carrying on our present activities. In addition, except as mentioned in this section, as on the date of this Letter of Offer, there are no pending regulatory and government approvals and no pending material renewals of licenses or approvals in relation to the activities undertaken by our Company or **in relation to the Issue.**

The objects clause of our Memorandum of Association enables our Company to undertake its existing activities.

For further details in connection with the regulatory and legal framework within which our Company operates, please refer to the section titled "***Regulations and Policies***" of this Letter of Offer.

I. Incorporation details of our Company

1. Certificate of incorporation for Neuland Laboratories Private Limited, dated January 7, 1984 issued by the Registrar of Companies, Andhra Pradesh;

2. Fresh certificate of incorporation consequent to conversion under Section 31/44 of the Companies Act, 1956 for Neuland Laboratories Limited, dated October 12, 1993 issued by the Registrar of Companies, Andhra Pradesh.

II. Approvals for the Issue:

1. Board resolution dated July 7, 2011 approving the Issue;
2. In-principle approval from the BSE dated October 17, 2011;
3. In-principle approval from the NSE dated October 21 , 2011.

III. General

1. Our Company has been issued Permanent Account Number (PAN) AAACN9531E by the Income Tax Department.

2. Our Company has been issued Service Tax Number AAACN9531EST001 by the Central Excise Officer, Central Board of Excise and Customs, Department of Revenue registering the Registered Office, Unit I and Unit II premises for business auxiliary services, transport of goods by road, business support services.

3. Our Company has been issued Value Added Tax Number (VAT) 28890173342 by the VAT Registering Authority, Sanathnagar Circle, Hyderabad specifying for the Registered Office, Unit I and Unit II.

4. Our Company has been issued Andhra Pradesh General Sales Tax Number PJT/06/1 /3201/94-95 by the Assistant Commercial Tax Officer, Sanathnagar for the Registered Office, Unit I and Unit II.

5. Our Company has been issued Central Sales Tax Number PJT/06/1 (Central)/2338/94-95 by the Assistant Commercial Tax Officer, Sanathnagar for the Registered Office, Unit I and Unit II.

6. Our Company has been issued Certificate of Importer –Exporter Code (IEC) No: 0988005077 by the Foreign Trade Development Officer, Ministry of Commerce, Hyderabad for its Registered Office, Unit I and Unit II.

7. Our Company is granted a Star Export House status by the Government of India, Ministry of Commerce & Industry vide its trading house certificate bearing No. C-0425 dated August 18, 2009 and the same is valid from April 1, 2009 to March 31, 2014.

8. Our Company is registered with the Pharmaceuticals Export Promotion Council (set up by the Ministry of Commerce & Industry, Government of India) vide its RCMC No. PXL/LSM/II/0894 and the same is valid till March 31, 2012.

9. Our Company is granted in house Research & Development approval vide its letter dated August 5, 2011 from the Scientist G, Ministry of Science and Technology, Department of Scientific and Industrial Research, Government of India renewing certificate of registration for In-House Research and Development center at Unit I and Unit II and the same is valid till March 31, 2016.

10. Our Company has obtained No objection certificate vide letter bearing Ref. No. FE CO OID 19433/19.33.01/2007-2008 dated February 2008 for investment in wholly owned overseas subsidiaries issued by the Assistant Manager, RBI, Foreign Exchange Department.

11. Our Company has entered into a waste management agreement dated December 11, 2001 with Hyderabad Waste Management Project, a unit of Ramky Enviro Engineers Limited for the purposes of treating, storing and disposing hazardous wastes generated within Unit I and Unit II. The same is valid until it is terminated by the parties.

IV. All other Government and other Approvals obtained by our Company

A. Registered Office:

(i) *Trade Licence*:

Trade Licence Certificate bearing No. 18968 /HL/GHMC/2011 dated June 14, 2011 issued by the Commissioner, Greater Hyderabad Municipal Corporation to carry on the trade / operation of our Company at the corporate office.

(ii) *Employees State Insurance Corporation:*

Our Company has been registered with Employees State Insurance Corporation, Hyderabad vide its registration number 52520092700010305 in terms of the Employees State Insurance Act, 1948.

(iii) *Employees Provident Fund:*

Our Company has been registered with the Assistant Provident Fund Commissioner, Patancheru having its registration number AP/18727 in terms of the Employees Provident Fund and Miscellaneous Provisions Act, 1952.

(iv) *Andhra Pradesh State Tax on Professionals, Traders, Callings and Employment Act, 1987*:

Our Company has been registered with the Profession Tax Officer, Sanathnagar Circle, Hyderabad vide its registration No. 28216153239 as per the provisions of the Andhra Pradesh State Tax on Professionals, Traders, Callings and Employment Act, 1987.

(v) *Andhra Pradesh Shops and Establishment Act, 1988:*

Our Company has been registered with the Assistant Labour Officer, Sanathnagar Circle, Hyderabad vide its registration No. C/26/9/92 as per the provisions of the Andhra Pradesh Shops and Establishment Act, 1988 specifying 93 employees.

(vi) *Other Country GMP Certifications*:

Our Company has obtained the following GMP inspections from the following authorities:

(a) Certificate of GMP Compliance of a manufacturer bearing No. WEL/140607/3GMP dated June 14, 2007 issued by the Freie Und Hansestadt Hamburg, Verbraucherschutz certifying that our Company (premises of Unit I and Unit II) is in compliance with the principles of GMP for active substances

(Ranitidine and Ciprofloxacin) referred to in Article 47 of Directive 2001/83/EC. The Certificate has been issued on the request of Welding GmbH & Co KG Esplanade 39 20354 Hamburg.

(b) Letter dated January 24, 2006 issued by the Department of Health & Human Services, Food and Drug Administration, Rockville, MD 20857 informing inter alia that the manufacturing facility at Unit II is acceptable.

(c) Clearance Letter dated June 5, 2009 issued by the TGA for manufacture of Enalapril at Unit I. The clearance is valid till March 28, 2013.

(d) Letter dated February 14, 2011 issued by the Department of Health & Human Services, Food and Drug Administration, Silver Spring, MD 20993 informing inter alia that the manufacturing facility at Unit I is acceptable.

(e) Attestation of Inspection reference certificate bearing No. RO-CEP 2001-269-Rev 01/Sotalol Hydrochloride issued by the Director of the Quality of Medicines, European Directorate for the Quality of Medicines & HealthCare, Strasbourg certifying that the manufacturing facility of Unit I of our Company is in compliance with the quality assurance and good manufacturing practices.

(f) Certificate of GMP Compliance dated August 22, 2009 issued by the PMDA Office of Compliance & Standards, Japan certifying that our Company (premises of Unit I and Unit II) is in compliance with the principles of GMP for active substance (Ciprofloxacin).

B. Unit I at Bonthapally*:*

(i) *Industrial Licenses*:

(a) Letter of Intent bearing No. 306 (1992) dated June 29, 1992 issued by the officer on Special Duty, Department of Industrial Development, Ministry of Industry, Government of India for manufacturing items viz. (a) Salbutamol Sulphate (14400 Kgs-Proposed and 3600 Kgs -Existing), (b) Salbutamol (2400 Kgs-Proposed and 1200 Kgs-Existing), (c) Benzyl Salbutamol (3600 Kgs-Proposed and 3600 Kgs-Existing), (d) N Benzyl Tertiary Butylamine (0 Kgs-Proposed and 50000 Kgs-Existing), (e) Terbutaline Sulphate (2400 Kgs-Proposed and 0 Kgs-Existing), and (f) Benzyl Terbutaline (1200 Kgs-Proposed and 0 Kgs-Existing) at Unit I.

(b) Letter of Intent bearing No. 513 (1992) dated November 3, 1992 issued by the officer on Special Duty, Department of Industrial Development, Ministry of Industry, Government of India for manufacturing of Ciprofloxacin (24MT Annual capacity) at Unit I.

(c) Letter of Intent bearing No. 56 (1992) dated January 21, 1992 issued by the officer on Special Duty, Department of Industrial Development, Ministry of Industry, Government of India for manufacturing of Labetalol Hydrochloride (2000Kgs Annual capacity) at Unit I.

(d) Acknowledgement bearing No. 4801/SIA/IMO/96 dated December 30, 1996 issued by the Government of India, Ministry of Industry, Secretariat for Industrial Approvals for manufacturing items viz. (a) Salbutamol Sulphate (18000 Kgs-Proposed and 18000 Kgs –Existing), (b) Salbutamol Base (3600 Kgs-Proposed and 3600 Kgs-Existing), (c) Benzyl Salbutamol (7200 Kgs-Proposed and 7200 Kgs-Existing), (d) N Benzyl Tertiary Butylamine (50000 Kgs- Proposed and 50000 Kgs-Existing), (e) Terbutaline Sulphate (2400 Kgs-Proposed and 2400 Kgs- Existing), (f) Benzyl Terbutaline (1200 Kgs-Proposed and 1200 Kgs-Existing), (g) Labetalol HCL (2000 Kgs-Proposed and 2000 Kgs-Existing) and (h) Ciprofloxacin (24000 Kgs-Proposed and 24000 Kgs-Existing) at Unit I.

(e) Acknowledgement bearing No. 2309/SIA/IMO/2000 dated September 21, 2000 issued by the Government of India, Ministry of Industry, Secretariat for Industrial Approvals for manufacturing of Ramipril (600 Kgs-Proposed). Ramipril can be manufactured for manufacturing pharmaceuticals other than in the form of medicaments, antibiotics, endocrine products, basic vitamins and opium.

(f) Acknowledgement bearing no. 3012/SIA/IMO/2011dated September 22, 2011 for issued by the Government of India, Ministry of Industry, Secretariat for Industrial Approvals for manufacturing of (a) Moxifloxacin Hydrochloride (5 Tons-Proposed), (b) Ropinirole Hydrochloride (1 Ton-Proposed),

(c) Dorzolamide Hydrochloride (500 Kgs-Proposed), (d) Escitalopram Oxalate (1000 Kgs-Proposed), (e) Palonosetron Hydrochloride (5.00 Kgs-Proposed), (f) Salmeterol Xinafoate (100 Kgs-Proposed), (g) Nebhivolol Hydrochloride (1 Ton-Proposed) and (h) Levetiracetam (100 Tons-Proposed).

(g) Acknowledgement bearing no. 3014/SIA/IMO/2011dated September 22, 2011 for issued by the Government of India, Ministry of Industry, Secretariat for Industrial Approvals for manufacturing of (a) Ipratropium Bromide (150 Kgs-Proposed), (b) Enalapril Maleate (50 Tons-Proposed), (c) Sotalol Hydrochloride (60 Tons- Proposed), (d) Itraconazole (2 Tons-Proposed), (e) Mirtazapine (20 Tons-Proposed), (f) Olanzapine (3 Tons-Proposed), (g) Ofloxacin (2 Tons-Proposed), and (h) Levofloxacin (60 Tons-Proposed),

(ii) *Excise Code*:

Excise Code bearing No: AAACN9531EXM003 by the Assistant Commissioner of Central Excise, Hyderabad-B Division, Hyderabad for manufacturing excisable goods at Unit I.

(iii) *Andhra Pradesh Pollution Control Board, Hyderabad*

(a) Consent order dated APPCB/ZO/RCP/BONTHA/32/W&A/2011-790 dated April 28, 2011 from the Andhra Pradesh Pollution Control Board, Hyderabad to operate the industrial plant at R&D Centre to discharge the effluents from the outlets and the quantity of emissions per hour from the chimneys viz. (a) Domestic Waste and water (b) Trade effluents (process & washing (4.5 KLD)+ Cooling water Blow down -0.5 KLD) upto maximum of 5.00 KLD under Section (a) 25 and 26 of the Water (Prevention & Control of Pollution) Act, 1974 and (b) 21 of the Air (Prevention & Control of Pollution) Act, 1981. This combined order of Consent and Hazardous Waste Authorisation is valid for a period ending with December 31, 2013.

(iv) *AP State Disaster Response and Fire Services Department*:

Certificate vide RC No. 586/SFO/JDM/11 dated May 17, 2011 from the AP State Disaster Response and Fire Services Department after having their inspection on May 17, 2011 at Unit I certifying that firefighting equipment at Unit I are found to be in good working condition. Next date of inspection has been mentioned as May 2012.

(v) *Boilers Act, 1923:*

Our Company has obtained the following registrations for the boilers used in our Company from the Andhra Pradesh Boiler Inspection Department.

(a) Form VI-AP/2580 (Type-HMT) dated January 12, 2011 issued by Inspector of Boilers, Circle-IV, Hyderabad and valid till January 1, 2013;

(b) Form V-11/2011-12 (Type-WT) dated April 23, 2011 issued by the Inspector of Boilers, Circle-I, Hyderabad and valid till April 1, 2012.

(vi) *Controller and Legal Metrology*:

(a) Schedule-XI –Certificate of Verification bearing No. 409585 dated January 30, 2012 issued by District Inspector, Legal Metrology and valid till January 29, 2014;

(b) Schedule-XI –Certificate of Verification bearing No. 074308 dated December 20, 2010 issued by the District Inspector, Legal Metrology and valid till December 19, 2012;

(c) Schedule-XI –Certificate of Verification bearing No. 309345 dated July 19, 2010 issued by the District Inspector, Legal Metrology and valid till July 18, 2012;

(d) Schedule-XI –Certificate of Verification bearing No. 065271 dated May 10, 2011 issued by the District Inspector, Legal Metrology and valid till May 9, 2012;

(e) Schedule-XI –Certificate of Verification bearing No. 065272 dated May 10, 2011 issued by the District Inspector, Legal Metrology and valid till May 9, 2012;

(f) Schedule-XI –Certificate of Verification bearing No. 065273 dated May 10, 2011 issued by the District Inspector, Legal Metrology and valid till May 9, 2012;

(g) Schedule-XI –Certificate of Verification bearing No. 065244 dated April 20, 2011 issued by the District Inspector, Legal Metrology and valid till April 19, 2012;

(vii) *Factory Licences*:

(a) Factory Licence bearing No. 43849 (Form No. 4) and registration No. 60203 dated August 19, 2000 issued by the Director of Factories, Andhra Pradesh under Rule 4(4) of the AP Factory Rules, 1950 read with the Factories Act, 1948. In terms of the Factory licence, our Company can engage maximum of 500 workers with a horse power of 1450 and valid until it has been cancelled.

(b) Factory Licence for R&D Centre bearing No. 32204 (Form No. 4) and registration No. 61216 dated July 19, 2007 issued by the Inspector of Factories, Andhra Pradesh under Rule 4(4) of the AP Factory Rules, 1950 read with the Factories Act, 1948. In terms of the Factory licence, our Company can engage maximum of 150 workers with a horse power of 125 and valid until it has been cancelled.

(c) Building permission bearing Lr No. D.Dis/D1/SR-II/13873/2007 dated June 28, 2008 issued by the Director of Factories, Andhra Pradesh for roof of first floor and second floor with a condition that second floor over the boiler house shall be kept open and two sets of windows shall be provided over all windows above ground level of the boiler house and roof ventilators shall be provided to the boiler house.

(d) Certificate of Stability dated May 6, 2011 issued by the Design & Engineering Consultants, Hyderabad certifying that the buildings (Production Block-H, Production Block S, Boiler 1 & 2, RO Plant, Kilo Lab & Intermediate Package Room) situated at Unit I are structurally sound and its stability will not be endangered by its use as a factory for the manufacturing of bulk drugs and drug intermediates.

(e) Certificate of Stability dated May 11, 2011 issued by the SS Infrastructure Development Consultants Private Limited, Hyderabad certifying that the buildings (research and development centre) situated at Unit I are structurally sound and its stability will not be endangered by its use as a factory for the manufacturing of bulk drugs and drug intermediates.

(f) Building permission bearing No. GPB/100/2005 dated February 14, 2006 issued by the Gram Panchayat, Bonthapally for constructing new building pertaining to R&D centre on land in Survey No. 490/1 situated at Bonthapally Village. Subsequently, the above permission was amended vide letter dated December 19, 2006 from the Office of Gram Panchayat, Bonthapally to change the Survey No. from 490/1 to 488/Ru and 489/A.

(viii) *Industrial Employment Standing Order:*

(a) Certificate bearing No. E/7193/87 dated October 5, 1988 has been issued by the Certifying Officer to our Company under the Industrial Employment (Standing Orders) Act, 1946.

(ix) *The Contract Labour (Regulation & Abolition) Act, 1970:*

(a) Certificate of registration (in Form II) bearing B/203/CR dated August 27, 1993 from the Registering Officer, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid certificate of registration, our Company can engage 250 contract labour.

.

(b) KMR Kumari Garden Contractors has obtained a licence (in Form VI) bearing No. B/1275/DCL-SRD dated July 5, 2008 from the Licensing Officer, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid licence, our

Company can engage 10 workers of KMR Kumari Garden Contractors to undertake the work of development of garden in our Company's factory at Unit I and it is valid till July 4, 2012.

(c) Mr. Jannu Srinivasa Rao, Charan Engineering and Technical Works has obtained a licence (in Form VI) bearing No. B/1349/DCL-SRD dated March 23, 2009 from the Licensing Officer, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid licence, our Company can engage Jannu Srinivasa Rao, Charan Engineering and Technical Works to undertake the work of fabrication and maintains in our Company's factory at Unit I and it is valid till January 18, 2013.

(d) Mr. S. Venkataratnam, Karunya Engineering Works has obtained a licence (in Form VI) bearing No. B/1339/DCL-SRD dated June 11, 2002 from the Licensing Officer, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid licence, our Company can engage 30 to 40 workers of S. Venkataratnam, M/s Karunya Engineering Works to undertake the work of fabrication in our Company's factory at Unit I and it is valid till March 31, 2012.

(e) Shiva Sai Enterprises has obtained a licence (in Form VI) bearing No. JCL-RRZ/3875/2011 dated February 27, 2009 from the Joint Commissioner of Labour, Ranga Reddy District Zone, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid licence, our Company can engage 20 workers of Shiva Sai Enterprises to undertake the work of cleaning, loading and unloading in our Company's factory at Unit I and it is valid till February 26, 2012.

(f) Satya Narayana Contract Works has obtained a licence (in Form VI) bearing No. B/1074/DCL SRD dated September 2, 2007 from the Licensing Officer, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid licence, our Company can engage 50 to 150 workers of Satya Narayana Contract Works to undertake the loading and unloading works in our Company's factory at Unit I and it is valid till August 16, 2012.

(g) Vasantha Sai Contract Works has obtained a licence (in Form VI) bearing No. B/1469/DCL SRD dated August 5, 2009 from the Licensing Officer, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid licence, our Company can engage 100 workers of Vasantha Sai Contract Works to undertake the loading, unloading, gardening and packing in our Company's factory at Unit I and it is valid till August 4, 2012.

(x) *Indian Trade Unions Act, 1926:*

Our Company employees have formed a trade union in the name of Neuland Laboratories Workers Union Unit I Bonthapally Industrial Area, Medak District with registration bearing No. A-4133 dated October 20, 2004 issued by the Deputy Registrar of Trade Union, Ranga Reddy District Zone, Labour Department under the provisions of the Indian Trade Unions Act, 1926.

(xi) *Employees State Insurance Corporation:*

Our Company has been registered with the Employees State Insurance Corporation having its registration number 52000092700000305 in terms of the Employees State Insurance Act, 1948.

(xii) *Employees Provident Fund:*

Our Company has been registered with the Assistant Provident Fund Commissioner, Patancheru having its registration number AP/18727 in terms of the Employees Provident Fund and Miscellaneous Provisions Act, 1952.

(xiii) *Methanol:*

Our Company is registered with the Department of Prohibition and Excise, Medak District vide its registration bearing No. 18/94-95 for Unit I situated at Bonthapally Village for trading in Methanol subject to certain conditions *inter alia* the registered unit shall maintain register showing the account of opening stock, purchase, consumption and closing balance on daily basis and they should keep in their records, copies of the way bills, delivery challans etc., showing from whom Methanol has been purchased and transported.

(xiv) *License to possess and use Rectified Spirit*:

Licence bearing No. A1/590/2003 dated September 15, 2003 (Form RS –II) to possess and use rectified spirit for bonafide R&D purposes from the Superintendent, Prohibition and Excise Department, Medak District. In terms of the said licence, our Company can possess and use 2000 liters of rectified spirit per month. The aforesaid licence has been renewed from time to time and presently valid for the year 2011-2012, with the last renewal being on April 6, 2011.

(xv) *Licence to possess and use Denatured Spirit*:

Licence bearing No. 5950/1985 dated September 16, 1985 (Form DS –XI) to possess and use denatured spirit from the Superintendent, Prohibition and Excise Department, Medak District. In terms of the said licence, our Company can possess and use 36,000 liters of denatured spirit per month. The aforesaid licence has been renewed from time to time and is valid for the period from April 1, 2011 to March 31, 2012, with the last renewal being made on March 14, 2011.

(xvi) *Solvent Storage:*

Licence bearing No. 27 in file bearing No. CSE/1353/2010 dated May 5, 2011 issued by the Collector, Medak District for storage of solvent / raffinate / slop of Chloroform/ Ethyl Acetate/ IMS/ Methanol/ Methylene Chloride/ MIBK/ Toluene with a capacity of 140 KL in tank number 1 and the same is valid till December 31, 2012.

(xvii) *Explosives:*

(a) Licence bearing No. S/HO/AP/03/601 (S28618) dated April 30, 2010 from the Chief Controller of Explosives, Government of India for storing compressed gas of liquid nitrogen (vessel number 1010921036/1) in one number and the same is valid till March 31, 2013.

(b) Licence bearing No. G/SC/AP/06/1469 (G16913) dated November 27, 2006 from the Chief Controller of Explosives, Government of India for storing compressed gas of (a) toxic, (b) non toxic and non flammable, (c) non toxic and flammable, (d) dissolved acetylene gas, (e) non toxic and flammable liquefiable gas other than LPG, (f) liquefied petroleum gas and the same is valid till September 30, 2016.

(c) Licence bearing No. P/IIQ/AP/15/877(P4340) dated May 18, 2011 of petroleum class "A&B" issued by the Deputy Chief Controller of Explosives, Hyderabad and valid till December 31, 2013.

(xviii) *Storage of Diesel*:

Licence bearing No. 266 (in Form B) dated February 29, 2004 by the Joint Collector, Medak District for purchase and storage of high speed diesel as per the provisions of the Andhra Pradesh Petroleum Products (Licensing and Regulation of Supplies) Order, 1980 and the same is valid till December 31, 2012.

(xix) *Drugs and Cosmetic Act, 1940:*

(a) Certificate of World Health Organisation Good Manufacturing Practice bearing L. Dis No. 3660/M2B/2011 dated July 14, 2011 issued by the Director General, Drugs and Copyrights, Drugs Control Administration, Vengalarao Nagar, Hyderabad approving list of products for export purpose are (a) Ciprofloxacin (BP/USP/Ph.Eur), (b) Ciprofloxacin HCL (USP/Ph.Eur), (c) Donepezil Hydrochloride (IHS), (d) Dorzolamide Hydrochloride (USP/Ph. Eur), (e) Escitalopram Oxalate (IHS), (f) Enalapril Maleate (USP/Ph.Eur/BP/JP), (g) Ipratropium Bromide (BP/Ph.Eur/USP), (h) Itraconazole (BP/Ph.Eur/USP), (i) Labetalol Hydrochloride (BP/Ph.Eur/USP), (j) Levitiracetam (USP/IHS), (k) Levofloxacin Hemihydraate (IHS), (l) Mirtazapine (USP/Ph.Eur/IHS), (m) Moxifloxacin Hydrochloride (USP/Ph.Eur/IHS), (n) Nebivolol Hydrochloride (IHS), (o) Ofloxacine

(Ph.Eur/USP/JP), (p) Olanzapine (USP/IHS), (q) Palonaoxetron Hydrochloride (IHS), (r) Ramipril (BP/Ph.Eur/USP), (s) Ropinirole Hydrochloride (IHS), (t) Salbutamol (BP/Ph.Eur), (u) Salbutamol Sulphate (BP/Ph.Eur), (v) Salmeterol Xineafoate (Ph.Eur/USP), (w) Sotalol Hydrocholoride (BP/Ph.Eur/USP), (x) Terbutaline Sulphate (BP/Ph.Eur/USP), (y) Tiotropium Bromide Monohydrate (IHS), (z) Albuterol (USP), (aa) Albuterol Sulphate (USP). This Certificate is meant for export of drugs only. This certificate is valid two years from the date of issue i.e., July 13, 2013.

(xx) *Electricity:*

(a) License bearing number CEIG/TS/HV/MDK-210/D.No.208/2010 dated January 12, 2010 has been issued to our Company by the Chief Electrical Inspector to Government of Andhra Pradesh according statutory approval under Rule 63(3) of Indian Electricity Rules, 1956 for certain equipments of high voltage electrical installation for energisation within the premises.

(b) Letter bearing number DEE/OP/MDK/Comml/F. No:/D.No.1448/2007 dated January 22, 2008 has been issued to our Company by the Divisional Engineer Electrical, Central Power Distribution Company of Andhra Pradesh Limited intimating that the High Tension Agreement for restoration of supply to 300 KVA CMD additional load to the existing 70KVA CMD totaling to 370 KVA with connected load of 1493 HP+ 214.03 KW to SC No. MDK-151 was accepted and concluded.

(c) Letter bearing number SE/OP/MDK/ADE/Comml/HT/D.No. 2656/06 dated November 15, 2006 has been issued to our Company by the Divisional Engineer Electrical, Central Power Distribution Company of Andhra Pradesh Limited for extension of supply to 1 No. 150 KVA CMD with connected load of 125 HP to our Company R & D facility and concluded.

(d) Our Company has entered into a HT Agreement dated January 22, 2008 with Andhra Pradesh Central Power Distribution Company Limited for supply of electricity power not exceeding restoration of CMD from 70 to 370 KVA and our Company has undertaken to avail supply of power for a minimum period of 2 years from the date of the HT Agreement.

(e) Our Company has entered into a HT Agreement dated November 15, 2006 with Andhra Pradesh Central Power Distribution Company Limited for supply of electricity power for extension of supply to 1 No. 150 KVA CMD with connected load of 125 HP is accepted and our Company has undertaken to avail supply of power for a minimum period of 2 years from the date of the HT Agreement.

(xxi) *Other Certifications:*

(a) Our Company was granted certification of ISO 14001: 2004 by TUV Nord vide Certificate Registration No. 44104084009-E3 certifying that our Company Unit I is in line with the standard prescribed by TUV Nord and the same is valid till November 10, 2013.

(b) Our Company was granted certification of BS OHSAS 18001: 2007 by TUV Nord vide Certificate Registration No. 44116071860 certifying that our Company Unit I is in line with the standard prescribed by TUV Nord and the same is valid till January 2, 2014.

C. Unit II at Pashamylaram:

(i) *Industrial Licence*:

(a) Letter of Intent bearing No. 147 (1993) dated April 19, 1993 issued by the officer on Special Duty, Department of Industrial Development, Ministry of Industry, Government of India for manufacturing items viz. (a) Ketrolac Tromethamine (6 MT), (b) Enalapril Maleate (1.5 MT), (c) Sotalol Hydrochloride (3 MT), (d) Ranitidine Hydrochloride (60 MT), (e) Norfloxacin (12 MT), (f) Ofloxacin (6 MT), (g) Pefloxacin (12 MT) and (h) Cirpofloxacin Hydrochloride (36 MT) at Unit II.

(b) Acknowledgment bearing No. 4800/SIA/IMO/96 dated December 30, 1996 issued by the Government of India, Ministry of Industry, Secretariat for Industrial Approvals for manufacturing items viz. (a) Ciprofloxacin (60000 Kgs- Existing), (b) Ciprofloxacin and its Salts (3,00,000 Kgs-Proposed and 36,000 Kgs-Existing) and proposed item is Norfloxacin, (c) Norfloxacin and its salt (12,000 Kgs-Proposed and 12,000 Kgs – Existing) proposed item is Ofloxacin, (d) others (6000 Kgs –Proposed and

6000 Kgs-Existing) proposed item is Pefloxacin, (e) others (600 Kgs-Proposed and 6000 Kgs-Existing) proposed item is Enalapril Maleate., (f) others (2400 Kgs-Proposed and 1500 Kgs – Existing) proposed item is Sotalol HCL, (g) others (6000 Kgs- Proposed and 3000 Kgs- Existing) proposed item is Ranitidine, (h) Ranitidine (300000 Kgs- Proposed) and (i) Others (12000 Kgs-Proposed and 12000 Kgs –Existing) proposed item is Enrofloxacin and (j) others (25000 Kgs-Proposed and 2500 Kgs-Existing) at Unit II.

(c) Acknowledgement dated bearing no. 3015/SIA/IMO/2011dated September 22, 2011 for issued by the Government of India, Ministry of Industry, Secretariat for Industrial Approvals for manufacturing of (a) Aripiprazole (1Ton-Proposed), (b) Entacapone (5 Tons-Proposed), (c) Ezetimibe (1 Ton-Proposed), (d) Linezolid (500 Kgs-Proposed), (e) Motelukast Sodium (500 Kgs-Proposed), (f) Vorconazole (500 Kgs-Proposed), and (g) Nateglinide (500 Kgs-Proposed).

(ii) *Excise Code*:

Our Company has been issued Excise Code No: AAACN9531EXM002 by the Deputy Commissioner (Tech) of Central Excise, Hyderabad- I Commissionerate, Hyderabad for manufacturing excisable goods at Unit II.

(iii) *Environmental Clearance*:

(a) Environment Clearance bearing No. 24330/PCB/EC/AEE-VII/94-1199 dated May 20, 1995 issued by the Member Secretary, Andhra Pradesh Pollution Control Board, Hyderabad under (a) Water (Prevention & Control of Pollution) Act, 1974, (b) Air (Prevention & Control of Pollution) Act, 1981, (c) Environment Protection Act, 1986 and (d) Public Liability Insurance Act, 1991;

(b) Environment Clearance bearing No. J11011/27/2004-IA II (I) dated July 15, 2005 issued by the Director, Ministry of Environment and Forest, (IA Division), New Delhi under (a) Water (Prevention & Control of Pollution) Act, 1974, (b) Environment Protection Act, 1986, (c) Hazardous Wastes (Management and Handling) Rules, 2003 and (d) Public Liability Insurance Act, 1991; and

(c) Environment Clearance bearing F No. J-11011/47/2009-IA II (I) dated December 21, 2010 issued by the Director, Ministry of Environment and Forest, (IA Division), New Delhi.

(iv) *AP State Disaster Response and Fire Services Department*:

Certificate vide RC No. 125/PTCR/2010 dated March 9, 2011 from the AP State Disaster Response and Fire Services Department after having their inspection on March 9, 2011 at Unit II certifying that fire precautionary measures taken by the management are found satisfactory. Next date of inspection has been mentioned as March 31, 2012.

(v) *Boilers Act, 1923:*

Our Company has obtained the following registrations for the boilers used in our Company from the Andhra Pradesh Boiler Inspection Department.

(a) Form VI-AP/2998 (Type-HMT) dated May 16, 2011 issued by the Director of Boilers, Hyderabad and valid till May 1, 2012; and

(b) Form VI-AP/3934 (Type-HMT WWF) dated July 22, 2011 issued by Director of Boilers, Hyderabad and valid till July 1, 2012.

(vi) *Controller and Legal Metrology*:

Our Company has obtained the following certificates from the District Inspector, Legal Metrology;

(a) Schedule-XI –Certificate of Verification bearing No. 065329 dated April 29, 2011 issued by the District Inspector, Legal Metrology and valid till April 28, 2012;

(b) Schedule-XI –Certificate of Verification bearing No. 065331 dated April 29, 2011 issued by the District Inspector, Legal Metrology and valid till April 28, 2012;

(c) Schedule-XI –Certificate of Verification bearing No. 065332 dated April 29, 2011 issued by the District Inspector, Legal Metrology and valid till April 28, 2012;

(d) Schedule-XI –Certificate of Verification bearing No. 065328 dated April 29, 2011 issued by District Inspector, Legal Metrology and valid till April 28, 2012;

(e) Schedule-XI –Certificate of Verification bearing No. 065330 dated April 29, 2011 issued by the District Inspector, Legal Metrology and valid till April 28, 2012;

(f) Schedule-XI –Certificate of Verification bearing No. 231540 dated July 12, 2011 issued by the District Inspector, Legal Metrology and valid till July 11, 2013;

(g) Schedule-XI –Certificate of Verification bearing No. 409513 dated January 23, 2012 issued by the District Inspector, Legal Metrology and valid till January 22, 2014;

(h) Schedule-XI –Certificate of Verification bearing No. 044478 dated November 3, 2010 issued by the District Inspector, Legal Metrology and valid till November 2, 2015.

(i) Schedule-XI –Certificate of Verification bearing No. 581574 dated June 15, 2007 District Inspector, Legal Metrology and valid till June 14, 2012.

(vii) *Factory Licenses*:

(a) Factory Licence bearing No.43791 (Form No. 4) and registration No. 42572 dated June 3, 2000 issued by the Director of Factories, Andhra Pradesh under Rule 4(4) of the AP Factory Rules, 1950 read with the Factories Act, 1948. In terms of the Factory licence, our Company can engage maximum of 500 workers with a horse power of 2225.67 and valid until it has been cancelled.

(b) Building permission bearing Lr No. D.Dis/D1/SR-I/7601/10 dated June 15, 2010 issued by the Director of Factories, Andhra Pradesh for additional constructions / extensions and additional installations of machinery.

(c) No Objection certificate received from Sarpanch of Pashamylaram Panchayat, Patancheru Mandal, Medak District dated November 2, 1993 for construction of factory building at Plot No. 92, 93, 257 and 258 in APIIC (Chemical Zone) Land.

(d) Certificate of Stability dated November 18, 2010 issued by the Design & Engineering Consultants, Hyderabad certifying that the buildings (Mini Plant, Administrative Building, Main Factory Building, Ware House –III, Hazardous waste storage area and Emergency control centre) situated at Unit II are structurally sound and its stability will not be endangered by its use as a factory for the manufacturing of bulk drugs and drug intermediates.

(viii) *The Contract Labour (Regulation & Abolition) Act, 1970*:

(a) Certificate of registration (in Form II) bearing B/463/CR (M-427 PE) dated May 23, 2009 from the Registering Officer, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid certificate of registration, our Company can engage 250 contract labour for carrying out fabrication, maintenance, housekeeping, gardening, packing, loading, unloading, security, civil construction and licence contractors namely viz (a) SE Consultancy, (b) Sai Krishna Enterprises, (c) Karunya Engineering Works, (d) Sai Samrat Engineers Infratech Private Limited, (e) Black Belt Commandos Security Systems, and (f) Charan Engineering Works.

(b) SE Consultancy has obtained a licence (in Form VI) bearing No. B/1076/DCL-SRD dated September 8, 2006 from the Licensing Officer, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid licence, our Company can engage 40 workers of SE Consultancy to undertake the work of house-keeping in our Company's factory at Unit II and it is renewed and valid till August 3, 2012.

(c) Sai Krishna Enterprises has obtained a licence (in Form VI) bearing No. B/1075/DCL-SRD dated September 8, 2006 from the Licensing Officer, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid licence, our Company can engage 40 workers of Sai Krishna Enterprises to undertake work of house-keeping in our Company's factory at Unit II and it is renewed and valid till August 3, 2012.

(d) Karunya Engineering Works has obtained a licence (in Form VI) bearing No. JCL-RRZ/817/05 dated June 27, 2002 from the Joint Commissioner of Labour, Ranga Reddy District Zone, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid licence, our Company can engage 50 workers of Karunya Engineering Works to undertake the work of fabrication and maintains in our Company's factory at Unit II and it is valid till May 31, 2012.

(e) Mr. Jannu Srinivasa Rao, Charan Engineering and Technical Works has obtained a licence (in Form VI) bearing No. B/1348/DCL-SRD dated March 23, 2009 from the Licensing Officer, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid licence, our Company can engage Jannu Srinivasa Rao, Charan Engineering and Technical Works to undertake the work of fabrication and maintains in our Company's factory at Unit II and it is valid till December 31, 2012.

(f) Black Belt Commandos Security Systems has obtained a licence (in Form VI) bearing No. B/1374/DCL-SRD dated April 23, 2009 from the Licensing Officer, appointed under the Contract Labour (Regulation and Abolition) Act, 1970. In terms of the aforesaid licence, our Company can engage 25 workers of Black Belt Commandos Security Systems to undertake the work of security services in our Company's factory at Unit II and it is valid till June 14, 2012.

(ix) *Indian Trade Unions Act, 1926:*

Our Company employees have formed a trade union in the name of Neuland Laboratories Limited Employees Union, Pashamylaram with registration bearing No. A-3222 dated February 2, 1998 issued by the Deputy Registrar of Trade Union, Ranga Reddy District Zone, Labour Department.

(x) *Employees State Insurance Corporation:*

Our Company has been registered with the Employees State Insurance Corporation having its registration number 52000113180000305 in terms of the Employees State Insurance Act, 1948.

(xi) *Employees Provident Fund:*

Our Company has been registered with the Assistant Provident Fund Commissioner, Patancheru having its registration number AP/37562 in terms of the Employees Provident Fund and Miscellaneous Provisions Act, 1952.

(xii) *Methanol:*

Our Company is registered with the Department of Prohibition and Excise, Medak District vide its registration bearing No 28/94-95 for Unit II situated at Pashamylaram for trading in Methanol subject to certain conditions inter alia the registered unit shall maintain register showing the account of opening stock, purchase, consumption and closing balance on daily basis and they should keep in their records, copies of the way bills, delivery challans etc., showing from whom Methanol has been purchased and transported.

(xiii) *License to possess and use Rectified Spirit*:

(a) Licence bearing No. CR No. 278/2004/CPE/B.1 dated January 7, 2004 (Form RS –III) to possess and use rectified spirit from the Commissioner, Prohibition and Excise Department. In terms of the said licence, our Company can possess and use 40,000 liters of rectified spirit per month. The aforesaid licence has been renewed from time to time and is presently valid for the year 2011-2012, with the last renewal being made on April 8, 2011.

(xiv) *Licence to possess and use denatured spirit*:

Licence bearing No. A1/20/2004 dated January 12, 2004 (Form DS –XIA) to possess and use denatured spirit from the Superintendent, Medak District, Excise and Prohibition Department. In terms of the said licence, our Company can possess and use 66,500 liters of denatured spirit per month. The aforesaid licence has been renewed from time to time and is presently valid for the period from April 1, 2011 to March 31, 2012, with the last renewal being made on March 14, 2011.

(xv) *Solvent Storage:*

Licence bearing No. 26 in file bearing No. CSE/1193/2010 dated January 18, 2012 issued by the Collector, Medak District for storage of solvent / raffinate / slop of Tolune / Hexane /IPA/MIBK/Chloroform/Acetone/EDC/N-Butanol/Methanol with a capacity of 220 KL in tank numbers viz. S1, S3, S4, S8 and S23 and the same is valid till December 31, 2013.

(xvi) *Storage of Diesel*:

Licence bearing No. 262 (in Form B) dated February 10, 2012 by the Joint Collector, Medak District for purchase and storage of high speed diesel as per the provisions of the Andhra Pradesh Petroleum Products (Licensing and Regulation of Supplies) Order, 1980 and the same is valid till December 31, 2012.

(xvii) *Drugs and Cosmetics Act, 1940*

(a) Licence bearing No.185/MD/AP/96/B/R dated November 25, 1994 issued by the Director, Drugs Control Administration to manufacture of sale of drugs other than specified in Schedule X. In terms of the said approval, our Company can manufacture the products viz. (a) Aripiprazole IHS (For Domestic & Export), (b) Ciprofloxacin USP/IP (USP-Export), (c) Ciprofloxacin Hydrochloride IP/USP/Ph.Eur/BP (USP/Ph.Eur/BP/For Export), (d) Deferasirox IHS (For Domestic & Export), (e) Entacapone IHS (For Domestic & Export), (f) Ezetimibe IHS (For Domestic & Export), (g) Latanoprost IHS (For Domestic & Export), (h) Linezolid IHS (For Export), (i) Montelukast Sodium IHS (For Export), (j) Nateglinide IHS (For Domestic & Export), (k) Ofloxacin BP (For Export), (l) Raberprazole Sodium IP, (m) Ranitidine Base IHS (For Domestic & Export), (n) Ranitidine Hydrochloride IP/USP/Ph.Eur/BP/JP (USP/Ph.Eur/BP/JP for Export), (o) Voriconazole IHS (For Domestic & Export), (p) D3-Pirfenidone 12Kgs for Export to USA, (p) Posaconazole 5Kgs for Export to Croatia, (q) Bosentan IHS 15 Kgs for Export to Japan and (r) Rufinamide IHS 20 Kgs for Export to Japan and the same is renewed for a period from January 1, 2012 to December 31, 2016.

(b) Certificate of World Health Organisation Good Manufacturing Practice bearing L. Dis No. 3662/M2B/2011 dated June 28, 2011 issued by the Joint Director and Licensing Authority, Drugs and Copyright, Drug Control Administration, Hyderabad approving our Company can export the products viz. (a) Ciprofloxacin Hydrochloride (BP/USP/Ph.Eur), (b) Ranitidine Hydrochloride (BP/USP/Ph.Eur/JP), (c) Ranitidine, (d) Aripiprazole (IHS), (e) Entacapone (IHS), (f) Ezetimibe (IHS), (g) Linezoolid (IHS), (h) Montelukast Sodium (IHS), (i) Nateglinide (IHS), (j) Voriconazole (IHS). Certificate is valid for a period of two years (July 14, 2011 to July 13, 2013). This Certificate is meant for export of drugs only.

(xviii) *Explosives:*

(a) Licence bearing No. P/HQ/AP/15/1050 (P4511) dated January 25, 2012 from the Deputy Controller of Explosives, Government of India for importation of 220 KL petroleum of the classes and quantities as specified therein and storage thereof subject to the provisions of the Petroleum Act, 1934 and the rules made there under and the same is valid till December 31, 2014.

(b) Licence bearing No. S/HO/AP/03/162 (S3693) dated October 9, 2001 from the Chief Controller of Explosives, Government of India for storage of liquid nitrogen (vessel no. 9814/4 Model Vo6150) in one number and the same is valid till March 31, 2012.

(c) Licence bearing No. P/SC/AP/15/288 (P49199) dated August 5, 2011from the Controller of Explosives, Government of India for importing 30 KL petroleum of the classes and quantities as specified therein and storage thereof subject the provisions of the Petroleum Act, 1934 and the rules framed thereunder and the same is valid till December 31, 2013.

(xix) *Electricity:*

(a) License bearing number CEIG/TS/HV/Mdk-108/2009/D.No.5369/2009 dated November 16, 2009 has been issued to our Company by the Chief Electrical Inspector to Government of Andhra Pradesh according statutory approval under Rule 63(3) of Indian Electricity Rules, 1956 for certain equipments of high voltage electrical installation for energisation within the premises.

(b) Letter bearing number DEE/OP/SNG/Comml/HT./D.No.1672/09-10 dated December 17, 2009 has been issued to our Company by the Divisional Engineer Electrical, Central Power Distribution Company of Andhra Pradesh Limited intimating that the High Tension Agreement for restoration of derated CMD from 870 KVA to 1100 KVA with C/L of 5433.3HP at 11KV was accepted and concluded.

(c) Our Company has entered into a HT Agreement dated December 17, 2009 with Andhra Pradesh Central Power Distribution Company Limited in respect of supply of electricity power for a maximum load of 1100 KVA to the Unit II and our Company has undertaken to avail supply of power for a minimum period of 2 years from the date of the HT Agreement.

(xxii) *Other Certifications:*

(a) Our Company was granted certification of ISO 14001: 2004 by TUV Nord vide Certificate Registration No. 44104104314 certifying that our Company Unit II is in line with the standard prescribed by TUV Nord and the same is valid till September 3, 2013.

(b) Our Company was granted certification of BS OHSAS 18001: 2007 by TUV Nord vide Certificate Registration No. 44116101797 certifying that our Company Unit II is in line with the standard prescribed by TUV Nord and the same is valid till January 21, 2014.

(c) Our Company was granted certification of ISO / IEC 27001: 2005 by TUV Nord vide Certificate Registration No. 44121071860 certifying that our Company's registered office, Unit I, Unit II and R& D Unit at Unit II are in line with the standard prescribed by TUV Nord and the same is valid till June 15, 2014.

V. Nanakramguda Facility

(a) No objection for the construction of building at Plot No. 4, Survey No. 115(Part), Nanakramguda from the Airports Authority of India vide NOC case No. 232/2000 letter No. AAI/M/0-23/NOC/13513-16 dated March 28, 2007.

(b) No objection certificate for the construction of building at Plot No. 4, Survey No. 115(Part), Nanakramguda from the Fire and Emergency Services Department vide Rc. No. 4049/E4/2007 dated June 12, 2007.

(c) Permission for the construction of building consisting of Two Basement, Ground + 2 Upper Floors in Plot No. 4, Survey No. 115(Part), Nanakramguda, Serligampally (M) bearing Proceedings No. G/213/BP/3161/2006 dated January 31, 2008 issued by the Zonal Commissioner, West Zone, Greater Hyderabad Municipal Corporation.

VI. Incorporation details of our subsidiaries/joint venture

1. Certificate of Incorporation for CRNIPL dated May 14, 2008 issued by the Registrar of Companies, Andhra Pradesh;

2. Certificate of Incorporation for a NLL Inc dated January 4, 2007 issued by the State of Delaware, United States of America; and

3. Certificate of Incorporation for NLL KK dated July 14, 2008 issued under the laws of Japan.

VII. Dossiers / DMFs Filed with various authorities

Our Company has obtained the following registrations for the products manufactured by us from various regulatory agencies, as mentioned in the table below;

S. NO	PRODUCT	AGENCY
1.	Aripiprazole	US-FDA
2.	Ciprofloxacin Hydrochloride	EDQM
		US-FDA
		Health Canada
		TGA-Australia
3.	Entacapone	US-FDA
		EMEA
		Health Canada
4.	Ezetimibe	US-FDA
5.	Linezolid	US-FDA
6.	Ranitidine Base	US-FDA
7.	Ranitidine Form-I	US-FDA
		EDQM
		Health Canada
8.	Ranitidine Form-II	US-FDA
		EDQM
		TGA-Australia
		Health Canada
9.	Voriconazole	US-FDA

Our Company has also filed DMF's with respect to the following products:

NAME OF THE API	USDMF NO.	CDMF NO.	CEP NO.	TGA DMF NO.	KDMF NO.	PDMF NO.
Benzyl Albuterol	10253	-	-	-	-	-
Ranitidine	12503	-	-	-	-	-
Ranitidine HCL (Form-I)	12532	2001-110	CEP 1997-112	-	-	-
Ciprofloxacin HCl USP	13250	2000-073	CEP 2000-405	-	20080507-85-D-53-09	-
Sotalol Hydrochloride	14951	9638	CEP 2001-269	-	-	-
Ipratropium Bromide	15130	-	-	-	20050831-35-B-94-02	-
Ranitidine HCl USP (Form-II)	15141	2002-129	CEP 2003-077	2002/79160	-	-
Ofloxacin	15433	2004-126	-	-	-	218MFI0618
Enalalpril Maleate	15434	2005-074	CEP 2003-078	-	20050831-12-B-44-02	-
Itraconazole Ph. Eur.	15445	-	CEP 2003-220	-	20050831-56-A-165-11	-
Mirtazapine (DIPE route)	16007	2004-174	-	-	-	-

Albuterol USP	16104	-	-	-	-	-
O-Benzyl Albuterol	16130	-	-	-	-	-
Albuterol Sulfate USP	16371	-	CEP 2000-143	99/35378	-	-
Ramipril USP	16647	2006-031	CEP 2003-219	2005/5408	-	-
Levofloxacin (IPA)	16791	2010-095	-		-	-
Levetiracetam	17799	2004-175	-	2007/7203	-	-
Ciprofloxacin USP	18465	-	-	-	-	219MF10357
Moxifloxacin Hydrochloride	18789	2010-094	-	-	-	-
Levofloxacin Hemihydrate	18892	-	-	-	-	-
Olanzapine Form-1	19282	2007-263	-	2007/12219	-	-
Ropinirole HCl	19590	2008-229	-	-	-	-
Escitalopram Oxalate	19662	2006-183	-	2006/82984	-	-
Palonsetron HCl	21123	-	-	-	-	-
Donepezil HCl (Form-1)	21132	-	-	-	-	-
Dorzolamide HCl (Form-II)	21519	2010-093	CEP 2008-155	-	-	-
Entacapone (Form-A)	21526	-	-	-	-	-
Tiotropium Bromide	22486	-	-	-	-	-
Ezetimibe (Form-X)	22573	-	-	-	-	-
Aripiprazole (Anhyd Form-B)	22889	-	-	-	-	-
Salmeterol Xinafoate Ph.Eur.	22973	-	-	-	-	-
Voriconazole	23697	-	-	-	-	-
Paricalcitol USP	23895	-	-	-	-	-
Mirtazapine USP (Anhydrous)	24022	2011-068	-	-	-	-
Mirtazapine (Acetone route)	-	-	CEP 2008-243	2006/18182	-	-
Linezolid	24506	-	-	-	-	-

In addition to the above, our Company has also filed 393 DMFs with the authorities in 32 countries in the European Union (including EU observer countries) and 17 countries in the rest of the world with respect to the above mentioned products.

VIII. Intellectual Property

Copyright:

Our Company has also made an application D. No. 8756/2011/CO on July 21, 2011 with the Registrar of Copyrights for copyright registration of 'The Neuland Way Orange Book'.

Trademark:

Our Trademark is a registered trademark with Regn. No. 1417051 issued under Class 5 by the Registrar of Trademarks, Mumbai vide certificate of Registration of Trade Mark dated July 15, 2008. This registration is valid for a period of 10 years from the date of application for registration i.e. January 27, 2006.

Patents:

We have filed 39 patents (37 for process and 2 for product) applications to the Indian Patent Office. We have also filed PCT applications for 22 process patents with WIPO.

IX. Pending Approvals, which have been applied for:

Unit I:

(a) Bureau of Indian Standards audited our Company standards granted certifications of IS/ISO 9001: 2000. It is certified that our Company Unit I was in line with the standard prescribed by Bureau of Indian Standards and the same was valid till June 15, 2011. Our Company has applied for renewal of the Certificate;

(b) Form VI-AP/2930 (Type-HMT) dated February 30, 2010 issued by the Inspector of Boilers, Circle-I, Hyderabad located at Unit I is valid till February 1, 2012 and our Company has applied for renewal of the certificate vide its application dated December 28, 2011;

(c) Renewal of the consent order from the Andhra Pradesh Pollution Control Board, Hyderabad to operate the industrial plant at Unit I to discharge the effluents from the outlets and the quantity of emissions per hour from the chimneys under Section (a) 25 and 26 of the Water (Prevention & Control of Pollution) Act, 1974 and (b) 21 of the Air (Prevention & Control of Pollution) Act, 1981, vide its application dated November 29, 2011;

(d) Renewal of the approval dated May 24, 2007 issued by the Director, Drugs Control Administration as per the provisions of the Drugs and Cosmetic Act, 1940 and Drugs and Cosmetic Rules, 1945 grating licence to manufacture of sale of drugs other than specified in Schedule X, for manufacture of products for domestic and export viz. (a) Salbutamol (IP/BP/Ph.Eur/Albuterol USP), (b) Salbutamol Sulphate (IP/BP/Ph.Eur/Albuterol Sulphate USP), (c) Terbutaline Sulphate (IP/BP/Ph. Eur/USP), (d) Ipratropium Bromide (IP/BP/Ph.Eur), (e) Enalapril Maleate (IP/ Ph. Eur/USP) (f) Sotalol Hydrochloride (IP/BP/Ph. Eur), (g) Labetalol Hydrochloride (BP/Ph. Eur/USP), (h) Ramipril (Ph. Eur/USP/BP), (i) Itraconazole (BP/ Ph.Eur), (j) Itraconazole Pellets 22.5%W/W (each gram of pellet contains Itraconazole BP of 225 mg), (k) Mirtazapine, (l) Olanzapine, (m) Ofloxacin (Ph.Eur/USP), (n) Levofloxacin, (o) Ciprofloxacin (IP/BP/USP), (p) Moxifloxacin Hydrochloride, (q) Ropinirole Hydrochloride, (r) Donepizil Hydrochloride, (s) Fluticaxone Propionate, (t) Nebivolol Hydrochloride and (u) Enrofloxacin, vide an application dated November 14, 2011.

(e) Our Company has filed application vide its application dated February 25, 2012 for revised Certificate of Registration for engaging contract labour / worker upto 300 as per the provisions of the Contract Labour Act;

(f) Secure Well Security Services has obtained a licence (in Form VI) bearing No. B/1312/DCL-SRD dated November 20, 2008 from the Licensing Officer, appointed under the Contract Labour (Regulation & Abolition) Act, 1970. In terms of the aforesaid licence, our Company can engage 40 workers of Secure Well Security Services to undertake work of security in our Company's factory at Unit I and it is valid till November 14, 2011. Secure Well Security Services has applied for renewal of the licence vide Form VII dated November 23, 2011.

Unit II:

(a) Our Company has applied vide its application dated November 25, 2011 for renewal of order bearing 384/PCB/CFE/RO-I/SRD/HO/2011-382 dated May 9, 2011 issued by the Environment Engineer, Andhra Pradesh Pollution Control Board for operation of 8TPH boiler under the provisions of the (a) Water (Prevention & Control of Pollution) Act, 1974, (b) Air (Prevention & Control of Pollution) Act, 1981 and (c) Hazardous Waste Authorisation.

(b) Our Company has filed an application dated November 25, 2011 for renewal of its license to operate the industrial plant at Unit II to discharge the effluents from the outlets and the quantity of emissions per hour from the chimneys under Section (a) 25 and 26 of the Water (Prevention & Control of Pollution) Act, 1974; (b) 21 of the Air (Prevention & Control of Pollution) Act, 1981 and (c) Hazardous Waste Authorisation.

(c) Our Company has filed application vide its application dated February 25, 2012 for revised Certificate of Registration for engaging contract labour / worker upto 300 as per the provisions of the Contract Labour Act;

X. Approvals required, but not applied for:

(d) Consent from the Andhra Pradesh Pollution Control Board and Environmental approvals from the State Level Impact Assessment Authority, Hyderabad for construction of the Nanakramguda Facility.

(e) Our Company has not registered any standing orders as prescribed under the Industrial Employment (Standing Orders) Act, 1946 for the employees / workmen working at Unit II.

(f) Our Company is not registered under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and is not complying with the provisions of the Building and Other Construction Workers Welfare Cess Act, 1996 with respect to the R&D Facility and the Nanakramguda Facility.

STATUTORY AND OTHER INFORMATION

Authority for the Issue

Pursuant to the resolutions passed by the Board of Directors of our Company at its meeting held on July 07, 2011, it has been decided to make the rights offer to the Equity Shareholders of our Company.

Prohibition by SEBI

Neither our Company nor its subsidiaries nor the Promoter nor the Promoter Group nor the Directors nor the Group Companies, or companies with which our Company's 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 the SEBI or any other authority.

Further neither the Promoter nor our Company nor its subsidiaries nor have the Group Companies been declared as willful defaulters by RBI / government authorities.

Except for Mr. Parampally Vasudeva Maiya, who was the Managing Director of CDSL between October 1998 and November 1999, none of our Directors are associated with the securities market in any manner.

Eligibility for the Issue

Our Company is an existing company registered under the Companies Act whose Equity Shares are listed on the Stock Exchanges. It is eligible to offer this Issue in terms of Chapter IV of the SEBI ICDR Regulations.

Compliance with Part A and Part E of Schedule VIII of the SEBI ICDR Regulations

This Letter of Offer is in compliance with Part A of Schedule VIII of SEBI ICDR Regulations.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE LETTER OF OFFER 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 LETTER OF OFFER. THE LEAD MANAGER, SBI CAPITAL MARKETS LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE OUR COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT OUR COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 30, 2011, WHICH WILL READ AS FOLLOWS:

1. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION SUCH AS COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT**

VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:

A. **THE DRAFT LETTER OF OFFER FILED WITH THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

B. **ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

C. **THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID;**

4. **WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS; NOT APPLICABLE**

5. **WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF ITS SPECIFIED SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTER‟S CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER; NOT APPLICABLE**

6. **WE CERTIFY THAT REGULATION 33 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER / LETTER OF OFFER; NOT APPLICABLE**

7. **WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE; NOT APPLICABLE**

8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE "MAIN OBJECTS" LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE**

OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION;

9. **WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE DRAFT LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION; NOTED FOR COMPLIANCE, SUBJECT TO COMPLIANCE WITH REGULATION 56 OF SEBI ICDR REGULATIONS.**

10. **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE;**

11. **WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION;**

12. **WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:**

    A. **AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER; AND**

    B. **AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SEBI FROM TIME TO TIME.**

13. **WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE;**

14. **WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER'S EXPERIENCE, ETC.;**

15. **WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**

THE FILING OF THIS LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE OUR COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THIS LETTER OF OFFER.

Caution

Disclaimer clauses from our Company and the Lead Manager

Our Company and the Lead Manager accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by and at the instance of our Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and our Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports, *etc.*, after filing of this Letter of Offer with SEBI.

Investors who invest in the Issue will be deemed to have represented to our Company and Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares, and are relying on independent advice / evaluation as to their ability and quantum of investment in the Issue.

Disclaimer with respect to jurisdiction

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Hyderabad, India only.

Selling restrictions

The distribution of this Letter of Offer and the issue of the Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue on a rights basis to the Equity Shareholders of our Company and will dispatch the Letter of Offer/Abridged Letter of Offer and CAF to Equity Shareholders who have an Indian address.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Letter of Offer has been filed with SEBI for observations. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, this Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Letter of Offer should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlements referred to in this Letter of Offer. Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company‘s affairs from the date hereof or that the information contained herein is correct as at any time subsequent to this date.

No Offer in The United States

The rights and securities of our Company, including the Equity Shares have not been and will not be registered under the United States Securities Act, 1933, as amended (the **Securities Act**), or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof (the **United States**" or **U.S.**") or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**‘‘)), except in a transaction exempt from the registration requirements of the Securities Act. The rights referred to in the Letter of Offer are being offered in India, but not in the United States. The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any securities or rights for sale in the United States or as a solicitation therein of an offer to buy any of the said securities or rights. Accordingly, the Letter of Offer/

Abridged Letter of Offer and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time.

Neither our Company nor any person acting on behalf of our Company will accept subscriptions or renunciation from any person, or the agent of any person, who appears to be, or who our Company or any person acting on behalf of our Company has reason to believe is, either a U.S. person (as defined in Regulation S) or otherwise in the United States when the buy order is made. Envelopes containing CAF should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer under the Letter of Offer, and all persons subscribing for the Equity Shares and wishing to hold such Equity Shares in registered form must provide an address for registration of the Equity Shares in India. Our Company is making this issue of Equity Shares on a rights basis to the Equity Shareholders of our Company and the Letter of Offer/Abridged Letter of Offer and CAF will be dispatched to Equity Shareholders who have an Indian address. Any person who acquires rights and the Equity Shares will be deemed to have declared, represented, warranted and agreed, (i) that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States when the buy order is made, (ii) it is not a U.S. person (as defined in Regulation S), and does not have a registered address (and is not otherwise located) in the United States, and (iii) is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations.

Our Company reserves the right to treat as invalid any CAF which: (i) does not include the certification set out in the CAF to the effect that the subscriber is not a U.S. person (as defined in Regulation S), and does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations; (ii) appears to our Company or its agents to have been executed in or dispatched from the United States; (iii) where a registered Indian address is not provided; or (iv) where our Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; and our Company shall not be bound to allot or issue any Equity Shares or Rights Entitlement in respect of any such CAF. Our Company is informed that there is no objection to a United States shareholder selling its rights in India. Rights Entitlement may not be transferred or sold to any U.S. Person.

Designated Stock Exchange

The Designated Stock Exchange for the purposes of this Issue will be the BSE.

Disclaimer Clause of the BSE

As required, a copy of the Draft letter of Offer has been submitted to the BSE.The Disclaimer clause as intimated by the BSE to us, post scrutiny of the Draft letter of Offer, is as follows:

BSE Limited ("the Exchange") has given vide its letter dated October 17, 2011, permission to this Company to use the Exchange's name in this Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this letter of offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

i. warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer; or
ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this letter of offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of the Draft letter of Offer has been submitted to the NSE.The Disclaimer clause as intimated by the NSE to us, post scrutiny of the Draft letter of Offer, is as follows:

As required, a copy of this letter of offer has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter Ref.No.NSE/LIST/148016-V dated October 21, 2011 permission to the Issuer to use the Exchange's name in this letter of offer as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this letter of offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the letter of offer 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 letter of offer; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

The Letter of Offer was filed with The Regional Manager, D' Monte Building, 3rd Floor, 32 D' Monte Colony, TTK Road, Alwarpet, Chennai: 600018, India for its observations. Pursuant to the receipt of observations from the SEBI, this Letter of Offer will be filed with the Designated Stock Exchange as per the provisions of the Companies Act.

Impersonation

As a matter of abundant caution, 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 makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or 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*"

Dematerialized dealing

Our Company has entered into agreements dated August 26, 1999 and March 28, 2000, with National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) respectively, and our Equity Shares bear the ISIN INE794A01010.

Listing

The existing Equity Shares are listed on the Stock Exchanges. We have received in-principle approvals for listing of the Equity Shares to be issued pursuant to this Issue from the BSE and the NSE by letters dated October 17, 2011 and October 21, 2011, respectively.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges mentioned above, our Company shall forthwith repay, without interest, all monies received from applicants in pursuance of the Letter of Offer. If such money is not repaid within eight days from the day our Company becomes liable to repay it, our Company and every Director of our Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under Section 73 of the Companies Act.

Consents

Consents in writing of the Auditors of our Company, Directors, Company Secretary and Compliance Officer, Lead Manager to the Issue, Legal Advisor to the Issue, Registrar to the Issue, Bankers to our Company, Banker to the Issue to act in their respective capacities have been obtained and filed with SEBI, along with a copy of this Letter of Offer and such consents have not been withdrawn up to the time of delivery of this Letter of Offer to SEBI.

M/s. K. S. Aiyar & Co., the Auditors of our Company, have given their written consent for the inclusion of their Report dated March 13, 2012 as set out herein in relation to the restated consolidated financial statements and standalone financials of our Company for half year ended September 30, 2011 and financial years ended 2011, 2010 and 2009, as applicable and the restated standalone financial statements and standalone financials of our Company for the half year ended September 30, 2011 and the financial years ended 2011, 2010, 2009, 2008 and 2007, as applicable. in the form and content as appearing in this Letter of Offer and such consents and reports have not been withdrawn up to the time of delivery of this Letter of Offer to SEBI.

M/s. K.S.Aiyar & Co. the Auditors of our Company have also given their written consent dated March 13, 2012 for inclusion of tax benefits in the form and content as appearing in this Letter of Offer, accruing to our Company and its members.

All the necessary consents required for this Issue including consents from the lenders, industry sources and other third parties have been obtained by our Company. To the best of our Company‘s knowledge, there are no other consents required for this Issue. However, should the need arise, necessary consents shall be obtained by our Company.

Expert Opinion

Except as stated in ***—Financial Statements*** and ***—Statement of General and Special Tax Benefits*** on pages 139 and 70, respectively, provided by M/s.K.S.Aiyar & Co., the Auditors of our Company, no expert opinion has been obtained by our Company in relation to this Letter of Offer.

Issue Related Expenses

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

Particulars	**Estimated Expense (₹. millions)**	**Expense (% of the total expenses)**	**Expense (% of the Issue size)**
Fees to the Lead Manager	3.00	48.58%	2.97
Fees to the Registrar to the Issue	0.10	1.62%	0.10
Fees to the Legal advisors	0.60	9.72%	0.59
Fees to the Auditors	0.91	14.66%	0.90
Advertising and Publicity Expenses	0.16	2.59%	0.16
Printing, Postage, Stationery Expenses	0.47	7.61%	0.46
Contingency, Stamp duty, Listing Fees, etc	0.94	15.22%	0.93
Total	**6.18**	**100.00%**	**6.11%**

Fees Payable to the Lead Manager to the Issue

The fees payable to the Lead Manager to the Issue are set out in the engagement letter and Issue Agreement issued by our Company to the Lead Manager, a copy of which is available for inspection at the Registered Office of our Company.

Fee payable to the Registrar to the Issue

The fee payable to the Registrar to the Issue is as set out in the engagement letter and Memorandum of Understanding (MOU) dated September 21, 2011 issued by our Company to the Registrar to the Issue, a copy of which is available for inspection at the Registered Office of our Company.

Previous public/rights issues by our Company in the last five years

Our Company has not made any previous rights or public issues in India or abroad in the five years preceding the date of the Letter of Offer.

Issues for consideration other than cash

Our Company has not issued Equity Shares for consideration other than cash or out of revaluation reserves, other than issuances mentioned in section titled "***Capital Structure***" on page 47.

Commission or brokerage on previous issues

As our Company has not made any previous rights or public issues in India or abroad in the five years preceding the date of the Letter of Offer, our Company has not paid any commission or brokerage on previous issues with respect to these five years.

Further Issue

In the last 10 years from the date of filing of the letter of Offer, our Company has not issued or allotted any Equity Shares.

Outstanding debentures or bonds and redeemable preference shares

Our Company does not have any outstanding debentures, bonds or redeemable preference shares.

Option to subscribe

Other than the present Issue, our Company has not given any person any option to subscribe to the Equity Shares of our Company.

Investor Grievances and Redressal System

Our Company has adequate arrangements for redressal of Investor complaints. A well-arranged correspondence system has been developed for letters of routine nature. The share transfer and dematerialization for our Company is being handled by Karvy Computershare Private Limited and our Company is in the process of changing the share transfer agent of our Company. Redressal norm for response time for all correspondence including shareholders complaints is within 15 days.

The contact details of the Registrar to the Issue are:

Karvy Computershare Private Limited

Plot No. 17-24, Vittal Rao Nagar
Madhapur, Hyderabad 500081
Tel: +91 40 4465 5000
Toll Free No.: 1-800-3454001
Fax: +91 40 23420814
Investor Grievance Email: neuland.rights@karvy.com
Website:http:\\karisma.karvy.com
Contact Person: Mr.M Murali Krishna
SEBI Registration No. INR000000221

Status of Complaints

The current complaints are being handled by Karvy Computershare Private Limitedand the status as on March 9, 2012, is:

(a) Total number of complaints received and disposed off for the period between three years preceding the Letter of Offer and up to March 9, 2012 : 26
(b) Total number of shareholder complaints pending as on March 9, 2012 : NIL,

(c) Time normally taken by our Company for disposal of various types of Investor grievances: 15 days

Investor Grievances arising out of this Issue

Our Company's Investor grievances arising out of the Issue will be handled by Karvy Computershare Private Limited, who is the Registrar to the Issue. The Registrar will have a separate team of personnel handling only post-Issue correspondence.

The agreement between our Company and the Registrar will provide for retention of records with the Registrar for a period of three years from the last date of dispatch of Allotment Advice/ share certificate / refund orders to enable the investors to approach the Registrar 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 folio no., name and address, contact telephone / cell numbers, email id of the first applicant, number and type of shares applied for, CAF serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The average time taken by the Registrar for attending to routine grievances will be 15 days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to attend to them as expeditiously as possible. Our Company undertakes to resolve the Investor grievances in a time bound manner.

Investors may contact the Compliance Officer / Company Secretary in case of any pre-Issue/ post –Issue related problems such as non-receipt of allotment advice/share certificates/ demat credit/refund orders etc. Her address is as follows:

Neuland Laboratories Limited
Ms. Sarada Bhamidipati
204, Meridian Plaza,
6-3-853/1 Ameerpet, Hyderabad - 500 016
Tel: +91 40 30211600, 2341 2934
Fax : +91 40 2341 2957
E-mail: ir@neulandlabs.com

Changes in Auditors during the last three years

There has been no change in the Auditors for the last three years.

Capitalisation of Reserves or Profits

Our Company has not capitalized any of its reserves or profits for the last five years other than as mentioned in ***Capital Structure*** on page 47.

Revaluation of Fixed Assets

There has been no revaluation of our Company's fixed assets for the last five years.

SECTION VII - TERMS OF THE ISSUE

TERMS AND PROCEDURE OF THE ISSUE

The Equity Shares, now being issued, are subject to the terms and conditions contained in the Letter of Offer, the Letter of Offer, the Abridged Letter of Offer, the CAF, the Memorandum of Association and Articles of Association of our Company, the provisions of the Companies Act, guidelines, notifications and regulations including for issue of capital and for listing of securities issued by RBI, SEBI, Government of India and/or other statutory authorities and bodies from time to time, the Listing Agreements, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate and any other laws or rules as may be applicable and introduced from time to time.

Authority for the Issue

Pursuant to the resolution passed by the Board of Directors of our company at its meeting held on July 7, 2011, it has been decided to make an offer to allot the Rights Equity Shares to Eligible Equity Shareholders of our company, with a right to renounce their entitlement under this Issue.

Ranking of Equity Shares

The Rights Equity Shares allotted pursuant to this Issue shall rank *pari passu* with the existing Equity Shares in all respects including dividend.

Mode of Payment of Dividend

We shall pay dividend to our Equity Shareholders as per the provisions of the Companies Act and guidelines issued by RBI from time to time.

Basis for the Issue

The Rights Equity Shares are being offered for subscription for cash to the Eligible Equity Shareholders whose names appear as beneficial owners on the list to be furnished by the depositories in respect of the Equity Shares held in electronic form and on the Register of Members of our Company in respect of the Equity Shares held in physical form at the close of business hours on the Record Date i.e. March 23, 2012, which has been fixed in consultation with the Designated Stock Exchange.

The Equity Shares are being offered for subscription in the ratio of 5:12 (i.e. 5 Equity Shares for every 12 Equity Shares held by the Equity Shareholders on the Record Date.

Rights Entitlement

As your name appears as a beneficial owner in respect of Equity Shares held in electronic form or appears in the Register of Members as an Equity Shareholder of our Company as on the Record Date, you are entitled to the number of Rights Equity Shares shown in Block I of Part A of the enclosed CAF. You are entitled to subscribe to Rights Equity Shares in the entitlement ratio set out below.

The distribution of the Draft Letter of Offer, Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Our Company is making an issue of Equity Shares on a rights basis to Eligible Equity Shareholders and the Letter of Offer, Abridged Letter of Offer and the CAFs will be dispatched only to those Equity Shareholders who have a registered address in India. Any person who acquires Rights Entitlements or Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of this Draft Letter of Offer/Letter of Offer, that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States and in other restricted jurisdictions.

Non-resident Indian individual applicants who do not receive the CAF may also procure CAFs from the following address:

Mr. M Murali Krishna
Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad 500081
Tel: +91 40 4465 5000; Toll Free No.: 1-800-3454001; Fax: +91 40 23420814
Email: neuland.rights@karvy.com
Website:http:\\karisma.karvy.com
Offer to Non-Resident Equity Shareholders/Applicants

General permission has been granted to any person resident outside India to apply shares offered on rights basis by an Indian company in terms of FEMA and the rules and regulations thereunder vide Notification No. FEMA 20 /2000-RB dated May 3, 2000 as amended by notification dated June 18, 2003, bearing number FEMA 94/2003. The existing non-resident shareholders may apply for issue of additional shares and our Company may allot the same subject to the condition that the overall issue of shares to non-residents in the total paid up capital does not exceed the sectoral cap. In other words, non-residents may subscribe for additional shares over and above shares offered on rights basis by our Company and renounce the shares offered in full or part thereof in favour of a person named by them. However, any renunciation from Resident Indian Shareholder(s) to Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to other Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to Resident Indian(s) is subject to the renouncer(s)/renouncee(s) obtaining the approval of the FIPB and/ or necessary permission of the RBI under FEMA and other applicable laws and such permissions should be attached to the CAF. Applications not accompanied by the aforesaid approval are liable to be rejected. Non-resident shareholders are requested to refer to the paragraph titled "***Renunciation***" for the approvals required from FIPB / RBI for renunciation. However, as per the provisions of AP (DIR) circular No. 14 dated September 16, 2003 (issued by the RBI), such shareholders who have been allotted the equity shares as OCBs would not be permitted to participate in the Rights Issue. Accordingly, shareholders/ applicants who are OCBs and wishing to participate in the Rights Issue would be required to submit approvals in relation thereto from the FIPB and the RBI.

The RBI has *vide* its letter dated February 29, 2012 granted approval to our OCB investor, American Overseas Technologies to participate in the Rights Issue as per their entitlement.

Principal Terms of the Rights Equity Shares

Face value

Each Rights Equity Share shall have a face value of Rupees Ten (₹10).

Issue Price

Each Rights Equity Share is being offered at a price of Rupees Forty Five (₹45) (including a premium of Rupees Thirty Five (₹35) per Rights Equity Share).

Payment terms

An investor shall have to make the full payment of the Issue Price of Rupees Forty Five (₹45) per Rights Equity Share at the time of making an Application.

For Equity Shareholders wishing to apply through the ASBA process for rights issues, kindly refer to the paragraph titled "*Procedure for Application through Applications Supported by Blocked Amounts ("ASBA") Process*" in the section "*Terms of the Issue*" on page 285 of this Letter of Offer.

Entitlement Ratio

The Rights Equity Shares are being offered on a rights basis to the Eligible Equity Shareholders in the ratio of 5 Rights Equity Shares for every 12 Equity Shares held on the Record Date.

Fractional entitlements

If the shareholding of any Eligible Equity Shareholder is not a multiple of 12 as on the Record Date, the fractional entitlement of such Eligible Equity Shareholders arrived at after dividing the number of shares held by 2.4 shall be ignored [as 5 Equity Shares are being offered for every 12 Equity Shares held]. Eligible Equity

Shareholders whose fractional entitlements are being ignored would be given preference in allotment of one additional share each if they apply for additional shares as per the Additional Rights Equity Shares mentioned on page 289 of this Letter of Offer.

An illustration stating the Rights Entitlement for number of Equity Shares is set out below:

NUMBER OF EQUITY SHARES	RIGHTS ENTITLEMENT
1-2	0
3-4	1
5-7	2
8-9	3
10-11	4

Those Eligible Equity Shareholders holding 2 or less than 2 Equity Shares and therefore entitled to zero Rights Equity Shares under this Issue shall be sent a CAF with zero entitlement. Such Eligible Equity Shareholders are entitled to apply for additional Rights Equity Shares and they would be given preference in allotment for one additional Rights Equity Share if they apply for additional Rights Equity Shares. However, they cannot renounce the same in favour of third parties. A CAF with zero entitlement will be non-negotiable / non-renounceable.

Rights of our Equity Shareholders

Subject to applicable laws, our 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 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 to free transferability of shares; and
- Such other rights as may be available to a shareholder of a public limited company constituted under the Companies Act.

Arrangements for Disposal of Odd Lots

Our Company’s shares will be traded in dematerialized form only and therefore the marketable lot is one (1) share. Therefore there is no possibility of any odd lots.

General terms of the Issue

Market Lot

The Equity Shares of our Company are tradable only in dematerialized form. The market lot for Equity Shares in dematerialized mode is one (1) Equity Share. In case Equity Shares are held in physical form, our Company will issue to each allottee one (1) certificate for the Rights Equity Shares allotted to each folio (“Consolidated Certificate”). Our Company will, upon receipt of a request from a holder of Equity Shares, split such consolidated certificates into smaller denominations.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint holders with the benefit of survivorship subject to the provisions contained in the Articles.

Nomination:

In terms of Section 109A of the Companies Act, nomination facility is available to the shareholders.

An investor can nominate any person by filling the relevant details in the CAF in the space provided for this purpose. An individual Equity Shareholder (or the first named Equity Shareholder, along with other joint Equity Shareholders if any), may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A nominee who becomes entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale/ transfer/ alienation of the Equity Shares by the person making the nomination and the transferee will be entitled to make a fresh nomination in the manner prescribed. Fresh nominations can be made only in the prescribed form available on request at the Registered Office of our Company or such other person at such addresses as may be notified by our Company.

In terms of Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, 1956, shall upon the production of such evidence as may be required by the Board, 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.

The Board may at any time give notice requiring a nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the equity shares, until the requirements of the notice have been complied with.

Only one nomination will be applicable per folio. In case an Equity Shareholder has already registered a nomination with our Company, no further nomination needs to be made for Equity Shares that may be allotted in this Issue under the same folio.

In case the allotment of Rights Equity Shares is in dematerialized form, there is no need to make a separate nomination for the Rights Equity Shares to be allotted in this Issue. Nominations registered with the respective Depository Participant ("DP") of the Investor would prevail. Any Investor desirous of changing the existing nomination is requested to inform the relevant DP.

Notices

All notices to the Eligible Equity Shareholders required to be given by our Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and one regional language daily newspaper with wide circulation in the state within which our Company's registered office is located and / or will be sent by ordinary post / registered post / speed post to the registered holders of the Equity Shares from time to time.

Listing and trading of the Rights Equity Shares proposed to be issued

Our Company's existing Equity Shares are currently listed on BSE and NSE under the ISIN INE794A01010**.** The fully paid up Rights Equity Shares proposed to be issued shall be listed and admitted for trading on BSE and NSE under the existing ISIN. .

The Rights Equity Shares allotted pursuant to this Issue will be listed as soon as practicable but in no case later than seven (7) working days from the date of finalization of basis of allotment. The Lead Managers on behalf of our Company has made an application for "in-principle" approval for listing of the Rights Equity Shares in accordance with Clause 24(a) of the Listing Agreement to BSE and NSE through letters dated October 3, 2011 and our Company has received such approval from BSE through letter no. DCS/PREF/NTP/IP-RT/552/11-12 dated October 17, 2011 and NSE through letter no. NSE/LIST/148016-V dated October 21, 2011. The distribution of the Letter of Offer and the Issue of Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions.

Procedure for Application

For Equity Shareholders wishing to apply through the newly introduced ASBA process for rights issues, kindly refer the paragraph titled "Procedure for Application through the Applications Supported By Blocked Amount ("ASBA") Process in the section "Terms of the Issue" on page 285 of this Letter of Offer.

The CAF for the Rights Equity Shares will be printed in black ink for all the Eligible Equity Shareholders. In case the original CAF is not received by the Investor or is misplaced by the investor, the investor may request the Registrar to the Issue for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address.

The CAF consists of four parts:
Part A: Form for accepting the Rights Equity Shares and for applying for additional Rights Equity Shares;
Part B: Form for renunciation;
Part C: Form for application by Renouncee(s);
Part D: Form for request for split Application forms.

Application by Mutual Funds

In case of a mutual fund, a separate application can be made in respect of each scheme of the mutual fund registered with SEBI and such application in respect of more than one scheme of the mutual fund will not be treated as multiple applications provided that the applications clearly indicate the scheme concerned for which the application has been made. Applications made by Asset Management Companies or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which the application is being made.

Acceptance of the Issue

You may accept the Issue and apply for the Rights Equity Shares offered, either in full or in part without renouncing the balance, by filling Part A of the enclosed CAF and submit the same along with the application money payable to the Banker to the Issue or any of the collection branches as mentioned on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of our Company in this regard. Investors at centers not covered by the branches of collecting banks can send their CAF together with a cheque for the subscription amount payable at par on a local bank at Hyderabad or a demand draft payable at Hyderabad, to the Registrar to the Issue by registered post. Applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

Options available to Eligible Equity Shareholders

The CAF will clearly indicate the number of Rights Equity Shares that the Eligible Equity Shareholder is entitled to. If the Eligible Equity Shareholder applies for an investment in Rights Equity Shares, he can:

- Apply for his Rights Entitlement of Rights Equity Shares in full;
- Apply for his Rights Entitlement of Rights Equity Shares in part;
- Apply for his Rights Entitlement of Rights Equity Shares in part and renounce the other part of the Rights Equity Shares;
- Apply for his Rights Entitlement in full and apply for additional Rights Equity Shares;
- Renounce his Rights Entitlement in full.

Additional Rights Equity Shares

You are eligible to apply for additional Rights Equity Shares over and above the number of Rights Equity Shares you are entitled to, provided that you have applied for all the Rights Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Rights Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, in consultation, if necessary, with the Designated Stock Exchange.

If you desire to apply for additional Rights Equity Shares, please indicate your requirement in the place provided for additional Rights Equity Shares in Part A of the CAF. A Renouncee applying for all the Rights Equity Shares renounced in their favour may also apply for additional Rights Equity Shares.

Where the number of additional Rights Equity Shares applied for exceeds the number available for allotment, the allotment will be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Renunciation

This Issue includes a right exercisable by you to renounce the Rights Equity Shares offered to you either in full or in part in favour of any other person or persons. Your attention is drawn to the fact that our Company shall not allot and / or register the Rights Equity Shares in favour of more than 3 persons (including joint holders), partnership firm(s) or their nominee(s), minors, HUF, any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act or any other applicable law relating to societies or trusts and is authorised under its constitution or bye-laws to hold Equity Shares).

Any renunciation from Resident Indian Shareholder(s) to Non-resident Indian(s) or from Non-resident Indian Shareholder(s) to Resident Indian(s) or from Non-resident Indian shareholder(s) to other Nonresident Indian(s) is subject to the Renouncer(s) / Renouncee(s) obtaining the necessary approvals including the permission of the RBI under the FEMA. Copies of such permissions should be attached to the CAF. Applications not accompanied by the aforesaid permissions are liable to be rejected.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies ("OCBs") have been de-recognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs) Regulations, 2003. Accordingly, Eligible Equity Shareholders who do not wish to subscribe to the Rights Equity Shares being offered but wish to renounce the same shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

Part 'A' of the CAF must not be used by any person(s) other than those in whose favour this offer is made. If so used, this will render the application invalid. Submission of the enclosed CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be conclusive evidence that the person(s) applying for Rights Equity Shares of the CAF are entitled to receive allotment of such Rights Equity Shares. Renouncees applying for all Rights Equity Shares renounced in their favor may also apply for additional Rights Equity Shares. Part 'A' of the CAF must not be used by the Renouncee(s) as this will render the application invalid. Renouncee(s) will have no further right to renounce any Rights Equity Shares in favour of any other person.

The right of renunciation is subject to the express condition that our Board shall be entitled in its absolute discretion to reject a request for Allotment to Renouncee(s) without assigning any reason therefor.

Procedure of renunciation

To renounce all Rights Equity Shares offered to an Eligible Equity Shareholder in favour of one Renouncee.

If you wish to renounce the offer indicated in Part 'A', in whole, please complete Part 'B' of the CAF. In case of joint holding, all joint holders must sign Part 'B' of the CAF. The person in whose favour renunciation has been made should complete and sign Part 'C' of the CAF. In case of joint Renouncees, all joint Renouncees must sign Part C of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept the offer in Part A, in part and renounce the balance or renounce the entire offer in favor of two or more Renouncees, the CAF must be first split into the requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part 'D' of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms, i.e. April 7, 2012. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in the paragraph headed 'Acceptance of the Issue' above shall have to be followed. Only one application for split forms from each Eligible Equity Shareholder shall be entertained.

In case the signature of an Eligible Equity Shareholder who renounces the Rights Equity Shares does not match the specimen registered with our Company, the application is liable to be rejected.

Renouncee(s)

The person(s) in whose favor the Rights Equity Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire CAF to the Banker to the Issue on or before the Issue Closing Date along with the application money in full. The Renouncee cannot further renounce his entitlement to the offer.

Change and/ or introduction of additional holders

If you wish to apply for Rights Equity Shares jointly with any other person(s), not more than three, who is / are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed. However, this right of renunciation is subject to the express condition that our Board shall be entitled in its absolute discretion to reject the request for allotment from Renouncee(s) without assigning any reason therefor.

Instructions for options

You may exercise any of the following options with regard to the Rights Equity Shares offered, using the enclosed CAF:

Sr. No.	Options Available	Action required
1.	Accept the whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A *(All joint holders must sign)*.
2.	Accept your Rights Entitlement in full and apply for additional Rights Equity Shares.	Fill in and sign Part A including Block III relating to the acceptance of Rights Entitlement and Block IV relating to additional Rights Equity Shares *(All joint holders must sign)*.
3.	Renounce your Rights Entitlement in full to one person *(Joint Renouncees are considered as one)*.	Fill in and sign Part B *(all joint holders must sign)* indicating the number of Rights Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C *(All joint Renouncees must sign)*.
4.	Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s). OR Renounce your Rights Entitlement to all the Rights Equity Shares offered to you to more than one Renouncee.	Fill in and sign Part D *(all joint holders must sign)* requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Application Forms. Splitting will be permitted only once. On receipt of the Split Application Form take action as indicated below. For the Rights Equity Shares you wish to apply for, if any, fill in and sign Part A. For the Rights Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Rights Equity Shares renounced and hand it over to the Renouncee. Each of the Renouncees should fill in and sign Part C for the Equity Shares applied for by them.
5.	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C.

Investors must provide information in the CAF as to their savings bank / current account number and the name of the bank with whom such account is held, to enable the Registrar to print the said details in the refund orders after the names of the payee(s). Failure to comply with this may lead to rejection of the application. Bank account details furnished by the Depositories will be printed on the refund warrant in case of Equity Shares held in electronic form.

Investors must write their CAF Number at the back of the cheque/demand draft.

Please note that:

- Part 'A' of the CAF must not be used by any person(s) other than the Eligible Equity Shareholders to whom the Letter of Offer/ Abridged Letter of Offer has been addressed. If so used, this will render the application invalid.
- A request for split forms should be made for a minimum of 1 Rights Equity Share or in multiples thereof and one split form for the balance Rights Equity Shares, if any.
- A request by the Investor for the Split Application Form should reach the Registrar to the Issue on or before April 7, 2012.
- Only the Eligible Equity Shareholders to whom the Abridged Letter of Offer /Letter of Offer has been addressed shall be entitled to renounce and to apply for split application forms. Forms once split cannot be split further.
- Split form(s) will be sent to the Investor(s) by post at the Investors' risk.
- Equity Shareholders may not renounce in favour of persons or entities who would otherwise be prohibited from being offered or subscribing for Equity Shares under applicable securities laws.

<u>Availability of duplicate CAF</u>

In case the original CAF is not received or is misplaced by the Investor, the Registrar to the Issue will issue a duplicate CAF on the request of the Investor who should furnish the registered folio number / DP and Client ID number and his / her full name and address to the Registrar to the Issue. Please note that the request for a duplicate CAF should reach the Registrar to the Issue within 7 (seven) days from the Issue Opening Date. Please note that those who are making the application in the duplicate CAF should not utilise the original CAF for any purpose including renunciation, even if it is received / found subsequently. If the Investor violates any of these requirements, he/ she shall face the risk of rejection of both the CAFs.

<u>Application on Plain Paper</u>

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain a duplicate CAF may make an application to subscribe to the Issue on plain paper, along with a demand draft, net of bank and postal charges payable at Hyderabad which should be drawn in favour of 'Neuland Laboratories– Rights Issue' in case of Resident Shareholders and Non-resident Shareholders applying on non-repatriable basis or 'Neuland laboratories– Rights Issue – NR' in case of Non-resident Shareholders applying on repatriable basis . The Eligible Equity Shareholder should send the same by registered post directly to the Registrar to the Issue so as to reach the Registrar to the Issue on or before the Issue Closing Date.

The envelope should be superscribed 'Neuland Laboratories– Rights Issue' in case of resident Shareholders and Non-resident Shareholders applying on non-repatriable basis and 'Neuland Laboratories– Rights Issue-NR' in case of non-resident Shareholders applying on repatriable basis. The application on plain paper, duly signed by the Investors including joint holders, in the same order and matching the specimen signatures as recorded with our company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of the Issuer, being Neuland Laboratories Limited;
- Name and address of the Eligible Equity Shareholder including joint holders;
- Registered Folio Number / DP and Client ID no.;
- Number of Equity Shares held as on Record Date;
- Number of Rights Equity Shares entitled;
- Number of Rights Equity Shares applied for;
- Number of additional Rights Equity Shares applied for, if any;
- Total number of Rights Equity Shares applied for;
- Total amount paid at the rate of ₹45 per Rights Equity Share ;

- Separate cheques / DDs are to be attached for amounts to be paid for Rights Equity Shares;
- Particulars of cheque / demand draft / Savings / Current Account Number and name and address of the bank where the Eligible Equity Shareholder will deposit the refund order;
- Except for applications on behalf of the Central or State Government, the residents of Sikkim and officials appointed by the courts, the Permanent Account Number ("PAN") of the Investor allotted under the Income-tax Act, 1961 (and for each Investor in case of joint names), irrespective of the total value of the Equity Shares applied for pursuant to the Issue.
- Signature of the Rights Equity Shareholders to appear in the same sequence and order as they appear in the records of our Company.
- Additionally, all such applicants are deemed to have accepted the following:

  I/We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933, as amended (the "US Securities Act") or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the "United States"). I/we understand the Equity Shares referred to in this application are being offered in India but not in the United States. I/we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. I/we understand that none of our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company has reason to believe is, a resident of the United States or other restricted jurisdiction.

  I/We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

  I/We understand and agree that the Rights Entitlement and Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

  I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such Rights Entitlement and/or the Equity Shares is/are, outside the United States, and (ii) is/are acquiring the Rights Entitlement and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

  I /We acknowledge that our Company, the Lead Manager, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements."

Please note that those who are making an application otherwise than on an original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Investor violates any of these requirements, he / she shall face the risk of rejection of both his/her applications. Our Company shall refund the application amount to the Investor without any interest thereon.

PROCEDURE FOR APPLICATION THROUGH "APPLICATIONS SUPPORTED BY BLOCKED AMOUNT" ("ASBA") PROCESS

SEBI, by its circular dated August 20, 2009, introduced in rights issues the process of applications supported by blocked amounts wherein the application money remains in the ASBA Account until allotment. Since this is a new mode of payment in rights issues, the procedure for applying under the ASBA procedure as detailed in SEBI Circular dated December 30, 2009 and April 29, 2011 set out below for the benefit of the shareholders.

This section is for the information of the ASBA Investors proposing to subscribe to the Issue through the ASBA Process. Our Company and the Lead Managers are not liable for any amendments or

modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Equity Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and to ensure that the CAF is correctly filled up, specifying the number of the bank account maintained with the Self Certified Syndicate Bank ("SCSB") in which the Application Money will be blocked by the SCSB.

The Lead Managers, our Company, its Directors, affiliates, associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs, Applications accepted without blocking funds in the ASBA Accounts. It shall be presumed that for applications accepted by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.

The list of banks which have been notified by SEBI to act as SCSBs for the ASBA Process is provided on http://www.sebi.gov.in/cms/sebi_data/attachdocs/1330923506730.html. For details on Designated Branches of SCSBs collecting the CAF, please refer the above mentioned SEBI link.

Equity Shareholders who are eligible to apply under the ASBA Process:

All QIBs and Non – Institutional Investors must and all Retail Individual Investors may apply through the ASBA process subject to satisfaction of the parameters as mentioned hereunder.

The option of applying for Rights Equity Shares through the ASBA Process is only available to Eligible Equity Shareholders who:

i. are required to hold Equity Shares in dematerialized form as on the Record Date and apply for (a) their Rights Entitlement or (b) their Rights Entitlement and Equity Shares in addition to their Rights Entitlement in dematerialized form;;
ii. should not have renounced their entitlements in full or in part;
iii. should not be Renouncees; and
iv. should apply through blocking of funds in bank account maintained with one of the SCSBs.

All Equity Shareholders who are QIBs and Non-Institutional Shareholders, who satisfy all the parameters mentioned above, must compulsorily apply through the ASBA process and applications accompanied by payments made by such persons through cheques/ demand drafts are liable to be rejected.

CAF

The Registrar will dispatch the CAF to all Eligible Equity Shareholders as per their entitlement on the Record Date. Equity Shareholders, who must apply through ASBA Process or who desire to use the ASBA Process and fulfill the parameters mentioned above, are required to submit their applications only by selecting the ASBA option in Part A of the CAF. Application in electronic mode will only be available with such SCSBs that provide such facility. Such Equity Shareholder shall submit the CAF to the SCSB to authorise such SCSB to block an amount equivalent to the amount payable on the application in the bank account maintained with the same SCSB.

Such Equity Shareholders are also advised to ensure that the CAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on application as stated in the CAF is to be blocked by the SCSB.

Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares offered, either in full or in part without renouncing the balance, by filling Part A of the CAF sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submitting the same to the SCSB before the close of banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of our Company in this regard.

Mode of payment

The Equity Shareholders who is complying with the conditions/ parameters for being an ASBA Investor and is applying under the ASBA Process agree that the entire amount payable on application (including for additional

Equity Shares, if any) will be blocked with the submission of the CAF, by authorizing the SCSB to block an amount equivalent to the amount payable on application, in the bank account maintained with the SCSB. After verifying that sufficient funds are available in the bank account referred to in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives appropriate instructions from the Registrar to the Issue.

Upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as mentioned in the Registrar's instructions from the relevant Eligible Equity Shareholder's bank account with the SCSB, in terms of the ICDR Regulations, into the separate bank account maintained by our Company as per the provisions of Section 73(3) of the Companies Act, 1956. The balance amount remaining after the finalisation of the basis of allotment shall be either unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Managers to the respective SCSB.

Such Equity Shareholders would be required to block the entire amountpayable on their application at the time of the submission of the CAF.

The SCSB may reject the application at the time of acceptance of CAF if the bank account with the SCSB, details of which are to be provided by the Shareholder in the CAF, does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, our Company would have a right to reject the application only on the technical grounds.

Options available to the Shareholder applying under the ASBA Process

A summary of options available to Eligible Equity Shareholders is presented below. You may exercise any of the following options with regard to the Rights Equity Shares using the CAF received from the Registrar:

Sr. No.	Option available	Action required
1.	Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A of the CAF (All joint holders must sign)
2.	Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)

The Equity Shareholder applying under the ASBA Process will need to select the ASBA process option in the CAF and provide required details as mentioned therein. However, in cases where this option is not selected, but the CAF is tendered to the SCSB with the relevant details required under the ASBA process option and SCSB blocks the requisite amount, that CAF will be treated as if the Equity Shareholder has elected to apply through the ASBA process option.

Renunciation under the ASBA Process

Renouncees cannot participate in the ASBA Process.

Option to receive Securities in Dematerialised Form

SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR COMPANY UNDER THE ASBA PROCESS CAN ONLY BE ALLOTTED IN DEMATERIALISED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD ON THE RECORD DATE.

Issuance of Intimation Letters
Upon approval of the basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- The number of Equity Shares to be allotted against each successful ASBA;

- The amount to be transferred from the ASBA Account to the separate account opened by our Company for the Issue, for each successful ASBA;
- The date by which the funds referred to above shall be transferred to a separate account opened by our Company for the Issue; and
- The details of rejected ASBAs, if any, along with reasons for rejection to enable SCSBs to unblock the respective ASBA Accounts.

General instructions for Shareholders applying under the ASBA Process

(a) Please read the instructions printed on the CAF carefully.

(b) Application should be made on the printed CAF / plain paper and should be complete in all respects. A CAF found incomplete with regard to any of the particulars required to be given therein, and / or which is not completed in conformity with the terms of this Letter of Offer is liable to be rejected. The CAF / plain paper application must be filled in English.

(c) The CAF / plain paper application in the ASBA Process should be submitted at a Designated Branch of the SCSB in respect of which bank account details are provided in the CAF and not to the Banker to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Company or the Registrar or Lead Managers to the Issue.

(d) All applicants, and in the case of applications in joint names, each of the joint applicants, should mention his/her PAN, irrespective of the amount of the application. Except for applications on behalf of the Central or State Government, by residents of Sikkim and officials appointed by the courts, CAFs / plain paper applications without PANs will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for investors for which PAN details have not been verified shall be "suspended for credit" and no allotment and credit of Rights Equity Shares shall be made into the accounts of such investors.

(e) All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment or payment by cheque / demand draft / pay order is not acceptable. In case payment is not made in such specified manner, the application may be deemed invalid and the application money will be refunded with no interest payable thereon.

(f) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Thumb impressions and signatures other than in English or Hindi must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Eligible Equity Shareholders must sign the CAF /plain paper application as per the specimen signature recorded with our Company / the Depositories.

(g) In case of joint holders, all joint holders must sign the relevant part of the CAF / plain paper application in the same order and as per the specimen signature(s) recorded with our Company. In case of joint applicants, reference, if any, will be made to the first applicant's name and all communication will be addressed to the first applicant.

(h) All communication in connection with applications for the Rights Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Shareholder, folio numbers and CAF number.

(i) Only the person or persons to whom Rights Equity Shares are offered and not any Renouncee(s) shall be eligible to participate under the ASBA process.

(j) Only persons outside restricted jurisdictions and who are eligible to subscribe for Rights Entitlement and Rights Equity Shares under applicable securities laws are eligible to participate.

(k) Only the Equity Shareholders, who comply with all the conditions for being an ASBA Investor are eligible to participate through ASBA process.

Do's:

(a) Ensure that the ASBA Process option is selected in Part A of the CAF and necessary details are filled in. In case of non-receipt of the CAF, the application can be made on plain paper with all necessary details as required under the paragraph "Application on plain paper" appearing under the procedure for applications under ASBA.

(b) Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you. Ensure that you submit your application in physical mode only if your SCSB does not offer this facility.

(c) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in dematerialised form only.

(d) Ensure that the CAF / plain paper application is submitted at the SCSB in relation to which details of the bank account have been provided in the CAF / plain paper application.

(e) Ensure that you have mentioned the correct bank account number in the CAF / plain paper application.
(f) Ensure that there are sufficient funds (equal to {number of Equity Shares applied for} X {Issue Price per Equity Shares}] available in the bank account maintained with the SCSB mentioned in the CAF /plain paper application before submitting the CAF to the respective Designated Branch of the SCSB.
(g) Ensure that you have authorised the SCSB to block funds equivalent to the total amount payable on application mentioned in the CAF / plain paper application, in the bank account maintained with the respective SCSB and you have signed the same.
(h) Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF / plain paper application in physical form.
(i) Except for CAFs submitted on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, each applicant should mention their PAN.
(j) Ensure that the name(s) given in the CAF / plain paper application is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in the same joint names and such names are in the same sequence in which they appear in the CAF / plain paper application.
(k) Ensure that the Demographic Details (as defined below) are updated, true and correct, in all respects.
(l) Ensure that the account holder in whose bank account the funds are to be blocked has signed authorizing such funds to be blocked.
(m) Apply only under the ASBA process if you comply with the definition of an ASBA Investor and you are outside the United States and you are a non-resident non - Retail Individual Investor eligible to participate in the Issue under Regulation S and the securities laws applicable to your jurisdiction.

Don’ts:

(a) Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
(b) Do not apply on a duplicate CAF after you have submitted a CAF / plain paper application to a Designated Branch of the SCSB.
(c) Do not pay the amount payable on application in cash, money order or by postal order.
(d) Do not send physical CAFs / plain paper applications to the Lead Managers to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB; please submit the same to a Designated Branch of the SCSB only.
(e) Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
(f) Do not instruct your respective banks to release the funds blocked under the ASBA Process.
(g) Do not apply if the ASBA account has been used for five applicants.

Grounds for Technical Rejection for ASBA Process:

In addition to the grounds listed under “***Grounds for Technical Rejection for Investors Other than the ASBA Investors***” mentioned on page 304 of this Letter of Offer, applications under ASBA Process may be rejected on following additional grounds:

(a) Application for entitlements or additional shares in physical form.
(b) DP ID and Client ID mentioned in CAF / plain paper application not matching with the DP ID and Client ID records available with the Registrar.
(c) Sending CAF / plain paper application to the Lead Managers / Company / Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not a Designated Branch of the SCSB / Bank.
(d) Insufficient funds are available with the SCSB for blocking the amount.
(e) Funds in the bank account with the SCSB whose details are mentioned in the CAF / plain paper application having been frozen pursuant to regulatory or judicial orders.
(f) Account holder not signing the CAF / plain paper application or declaration mentioned therein.
(g) Application on split form.CAF which has an evidence of being executed in/ dispatched from restricted jurisdiction.
(h) QIBs and Non – Institutional Investor,who complies with the conditions for being an ASBA Investor not applying through the ASBA process.
(i) An Equity Shareholder, who is not complying with any or all of the conditions for being an ASBA Investor, applies under the ASBA process.
(j) The application by an Equity Shareholder whose cumulative value of Equity Shares applied for

towards his entitlement is more than ₹ 2,00,000 but has applied separately through split CAFs of less than ₹ 2,00,000 per CAF and has not done so through the ASBA process.

Depository account and bank details for Shareholders applying under the ASBA Process

IT IS MANDATORY FOR ALL ELIGIBLE EQUITY SHAREHOLDERS WHO ARE COMPLYING WITH THE CONDITIONS FOR BEING AN ASBA INVESTOR AND ARE APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL SUCH EQUITY SHAREHOLDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF / PLAIN PAPER APPLICATION. SUCH EQUITY SHAREHOLDERS MUST ENSURE THAT THE NAME GIVEN IN THE CAF / PLAIN PAPER APPLICATION IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF / PLAIN PAPER APPLICATION IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND THE NAMES ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF / PLAIN PAPER APPLICATION.

Such Equity Shareholders should note that on the basis of the name of these Shareholders, Depository Participants' names and identification numbers and beneficiary account numbers provided by them in the CAF / plain paper application, the Registrar to the Issue will obtain from the Depository demographic details of these Equity Shareholders such as address, bank account details for printing on refund orders / advice and occupation ("Demographic Details"). Hence, such Equity Shareholders should carefully fill in their Depository Account details in the CAF / plain paper application.

These Demographic Details will be used for all correspondence with such Equity Shareholders including mailing of the letters intimating unblocking of the bank account. The Demographic Details given by Equity Shareholders in the CAF / plain paper application will not be used for any other purposes by the Registrar. Hence, Equity Shareholders are advised to update their Demographic Details provided to their Depository Participants. By signing the CAF / plain paper application, such Equity Shareholders will be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on their records.

Letters intimating allotment and unblocking or refund (if any) will be mailed to the address of the Equity Shareholder applying under the ASBA Process as per the Demographic Details received from the Depositories. Equity Shareholders applying under the ASBA Process may note that delivery of letters intimating unblocking of bank account 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 Shareholder in the CAF / plain paper application will be used to ensure dispatch of letters intimating unblocking of bank account.

Note that any such delay shall be at the sole risk of the Shareholders applying under the ASBA Process and none of the SCSBs, the Banker to the Issue, our Company or the Lead Managers shall be liable to compensate such Shareholders for any losses caused to such Shareholders due to any such delay or be 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 Shareholders (including the order of names of joint holders), the DP ID and the beneficiary account number, then the relevant applications are liable to be rejected.

Disposal of Investor Grievances
All grievances relating to the ASBA may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Rights Equity Shares applied for, amount blocked on application, account number of the ASBA Bank Account and the Designated Branch or the collection centre of the SCSB where the CAF / plain paper application was submitted by the ASBA Investor.

Last date of Application

The last date for submission of the duly filled in CAF is April 16, 2012. The Issue will be kept open for fifteen (15) days and our Board will have the right to extend the Issue Closing Date for such period as it may determine from time to time but not exceeding thirty (30) days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Banker to the Issue / Collection Bank / Registrar to the Issue / designated SCSB (in case of ASBA applications) on or before the closure of banking hours on the aforesaid last date or such date as may be extended by our Board, the offer contained in the Letter of Offer shall be deemed to have been declined and our Board shall be at liberty to dispose of the Rights Equity Shares hereby offered, as provided in the paragraph titled "***Basis of Allotment***" on page 299 of this Letter of Offer.

INVESTORS MAY PLEASE NOTE THAT THE RIGHTS EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALISED FORM.

BASIS OF ALLOTMENT

Subject to the provisions contained in this Letter of Offer, the Companies Act and the approval of the Designated Stock Exchange, our Board will proceed to allot the Rights Equity Shares in the following order of priority:

(a) Full allotment to those Rights Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to Renouncees who have applied for Rights Equity Shares renounced in their favour in full or in part.

(b) Allotment pertaining to fractional entitlements, in the manner discussed under "***Fractional Entitlements***" on page 286 of the Letter of Offer. Allotment under this head shall be considered if there are any unsubscribed Rights Equity Shares after allotment under paragraph (a) above. If the number of Rights Equity Shares required for allotment under this head are more than the number of Rights Equity Shares available after allotment under (a) above, the allotment will be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

(c) Allotment to the Eligible Equity Shareholders who, having applied for all the Rights Equity Shares offered to them as part of the Issue have also applied for additional Rights Equity Shares. The allotment of such additional Rights Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by such Eligible Equity Shareholders on the Record Date, provided there is an under-subscribed portion after making full allotment as per paragraphs (a) and (b) above. The allotment of such additional Rights Equity Shares will be at the sole discretion of the Board in consultation with the Designated Stock Exchange, as a part of the Issue and not as preferential allotment.

(d) Allotment to Renouncees who having applied for all the Rights Equity Shares renounced in their favour, have applied for additional Rights Equity Shares. Such allotment will be made provided there is a surplus available after making full allotment under paragraphs (a), (b) and (c) above. The allotment of such Rights Equity Shares will be on a proportionate basis at the sole discretion of the Board in consultation with the Designated Stock Exchange, as a part of the Issue and not as preferential allotment.

(e) Allotment to any other person as the Board may in its absolute discretion deem fit provided there is a surplus available after making full allotment under paragraphs (a), (b), (c) and (d) above.

After taking into account allotments to be made under paragraphs (a) and (b) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of Regulation 3(1)(b) of the Takeover Code, which would be available for allocation under (b), (c), (d) and (e) above.

After considering the above Allotment, any additional Rights Equity Shares shall be disposed off by the Board in such manner as they think most beneficial to our Company and the decision of the Board in this regard shall be final and binding. In the event of oversubscription, Allotment will be made within the overall size of the Issue.

Our Company expects to complete the allotment of Rights Equity Shares within a period of fifteen (15) days from the date of closure of the Issue in accordance with the listing agreement with BSE and NSE. In case of delay in allotment our Company shall, as stipulated under Section 73(2A) of the Companies Act, pay interest for the delayed period at prescribed rate.

Interest in case of Delay in Despatch of Allotment Letters / Refund Orders

Our Company will issue and dispatch letters of allotment / share certificates / demat credit advices / letters of regret along with refund orders and credit the allotted Rights Equity Shares to the respective beneficiary accounts, if any, within a period of fifteen (15) days from the Issue Closing Date. If any refunds are not paid within eight (8) days from the end of such period, our Company shall also pay such interest as stipulated above.

In case of those Investors who have opted to receive Rights Equity Shares in dematerialised form using electronic credit under the depository system, an advice regarding credit of the Rights Equity Shares to their accounts shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter intimating them about the mode of credit of refund within a period of fifteen (15) days from the Issue Closing Date.

In case of those Investors who have opted to receive the Rights Equity Shares in physical form, our Company will issue the corresponding share certificates under applicable provisions of law.

All refund orders (other than in case of refunds made electronically) will be sent by registered post / speed post to the Investor's / first mentioned Investor's (in case of joint applications) registered address. Such refund orders will be payable at par at all places where the applications were originally accepted. The same will be marked 'Account Payee only' and will be drawn in favour of the Investor / first mentioned Investor (in case of joint applications). Adequate funds will be made available to the Registrar to the Issue for this purpose.

Payment of Refund

<u>Modes of making refunds</u>

The payment of refund, if any, will be done through the following modes in the following order of preference:

1. *NECS (National Electronic Clearing Service)* – Payment of refund will be done through NECS for Investors having an account at any centre where such facility has been made available. This mode of payment of refunds will be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds through NECS is mandatory for Investors having a bank account at the centers where NECS facility has been made available by the RBI (subject to availability of all information for crediting the refund through NECS), except where the Investor, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

2. *NEFT (National Electronic Fund Transfer)* – Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular branch. IFSC Codes will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number while opening and operating a demat account, the same will be duly mapped with the IFSC Code of that particular branch and the payment of refund will be made to the Investors through this method. Our Company in consultation with the Lead Managers may decide to use NEFT as a mode of making refunds. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds will be made through any one of the other modes as discussed herein.

3. *Direct Credit* – Investors having bank accounts with the Banker to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same will be borne by our Company.

4. *RTGS (Real Time Gross Settlement)* – Investors having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds Rupees Two Lakhs (₹2,00,000), have the option to receive refunds through RTGS. Such eligible Investors who indicate their preference to receive refunds through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through NECS or other suitable mode. Charges, if any, levied by the

bank(s) through whom the refund is made will be borne by our Company. Charges, if any, levied by the Investors' bank receiving the credit will be borne by the Investor.

5. For all other Investors, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched through speed post/registered post. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the Investor /first mentioned Investor (in case of joint applications) and will be payable at par.

6. Credit of refunds to Investors in any other electronic manner permissible under the banking laws, which are in force, and is permitted by the SEBI from time to time.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investors' bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. Our Company will in no way be responsible if any loss occurs through these instruments falling into improper hands.

Allotment advice / Share Certificates / Demat Credit

Allotment advice / share certificates / demat credits or letters of regret will be dispatched to the registered address of the Investor / first named Investor (in case of joint applications) or the relevant beneficiary accounts will be credited, within fifteen (15) days from the Issue Closing Date. Allottees are requested to preserve allotment advices, if any.

Option to receive the Rights Equity Shares in Dematerialised Form

The Investors have an option to receive the Rights Equity Shares either in physical or dematerialised form.

Our Company has signed a tripartite agreement dated April 21, 2008 with NSDL and the Registrar to the Bank and a tripartite agreement dated April 17, 2008 with CDSL and the Registrar to our Company, which enables our Equity Shareholders to hold and trade in Equity Shares in a dematerialised form, instead of holding the Equity Shares in the form of physical certificates.

In this Issue, allottees who have opted to receive Rights Equity Shares in dematerialised form will receive them in the form of an electronic credit to their beneficiary account with a Depository Participant. The CAF shall contain a space for indicating the number of Rights Equity Shares applied for in demat or physical form or both. Investors will have to give the relevant particulars for this purpose appropriately in the CAF. In case of applications which do not accurately contain this information, the allottees will be given Rights Equity Shares in physical form. No separate applications for Rights Equity Shares in physical and / or dematerialised form should be made. If such applications are made, the application for physical Rights Equity Shares will be liable to be rejected. In case of any partial allotment, allotment shall be done in dematerialised form for the Rights Equity Shares sought to be allotted in dematerialised form and the balance if any, shall be allotted in physical form.

The Rights Equity Shares will be listed on BSE and NSE.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALISED FORM.

The procedure for availing of the facility for allotment of Rights Equity Shares in electronic form is as under:

- Open a beneficiary account with any Depository Participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is recorded in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as recorded with our Company). In case of Investors having various folios in our Company with different joint holders, the Investors will have to open separate accounts for such holdings. *Those Equity Shareholders who have already opened such beneficiary account(s) need not adhere to this step.*

- For Eligible Equity Shareholders already holding Equity Shares of our Company in dematerialised form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights Equity Shares pursuant to this Issue by way of credit to such later/changed account, the necessary details of their beneficiary account should be entered in the space provided in the CAF. It may be noted that the allotment of Rights Equity Shares arising out of this Issue may be made in dematerialised form even if the original Equity Shares of our Company are not dematerialised. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the relevant Equity Shareholders and the names are in the same order as in the records of our Company.

- Responsibility for correctness of information (including all Demographic Details) filled in the CAF *vis-à-vis* such information maintained with the Investor's depository participant, rests with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in the CAF should be the same as registered with the Investor's Depository Participant.

- Rights Equity Shares allotted to an applicant in electronic form will be credited directly to the Applicant's respective beneficiary account(s) with Depository Participants, after due verification.

- Applicants should ensure that the names of the Applicants and the order in which they appear in the CAF should be the same as registered with the Applicant's Depository Participant.

- Non-transferable allotment advice/refund orders will be directly sent to the Applicant / First Applicant (in case of joint applicants) by the Registrar to the Issue. The Investor's depository participant is responsible for providing Investors the confirmation of the credit of Rights Equity Shares to the Investor's depository account.

- If incomplete / incorrect beneficiary account details are given in the CAF the Investor will be allotted Rights Equity Shares in physical form.

- Renouncees will also have to provide the necessary details about their beneficiary account for allotment of Rights Equity Shares. In case these details are incomplete or incorrect, the application is liable to be rejected.

- It may be noted that Rights Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL.

- Dividend or other benefits with respect to the Rights Equity Shares held in dematerialised form will be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to our Company as on the date of the book closure.

General instructions for Investors

(a) Please read the instructions printed on the enclosed CAF carefully.

(b) Applications should be made on the printed CAF provided by our Company and should be complete in all respects. A CAF found incomplete with regard to any of the particulars required to be given therein and / or one which is not completed in conformity with the terms of the Letter of Offer is liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the Investors, details of occupation, address, father's / husband's name and other details must be filled in block letters.

(c) The CAF together with the cheque / demand draft should be sent by registered post to the Banker to the Issue / Collecting Banks or to the Registrar to the Issue and not to our Company or the Lead Managers to the Issue. Investors residing at places other than cities where the branches of the Banker to the Issue have been authorised by our Company for collecting applications are located, will have to make payment by Demand Draft payable at Hyderabad of an amount net of bank and postal charges and send their application forms to the Registrar to the Issue by Registered Post. If any portion of the CAF is detached or separated, such application is liable to be rejected.

Applications where separate cheques/demand drafts are not attached for amounts to be paid for Equity Shares are liable to be rejected.

(d) Except for applications on behalf of the Central and State Government, residents of Sikkim and officials appointed by the courts, all Investors, and in the case of applications in joint names, each of the joint Investors, should mention his/her PAN, irrespective of the amount of the application. **CAFs without PAN will be considered incomplete and shall be rejected.**

(e) Investors, holding shares in physical format, are advised that it is mandatory to provide information as to their savings / current account number and the name of the bank with whom such account is held, in the CAF, to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Applications not containing such details are liable to be rejected. For Eligible Equity Shareholders holding Equity Shares in dematerialised form, such bank details will be drawn from the demographic details of the Eligible Equity Shareholder in the records of the Depository.

(a) All payments should be made by cheque / Demand Draft only. Application through the ASBA process as mentioned above is acceptable. Cash payment is not acceptable. In case payment is not made as set out above, the application shall be deemed invalid and the application money will be refunded and no interest will be paid thereon.

(b) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impressions must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Eligible Equity Shareholders must sign the CAF as per the specimen signature recorded with our Company and the Depositories.

(c) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the memorandum and articles of association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference to the serial number of the CAF and folio numbers / DP ID and Client ID Number. In case the above referred documents are already registered with our Company, the same need not be furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Banker to the Issue.

(d) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company. Further, in case of joint Investors who are Renouncees, the number of Investors should not exceed three. In case of joint applicants, reference, if any, will be made to the first Investor's name and all communication will be addressed to the first Investor.

(e) Application(s) received from Non-Residents / NRIs, or persons of Indian origin residing abroad for allotment of Rights Equity Shares shall, inter alia, be subject to conditions as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI in connection with his/her shareholding and this or a similar Issue, he/she should enclose a copy of such approval with the CAF. Additionally, applications will not be accepted from NRs/NRIs in any jurisdiction where the offer or sale of Equity Shares may be restricted by applicable securities laws.

(f) All communications in connection with applications for the Rights Equity Shares, including any change in addresses of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole Investor, folio numbers and CAF number. Please note that any intimation for change of address of the Eligible Equity Shareholders, after the date of allotment, should be sent to the Registrar to the Issue, in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialized form.

(g) Split forms cannot be re-split.

(h) Only the person or persons to whom the Rights Equity Shares have been offered and not the Renouncee(s) shall be entitled to obtain Split Application Forms.

(i) Investors must write their CAF number at the back of the cheque / demand draft.

(j) Only one mode of payment per application should be used. The payment must be by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub-member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.

(k) A separate cheque / demand draft must accompany each CAF. Outstation cheques / demand drafts or postdated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash.

(l) No receipt will be issued for application money received. The Banker to the Issue / Collecting Bank / Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

(m) The distribution of this Letter of Offer and issue of Rights Equity Shares to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about such restrictions and comply with the same.

(n) Investors are requested to ensure that the number of Rights Equity Shares applied for by each Investor does not exceed the applicable limits, if any, under applicable laws or regulations.

Grounds for Technical Rejections for Investors other than ASBA Investors

Investors are advised to note that applications are liable to be rejected on technical grounds, *inter alia* the following:

- Amount paid does not tally with the amount payable for the Rights Equity Shares applied for;
- Bank account details (for refund) are not given and the same are not available with the DP (in the case of dematerialized holdings) or the Registrar (in the case of physical holdings);
- Age of Investor(s) not given (in case of Renouncee(s)).
- Except for CAFs on behalf of the Central or State Government, residents of Sikkim and officials appointed by courts, PAN not given (for applications of any value);
- In case of application under power of attorney or by limited companies, trusts, etc., relevant documents are not submitted;
- If the signature of the Shareholder on the CAF does not match the signature in the records available with our Company and/or the Depositories and in case of application by Renouncees, if the signature of the Renouncers do not match the signatures in the records available with our Company and/or the Depositories;
- The Investor desires to receive Rights Equity Shares in dematerialized form but the CAF does not have the Investor's depository account details;
- Application forms are not submitted by the Investors within the time prescribed as per the application form and the Letter of Offer;
- Applications not duly signed by the sole / joint Investors;
- Applications by OCBs unless accompanied by specific approval from RBI permitting the OCBs to participate in the Issue.
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Investors (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's identity;
- CAFs that do not include the certifications set out in the CAF to the effect that the Investor is authorised to acquire the Rights Equity Shares in compliance with all applicable laws and regulations;
- CAFs which have evidence of being executed in/dispatched from any jurisdiction where the offer or sale of the Rights Equity Shares may be restricted by applicable securities laws;
- CAFs submitted by ineligible non-residents / Applications by ineligible non-residents (including on account of restriction or prohibition under applicable local laws) or CAFs in which a registered address in India has

not been provided;

- Applications where the CAF is incomplete or acceptance of such CAFs may infringe applicable legal or regulatory requirements;
- Multiple applications, including cases where an Investor submits CAFs along with a plain paper application;
- Applications by Eligible Equity Shareholders / Renouncees who are persons not competent to contract under the Indian Contract Act, 1872, including minors; and
- Duplicate or invalid applications, including cases where an Investor submits CAFs along with a plain paper application or submits an original CAF after having applied for a duplicate CAF.
- Applications by QIBs and Non-Institutional Investors, who comply with the conditions/ paramteres for being an ASBA Investor, but applies through the non-ASBA process.

Mode of payment for Resident Eligible Equity Shareholders / Investors

- All cheques / demand drafts accompanying the CAFs should be crossed ‘A/c Payee only’ and drawn in favour of ‘Neuland Laboratories-Rights Issue’.
- Investors residing at places other than places where the bank collection centres have been opened by our Company for collecting applications, are requested to send their applications together with Demand Drafts for the full application amount, net of bank and postal charges crossed ‘A/c Payee only’ and drawn in favour of ‘Neuland Laboratories -Rights Issue’ payable at Hyderabad directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Company and the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Mode of payment for Non-Resident Eligible Equity Shareholders / Investors

Our Company is making this Issue on a rights basis to the Eligible Equity Shareholders and will dispatch the Letter of Offer/ Abridged Letter of Offer and the CAF to the Eligible Equity Shareholders who have provided an Indian address. Further, please refer to the paragraphs titled ‘Availability of duplicate CAF’ and ‘Application on Plain Paper’.

As regards the application by non-resident Eligible Equity Shareholders / Investors, the following conditions shall apply:

Application with repatriation benefits

Payment by NRIs/ FIIs/ foreign investors must be made by demand draft / cheque payable at Mumbai/Hyderabad or by funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at Mumbai/Hyderabad or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or

- By cheque / demand draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Mumbai/Hyderabad ; or

- By Rupee draft purchased by debit to NRE / FCNR Account maintained elsewhere in India and payable in Mumbai/Hyderabad ; or

- FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

- All cheques / demand drafts submitted by non-residents applying on repatriable basis should be drawn in favour of ‘Neuland Laboratories-Rights Issue - NR’ payable at Mumbai/Hyderabad and crossed ‘A/c Payee only’ for the amount payable.

A separate cheque or bank draft must accompany each application form. Investors may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of non-residents who remit their application money from funds held in FCNR / NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of non-residents who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. Our Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the Investor's bankers.

PLEASE NOTE THAT APPLICATIONS BY NRs / NRIs SHALL BE ACCEPTED ONLY AT CERTAIN SPECIFIED BRANCHES OF OUR BANK. THE DETAILS OF SUCH BRANCHES HAVE BEEN DETAILED IN THE CAF.

Application without repatriation benefits

As far as non-residents holding Equity Shares on non-repatriation basis are concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Accounts maintained in Rupees or Rupee Drafts purchased out of the NRO Account maintained in India but payable at Hyderabad. In such cases, the allotment of Rights Equity Shares will be on non-repatriation basis.

All cheques / demand drafts submitted by non-residents applying on non-repatriation basis should be drawn in favour of 'Neuland Laboratories-Rights Issue' payable at Mumbai/Hyderabad and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New demat accounts shall be opened for Eligible Equity Shareholders who have had a change in status from resident Indian to NRI.

Note:

- In cases where repatriation benefit is available, interest, dividend and sales proceeds derived from the investment in Rights Equity Shares can be remitted outside India, subject to tax, as applicable according to the Income Tax Act, 1961.

- In case Rights Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Rights Equity Shares cannot be remitted outside India.

- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

Our Company is not responsible for any postal delay / loss in transit on this account and applications received through mail after the Issue Closing Date are liable to be rejected. Applications through mail should not be sent in any other manner except as mentioned above. The CAF along with the application money must not be sent to our Company or the Lead Managers or the Registrar except stated otherwise. The Investors are requested to strictly adhere to these instructions.

Renouncees who are NRIs / FIIs / Non Residents should submit their respective applications either by hand delivery or by registered post with acknowledgement due to the Registrar to the Issue only at the below mentioned address along with a cheque / demand draft payable at Hyderabad so that the same are received on or before the Issue Closing Date.

Impersonation

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of subsection (1) of Section 68A of the Companies Act which is reproduced below:

68A: Personation for acquisition, etc., of shares.

(1) 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*.**

<u>Disposal of application and application money:</u>

No acknowledgment will be issued for the application money received by our Company. However, the Banker to the Issue / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

Our Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on the Rights Equity Shares allotted, will be refunded to the Investor within fifteen (15) days from the Issue Closing Date.

For further instructions, please read the CAF carefully.

Utilization of Issue Proceeds

The Board of Directors of our Company declares that:

(i) All monies received out of this Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

(ii) Details of all monies utilized 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; and

(iii) Details of all unutilized monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested; and

(iv) Our Company shall utilize the funds collected in the Issue only after the finalisation of the basis of allotment.

Undertakings by our Company

Our Company undertakes:

1. that complaints received in respect of the Issue shall be attended to expeditiously and satisfactorily.

2. that all steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the Rights Equity Shares are to be listed will be taken within seven (7) working days of finalization of the basis of allotment.

3. that the funds required for making dispatch of refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue.

4. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within fifteen (15) days of the Issue Closing Date, giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund.

5. that adequate arrangements shall be made to collect all ASBA applications and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

6. that the certificates of the Rights Equity Shares / refund orders to be sent to non-residents shall be dispatched within the specified time.

7. that no further issue of securities affecting the equity share capital of our Company shall be made till the Rights Equity Shares are listed or till the application money in this regard is refunded to all Applicants on account of non-listing, under-subscription etc.

8. At any given time there shall be only one denomination of equity shares of our Company.

9. Our Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to the best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain the veracity of such information.

10. All information shall be made available by the Lead Managers and our Company to the Investors at large and no selective or additional information will be available to any section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.

11. Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

Important

- Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.

- All enquiries in connection with the Draft Letter of Offer, Abridged Letter of Offer, Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the Equity Shareholder (or first Equity Shareholder in case of joint holdings)) as mentioned on the CAF, superscribed 'Neuland Laboratories Limited - Rights Issue' on the envelope, to the Registrar to the Issue at the following address:

  Karvy Computershare Private Limited
  Plot No. 17-24, Vittal Rao Nagar
  Madhapur, Hyderabad 500081
  Tel: +91 40 4465 5000
  Toll Free No.: 1-800-3454001
  Fax: +91 40 23420814
  Investor Grievance Email: neuland.rights@karvy.com
  Website:http:\\karisma.karvy.com
  Contact Person: Mr.M Murali Krishna
  SEBI Registration No. INR000000221

- It is to be specifically noted that this Issue is subject to the chapter titled '***Risk Factors'*** beginning on page 11 of this Letter of Offer.

- The Issue will remain open for at least fifteen (15) days. The Board will have the right to extend the Issue Closing Date for a period not exceeding thirty (30) days from the Issue Opening Date.

- The Rights Entitlement and the Equity Shares are not intended to be offered or sold to persons in the United States / any jurisdiction where such offer or sale may be prohibited ("**Excluded Jurisdiction**"). The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights to sale in the Excluded Jurisdiction, the territories or possessions thereof, or a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, this Letter of Offer and the CAF should not be dispatched or forwarded to or transmitted in or to, the Excluded Jurisdiction at any time. Our Company and the Lead Manager reserve absolute discretion in determining whether to allow such participation as well as the identity of the persons who may be allowed to do so. Any person who acquires Rights Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer, that it is not and that at the time of subscribing for the Rights Equity Shares, it will not be, in any Excluded Jurisdiction.

Withdrawal of the Issue

Our Company reserves the right not to proceed with this Issue at any time after the Issue Opening Date but before the Issue Closing Date, without assigning any reason thereof. In such an event our Company shall issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two (2) working days of the withdrawal, providing reasons for not proceeding with the Issue. Our Company, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA applicants within one (1) working day from the day of receipt of such notification. Our Company shall also provide notice of such withdrawal to the Stock Exchanges. If our Company withdraws the Issue after the Issue Closing Date, it shall be required to file a fresh draft letter of offer with the SEBI to again proceed with the issue, subject to applicable provisions of law.

SECTION VIII - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association. Pursuant to Schedule II of the Companies Act, 1956 and SEBI ICDR Regulations, the main provisions of the Articles of Association of our Company are set forth below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association:

Particulars	Article no.	Description
Exclusion of Table "A"	**1**	The regulations contained in Table A in the First Schedule to the Companies Act, 1956, shall not apply to the Company.
Interpretation of Articles	**2**	The provisions of Companies Act, 1956, and/or any statutory modifications thereof at any time shall apply to the Company. Wherein the construction of interpretation of any of the following regulations it is found that the same are inconsistent or repugnant to the provisions of the aforesaid Act, the provisions of the Companies Act, 1956, with any statutory modifications thereof shall apply. The marginal notes hereto shall not affect the construction thereof, in these presents, unless there is something in the subject or context inconsistent therewith. Words and expressions contained in these regulations shall bear the same meaning as in the Companies Act, or any statutory modification thereof. "The Company" means "NEULAND LABORATORIES LIMITED". "The Act" means the Companies Act, 1956. "The Board" means the Board of Directors. "The Office" means the Registered Office for the time being of the Company. "The Register" means the Register of Members to be kept pursuant to the said Act. "The Proxy" includes Attorney duly constituted under a power of attorney. "Dividend" includes Bonus. "Month" means English Calendar Month. "Year" means English Calendar Year. "In writing" or "written" means and includes words printed, lithographed, represented or reproduced in any mode in a visible form, "The Directors" means the Directors for the time being of the Company and includes alternate Directors. "Executor" or "Administrator" means a person who has obtained probate or letters of Administration, as the case may be, from some competent Court having effect in India and shall include an executor or Administrator or the holder of a certificate, appointed or granted by such competent Court and authorized to negotiate or transfer the share of the deceased member. Words importing the singular number include the plural and vice-versa. Words importing person include corporation, Words importing the masculine gender shall include the feminine gender and vice-versa.

SHARE CAPITAL

Particulars	Article No.	Description
Division of Shares	**3**	The Authorized Share Capital of the Company is ₹16,00,00,000 divided into 1,00,00,000 Equity shares of ₹10 each and 3,00,000 Cumulative Redeemable Preference shares of ₹100 each and 3,00,000 Preference Shares of ₹100 each either Cumulative or non Cumulative and Redeemable or otherwise with a power to the company to increase or reduce or consolidate, the Capital"
Redeemable Preference Shares	**4**	Subject to the provisions of Section 80 of the Act and these Articles, the Company, shall have power to issue preference shares carrying a right to .redemption out of profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or liable to be so redeemed at the option of the Company.

Shares at Discount	**5**	With the previous authority of the Company in General Marketing and the sanction of the Company Law Board and upon otherwise complying with Section 79 of the Act, it shall be lawful for the Board of Directors to issue at a discount shares of a class already issued.
Further Issue of Same Class of Share	**6**	With the previous authority of the Company in General Marketing and the sanction of the Company Law Board and upon otherwise complying with Section 79 of the Act, it shall be lawful for the Board of Directors to issue at a discount shares of a class already issued.
Shares at Disposal of the Director	**7**	i. Subject to the provisions of the act and these articles, the shares shall be under the control of the Board who may allot or otherwise dispose of the same to such persons on such terms and conditions, and at such time(s), as the Board thinks fit and with power to issue any such shares as full or partly paid up for cash or in consideration other than cash or in consideration or services rendered to the Company in its formation or otherwise, Provided that where the Directors decide to increase the issued capital of the Company by issue of other shares, the provisions of Section 81 of the Act will be complied with. With the sanction of the Company in general meeting the Board shall have full powers to give to any person by issue of options, warrants, convertible securities or otherwise a right to call for the allotment of any shares at par or at a premium and for such period and such consideration as the Board thinks fit. ii. Except so far as otherwise provided by the conditions of issue of share by these Articles, any capital raised by the creation of new shares shall be considered as part of the existing Capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments forfeiture, lien, surrender, transfer and transmission, voting and otherwise. iii. The Directors may from time to time issue such non-voting equity shares upon such terms and conditions with such rights on privileges (including with regard to dividend), as may be thought fit, subject to and to the extent permissible in accordance with the applicable provisions of the Companies Act, 1956 (including any statutory modifications or amendment to or re-enactment thereof) or guidelines issued by any other Statutory authorities. iv. The Company shall have the power to purchase any of its shares whether or not they are redeemable and may make payment out of capital in respect of such purchase, subject to and to the extent permissible in accordance with the applicable provisions of the Companies Act, 1956 (including any statutory modifications or amendment to or re-enactment thereof) or guidelines issued by any other Statutory authoritie
Liability of Joint Holder of Share	**8**	The joint-holders of a share shall be severally as well as jointly liable for the payment of all installments and calls .and interest on installments and calls due in respect of such snares.
Register and Index of Members	**9**	The Company shall cause to be kept at its Registered Office or at such other place as may be decided by the Board of Directors, the Register and Index of Members in accordance with Sections 150 and 151 and other applicable, provisions of the Companies Act, 1956 and the Depositories Act, 1996 with the details of shares held in any media as may be permitted by law including in any form of electronic media. i. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also deemed to be the Register and Index of Members for the purpose of the Companies Act, 1956 and any amendment or re-enactment thereof. The Company shall have power to keep in any State or country outside India, a Register of Members for the residents in the State or country.
In Whose Name Share May Be Registered	**10**	Shares may be registered in the name of any person, the joint holders or any limited Company and not more than four persons shall be registered as joint holders of any share.
Trust Not Recognised	**11**	Subject to the provisions of Section 153A, 153B and 187B of the Act, and except as required by law, no person shall be recognized by the Company as holding any shares upon the trust, and the Company shall not, save as ordered by some Court of competent jurisdiction, be bound by or be complied in any way to recognize (even when having notice thereof) any benami, equitable, contingent, future or partial interest in any share or any interest in any factional part of share

		(except only as by these regulations or by law otherwise provided) or any other rights in respect of any share except an absolute right thereto in the person or persons from time to time registered as the holder of holders thereof.
Directors may allot shares as fully paid up	**12**	The Directors may allot and issue shares in capital of the Company in payment or part payment for any property sold or transferred, goods or machinery supplied or for services rendered to the Company in or about the formation or promotion of the Company, or the conduct of its business and any shares, which may be so allotted, may be issued as fully paid up shares and if so issued shall be deemed to be fully paid up shares.

ALTERATION OF CAPITAL

Particulars	**Article No.**	**Description**
Increase of Capital	**13**	The Company in General Meeting may from time to time, increase the capital by creating and/or issuing new shares. The new capital may be divided into preference shares or Equity share and may be issued upon such terms and conditions, and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation and/or issuing thereof shall direct, and if no direction be given, as the Board of Directors shall determine and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company.
Same as Original Capital	**14**	Any capital raised by the creation and or issue of new shares shall be considered as part of the original capital in all respects, so far as may be, subject to the provisions, with reference to the ' payment of calls and installments, transfer and transmission, forfeiture, lien and surrender, unless it may be otherwise resolved by the General Meeting sanctioning the increase.
Reduction of Capital	**15**	The Company may, subject to confirmation by the Court from time to time, by Special resolution, reduce its capital in any way and in particular and without prejudice to the generality of the foregoing powers by exercising the powers mentioned in Section 100 of the Companies Act, 1956.
Reduction by Special Resolution	**16**	The Company may, by Special resolution, reduce in any manner and with and subject to, any incident authorized and consent required by law: (a) its share capital (b) any capital redemption reserve fund or (c) any share premium account.
Consolidation of Shares	**17**	The Company may consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
Conversion of Shares	**18**	The Company may convert all or any of its fully paid up shares into stock and reconvert that stock into fully paid up shares of any denomination.
Transfer of Stock	**19**	The holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulation under which, the shares 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 shares from which the stock arose.
Right of Stock Holders	**20**	The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards divided, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage. 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 "stockholders" respectively.
Sub-division of Shares	**21**	The Company may sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, so however, that in the sub-division, the proportion between amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was In the case of-the share from which the reduced share is derived.
Cancellation of Shares	**22**	The Company may cancel shares which, at the date of the passing of the resolution in that behalf, have not been or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Modi-fication of rights	**23**	Whenever the capital by reason of the issue of preference shares or otherwise is divided into different classes of shares, all or any of the rights and privileges attached to each class in the capital for the time being of the Company may be modified, commuted affected or dealt with by agreement between the Company and any person purporting to contract on behalf of that class, provided that such agreement is ratified in writing by the holders of at least 75% in nominal value of the issued shares of the class, or is confirmed by a special resolution passed at a separate General Meeting of the holders of shares of that class. The powers conferred upon the Company by this Articles are subject to Sections 106 and 107 of the Act.

BROKERAGE & COMMISSION

Particulars	Article No.	Description
Brokerage	**24**	The Company may on any issue of shares or debentures pay such brokerage as may be reasonable and lawful.
Commission	**25**	In addition to the payment of any reasonable sums as brokerage, the Company may, at anytime pay a commission to any person for 'subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or debentures stock in Company, or procuring or agreeing to procure subscriptions (whether absolutely or conditionally) for any shares, debentures stock in the Company but so that (if the commission shall be paid or payable out of the capital) the commission shall not exceed 5 percent of the price at which the shares are issued or 2.5% of the price at which debentures are issued
Method of Payment Commision	**26**	The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the one way and partly in the other.

CERTIFICATES

Particulars	Article No.	Description
	27	Every person whose name is entered as a member in the register of members shall be entitled to receive within Ten weeks of closure of subscription lists. One month after the application for the registration of the transfer of any share;s (a) One certificate for all his shares of each class without payment, or **(b)** Several certificates, each for one or more of such shares. The expression "transfer" for the purpose of this article means a transfer duly stamped & otherwise valid and does not include any transfer which the Company is for any reason entitled to refuse to register and does not register.
	27A	For the purposes of this Article, unless the context otherwise requires: A. Definitions: Beneficial Owner: 'Beneficial Owner' means the beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996. Bye-laws: 'Bye-laws' mean bye-laws made by a Depository under Section 26 of the Depositories Act, 1996. Depositories Act: 'Depositories Act' means the Depositories Act, 1996, and any statutory modifications or re-enactment thereof for the time being-in force. Depository: 'Depository' means a company formed and registered under the Companies Act, 1956 (1 of 1956) ('the Act') and which has been granted a certificate of registration under sub section (1 A) of Section 12 of the Securities and Exchange Board of India Act, 1-99§ (15 of 1992). Record: 'Record' includes the records maintained in the form of books, or stored in a computer or in such other form as may be determined by the regulations made by SEBI. Regulations: 'Regulations' means the regulations made by SEBI. SEBI: 'SEBI' means the Securities and Exchange Board of India. Security: 'Security' means such security as may be specified by SEBI from time to time. Shareholder or Member: 'Shareholder or Member' means the duly registered holder, from time to time of the shares of the Company and includes the subscribers to the Memorandum of Association of the Company and also every" person holding Equity Shares and/or Preference Shares of the Company as also one whose name is entered as a beneficial owner of the shares in the records of a Depository. B. Dematerialisation of Securities:

		Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise or rematerialise its shares, debentures and other securities (both existing and future) held by it with the Depository and to offer its, shares, debentures and other securities for subscription in a dematerialised form pursuant to the Depositories Act, 1996 and the Rules framed there under, if any. C. Option for Investors: Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or to hold the securities with a Depository. Such & person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities. Where a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of such information, Depository shall enter in its record the name of the allotee as the beneficial owner of the security. D. Securities in Depositories to be in fungible form: All securities held by Depository shall be dematerialised and shall be in a fungible form. Nothing contained in Sections 153, 153A, 153B, 187A, 187B, 187C, and 372 of the act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners. E. Rights of Depositories and Beneficial Owners: i. Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner. ii. Save as otherwise provided in (i) above, the Depository as a registered owner of the securities shall not have any voting rights or any right in respect of the securities held by it. iii. Every person holding securities of the Company and whose name is entered as a beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all rights and benefits and be subject to all the liabilities in respect of his securities held by a Depository. F. Depository to furnish information: Notwithstanding anything to the contrary contained in the Act or these Articles, where the securities are held in a Depository, the record of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies and discs. G. Option to opt out in respect of any security: If a beneficial owner seeks to opt out of a Depository in respect of any security, the beneficial owner shall inform the Depository accordingly. The Depository shall, on receipt of the intimation as above, make appropriate entries in its record and shall inform the Company accordingly. The Company shall within thirty (30) days of the receipt of intimation from the Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be. H. Sections 83 and 108 of the Act not to apply: Notwithstanding anything to the contrary contained in the Articles, i) Section 83 of the Act shall not apply to the shares with a Depository. ii) Section 108 of the Act shall not apply to transfer of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a Depository. I. Register and Index of Beneficial Owners: The Register and Index of Beneficial Owners, maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Members and Security

		holders as the case may be for the purposes of these Articles. J. Intimation to Depository: Notwithstanding anything contained in the Act or these Articles, where securities are dealt within a Depository, the Company shall intimate the details of allotment of securities thereof to the Depository immediately on allotment of such securities. K. Stamp duty on securities held in dematerialised form: No stamp duty would be payable on shares, debentures and other marketable securities, where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply. L. Applicability of the Depositories Act: In case of transfer of shares, debentures and other marketable securities, where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply. M. Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share, as also the Beneficial Owner of the shares in records of the Depository as the absolute owner thereof as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the Company, and accordingly, the Company shall, not, except as ordered by a Court of competent jurisdiction or as by law required, be bound to recognize any benami trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof.
Signature on Certificates	**28**	Every Share certificate shall be issued under the common seal of the Company and shall be signed by (i) two Directors (ii) a Secretary or any other person authorized for the purpose by the Board of Directors. Every certificate shall specify the shares to which it relates and the amount paid up thereon.
One Certificate for Joint Share Holders	**29**	In respect of any share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for share to one of several joint holders shall be sufficient delivery to all such holders.
Renewal of Certificates	**30**	If any certificate be worn out or defaced, or if there is no further cages on the back thereof for the endorsements transfer, then upon production thereof to the Directors, they may order the same to be cancelled and may issue, a new certificate in lieu thereof and if any certificate is proved to have been lost or destroyed, then upon proof thereof to the satisfaction of the Directors and on such Indemnity as the Directors deem adequate being given a new certificate in lieu thereof may be given to the party entitled to such, lost or destroyed certificate
Fee for New Certificates	**31**	The sum of two rupees, the out of pocket expenses incurred by the Company in investigation for evidence and the advertisement cost or such less sum as the Directors may determine shall be paid to the Company for every such new certificate and the like fee shall be payable in respect of each sub-division of certificate. Provided that no fee shall be charged for sub-division or consolidation of certificates into lots of the market unit or for issue of new certificate in replacement of those which are old, decrepit or worn out or where cages on reverse for the endorsements for transfer have been fully utilized.
Company's shares not to be Purchased	**32**	None of the funds of the Company shall be employed in the purchase of, or lent on shares of the Company and the Company shall not accept as permitted by Section 77 of the Act give any financial assistance, for the purpose of, or in connection with any purchase of share of the Company.

CALLS ON SHARES

Particulars	Article No.	Description

Calls	**34**	The Board of Directors may by a resolution passed at a meeting of the Board of Directors from time to time subject to any terms on which any shares may have been issued make, such calls as they think fit upon the shareholders in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the persons and at the time and place appointed by the Board. A call may be made payable by installments. A call shall be deemed to have been made at time when the resolution of the Board of Directors authorising such call was passed.
When call deemed to have been made	**35**	At least thirty clear days' notice of any call shall be given by the Company (either by letter to the members or by advertisement) specifying the time and place of payment and to whom such shall be paid.
Notice of call amount payable at fixed times or by installment payable as calls	**36**	(i) If by the terms of issue of any share or otherwise any amount is made payable on allotment or at any fixed times, or by installment at fixed times whether on account of the nominal amount of the share or by way of premium, every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice had been given and all the provisions herein contained in respect of calls shall relate to such amount or installment, accordingly. (ii) In the case of non-payment of such sum all the relevant provisions of these articles to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified
When interest on call installment payable	**37**	If the sum payable in respect of any call or installment be not paid on or before the day appointed for the payment thereof the holder for the time being of the share in respect of which the call shall have been made or the installment shall be due shall pay interest for the same at the rate of 18 percent per annum or at such rate as the Directors may determine from time to time, from the day appointed for the payment thereof to the time of actual payment. The Directors shall be at liberty to waive payment of any such interest, wholly or in part.
Payment of calls in advance	**38**	The Directors may, subject to Section 92 of the Companies Act, 1956 receive from any members willing to advance the same all or any part of money unpaid upon the shares held by him beyond the sums actually called for and upon the money so paid in advance or so much there of as from time to time exceeds the amount of calls then made upon the shares in respect of which such advance have been made, the Company may pay interest at such rate not less than 15% per annum, as the members paying such sum in advance and the Directors agree upon. Money so paid in excess of the amount of call shall not rank for dividend or participate in profits until it is appropriated towards satisfaction of any call. The Directors may at any time repay the amount so advanced.
Amount and time of bail	**39**	No call shall exceed one half of the nominal value of a share, or be payable at less than one month from the date fixed for the payment of the last preceding call. A call may be revoked or postponed at the discretion of the Board.
Evidence in action for call	**40**	On the trial or hearing of any action for the recovery, of any money due for any call, it shall be sufficient to prove that the name of the member issued is entered in the register as the holders of the shares in respect of which such debt accrued; that the resolution making the call is duly recorded in the minute book; and that notice of such call was duly given to the member, in pursuance of these presents; and it shall not be necessary to prove the appointment of the Directors who made such call nor any other matter whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

FORFEITURE, SURRENDER & LIEN

Particulars	Article No.	Description
If call or installment not paid, notice to be given	**41**	If any member fails to pay any call, or installment/on or before the day appointed for payment thereof. the directors may at any time thereafter during such time as the call or installment remains unpaid serve notice on him to pay the same together with any interest that may have accrued and stating that in the event to non-payment on or before someday to be named in the notice (such day not being less than fourteen days from the date of service of such notice) and at some place (either the office or Bank) name in such notice, the shares in respect of which the call was made or installment is payable will be liable to be forfeited.
In notice not complied with shares	**42**	If the requisitions of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls, installments interest, may be forfeited by a resolution of the Board of Directors and the forfeiture shall be recorded in the Directors Minute Book; and the holder of such share shall thereupon cease to have any

may be forfeited		interest, therein and his name shall be removed from the register as such holder, and thereupon notice shall be given to him of such removal, and an entry of the forfeiture with the date thereof shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice to or to make such entry as aforesaid. (i) Effect of forfeiture: The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incidental to the share, except such of these rights as by these Articles are expressly saved.
Arrears to be paid not withstanding forfeiture	**43**	Any person whose shares shall be so forfeited shall cease to be a member in respect of the forfeited share, but shall, notwithstanding the forfeiture, be liable to pay arid shall forthwith pay to the Company all calls or installment and interest, owing upon or in respect of such shares at the time of forfeiture until payment at the rate of. 18 percent per annum or at such rate as the Directors may determine. The .liability of such persons shall cease if and when the Company shall have received payment in full of all sums in respect of the shares.
Forfeited share property of the Company	**44**	Any share so forfeited shall be deemed to be the property of the Company and the Board of Directors may sell, re-allot, or otherwise dispose of the same in such manner as they think fit.
Power to annual forfeiture	**45**	The Directors may at any time before any share so forfeited shad have been sold, re-allotted the forfeiture thereof upon such conditions as they think fit.
Declaration for forfeiture of shares	**46**	A duly verified declaration in writing that the declarant is a Director or the Secretary of the Company and that a share in the Company has been duly forfeited on a date stated In the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.
Lien on shares	**47**	The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) Registered in the name of each member (whether solely or jointly with others) and upon the proceeds of the sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any .shares shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividend and bonuses from time to time for declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's Hen if any or such shares. The Directors may at any time declare, any shares wholly or in part to be exempt from the provisions of this clause.
Enforcing a lien by sale	**48**	The Directors shall be entitled to give effect to such lien by sale or forfeiture and re-issue of the shares subject thereto or by retaining all dividends and profits in respect thereof or by any combination of the said means but no sale or forfeiture shall be made, until such period as aforesaid shall have arrived, and unless a sum in respect of which the lien exists- is presently payable and until notice in writing of the intention to sell or forfeit shall have been served on such member, his executors or administrators and default shall have been made by him or by them in the payment, fulfillment, or discharge of such debts liabilities or engagements for seven days after such notice
Validity of Sale	**49**	Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Directors may cause the purchaser's name to be entered in the register in respect of the share sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the applications of the purchase money, and after his name has been entered In the register in respect of such shares, the validity of the sale shall not be impeached by any person.
Application of proceeds of Sale	**50**	(i) The net proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable. (ii) The residue, if any, subject to a like lien for sums and presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale, or to his executors, administrators, committee, curator or other representative.
Directors may issue new certificates	**51**	Where any shares under the powers in that behalf herein contained are sold by the Directors, and the certificate thereof has not been delivered to the Company by the former holder of the said shares, the Directors may issue a new certificate for such shares, distinguishing it in such manner as they think fit from the certificate not so delivered up.
Surrender of Shares	**52**	Subject to the provisions of the Act, the Board may accept from any member the surrender on such terms and conditions as shall be agreed of all or any of his shares

SHARE WARRANTS

Particulars	Article No.	Description
Issue of Share Warrants	**53**	With the previous approval of the Central Government the Company may issue share warrants subject to and in accordance with the provisions of Section 114 and 115 of the Act; and accordingly, the board may in its discretion, with respect to any share which is fully paid up, on application in writing signed by the person registered as holder of the share and authenticated by such evidence (if any), as the Board may, from time to time, require as to the identity of the person signing the application and on receiving the certificate (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.
Rights of depositors of share warrant	**54**	i) The bearer of a share warrant may at any time deposit the warranty the office of the Company and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the-Company and of attending and voting and exercising the other privileges of a member at any meeting held after the expiry of two clear days from the date of deposit, as it his name were registered in the register of members as the holder of the shares included in the deposited warrant. ii) Not more than one person shall be recognized as depositor of the share warrant. iii) The Company shall, on two day's written notice, return the deposited share warrant to the depositor.
Rights of bearer of share warrant	**55**	Subject as herein otherwise expressly provided, no person shall as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote to exercise any other privilege of a member at a meeting of the Company, or be entitled to receive any notice from the Company, nor shall share warrants be taken into account for purpose of share qualification of a director. (i) The bearer of a share warrant shall be entitled in other respect to the same privileges and advantages as if he were named in the register of members as if he holder of a share included in the warrant, and he shall be a member of the Company.
Renewal of share warrant	**56**	The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant of coupon may be issued by way of renewal in case of defacement, loss or destruction.

TRANSFER AND TRANSMISSION OF SHARES

Particulars	Article No.	Description
Transfer of shares	**57**	a) The transfer of shares and debentures shall be effected by an instrument in writing, duly stamped, in the usual common form and shall be executed both by the transferor and the transferee and the transferor shall be deemed to remain in the holder of such, shares until the name of the transferee shall have been entered in the register in respect thereof. b) The instrument of transfer shall be in form 7-B of Companies Act, 1956. The instrument of Transfer shall be in writing and all the provisions of Section 108 of the Companies Act, 1956 and of any statutory modifications thereof for the time being shall be duly complied with in respect of all transfers of shares and registration thereof. c) No fee shall be charged for the following: i) for registration of transfer, sub-division and consolidation Certificates and for letters of allotment and for split, consolidation, renewal and pucca Transfer Receipts into denominations corresponding to the market units of trading. ii) for sub-division of renounceable letter of right. iii) for registration of any power of attorney, probate, letters of Administration or death Certificate or for similar other documents. d)The Company shall issue Certificates within one month of the date or lodgment for transfer.
Nomination	**57e**	1. Every shareholder or debenture holder of the Company, may at any time, nominate, in the prescribed manner, a person to whom his shares in, or debentures of the Company shall vest in the event of his death. 2. Where the shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom ail the rights in the shares or debentures of the Company as the case may be, shall vest in the event of death of all the joint holders. 3. Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in or debentures of the Company, the nominee shall, on the death of the shareholder or debenture holder or, as the case may be, on the death of the joint

		holders, become entitled to all the rights in such shares or debentures or, as the case may be ail the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied, cancelled in the prescribed manner. 4. Where the nominee is minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the Company, in the event of his death, being the minority.
Instrument of transfer to be deposited	**58**	Every instrument of transfer shall be deposited with the Company and no transfer shall be registered until such instrument shall be deposited together with the certificate of the shares or debentures to be transferred, and in case no such-certificate is in existence along with the letter of allotment of shares/debentures and together with any other evidence the Director may require to prove the title of the transferor, or his right to transfer the shares or debentures. The instrument of transfer shall, after registration be kept by the Company but all instruments of transfer which the Directors may decline to register shall be returned to the person depositing the same. One instrument of transfer should be in respect of only one class of shares. The Directors may waive the production of the instrument of transfer to any certificate upon evidence satisfactory to them of its loss or destruction, and on such terms as to indemnity as the Board of Directors may think fit.
Power of Board to refuse regis-tration to transfer	**59**	The Board may, without assigning any reasons, but subject to the right of appeal conferred by section 111 of the Act and Section 22 (A) of Securities Contracts (Regulations) Act, 1956 decline to register any transfer of shares or debentures upon which the Company has a lien, and in the case of shares which are not fully paid up, may refuse to register a transfer to a transferee of whom the Board does not approve. No transfer shall be made to an infant or person of unsound mind. Provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except a lien or shares.
Notice of refusal	**60**	If registration of the transfer of a share or debenture of the Company is refused, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal.
Closing of share transfer books & register	**61**	The Director may, on giving thirty days previous notice by advertisement in some news paper circulating in the district in which the registered office of the Company is situated, close the register of members for any time or times not exceeding thirty days at a time, but not exceeding in the whole forty five days in each year.
Trans-mission of registered shares	**62**	The executors or administrators of the holder of a succession certificate in respect of shares of deceased member (not being one of several Joint holders) shall be the only person, whom the Company shall recognize as having any title to the shares registered in the name of such members, and in case of the death of any one or more of the joint holders of any registered shares, the survivors shall be the only persons recognized by the Company as having any title to or interest in such shares, but nothing herein contained shall be taken to release the estate of a deceased joint holder, from any liability on shares held by him jointly with any other person. Before recognising any executor or administrator or legal heir, the Directors may require him obtain a grant of probate or letters of administration or succession certificate or other legal representation as the case may be from some competent Court provided nevertheless, that in any case where the Director in their absolute discretion think fit it shall be lawful for the Directors to dispense with the production of probate or letters of administration upon such terms as to indemnity or otherwise as the Directors may consider desirable. Provided, also that if the member was a member of a joint Hindu Mitakshara family, the Directors on being satisfied[1] to that effect, and on being satisfied that the shares standing on his name in fact belonged to the joint family, may recognize the survivors thereof as having title to the shares registered in the name of such member but this provision shall in no way be deemed to modify or nullify the provisions contained in Articles 10 and 11 thereof.
Trans-mission of Securities by nominee	**62A**	A nominee, upon production of such evidence as may be required by the Board and subject to as hereinafter provided, elect, either (i) to be registered himself as holder of the share or debenture, as the case may be; or (ii) to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debenture holder, could have made; (iii) if the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the

		deceased shareholder or debenture holder as the case may be; (iv) if the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company, a notice in-writing signed by him stating that he so elects and such notice shall be accompanied with the birth certificate of the deceased shareholder or debenture holder as the case may be. (v) a nominee shall be entitled to the same dividends and other advantages to which he would have been entitled to, if he were the registered holder of the share or debenture except that he shall not, before being registered as a Member in respect of his share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the share or debenture, until the requirements of the notice have been complied with.
Transfer of shares of deceased or bankrupt member	**63**	Any committee or guardian of a lunatic or infant member, or any person becoming entitled to or to transfer shares or debentures in consequence of the death, bankruptcy or insolvency of any member or otherwise than by transfer may, with consent of the Directors (which they shall not be under any obligation to give) be registered as a member upon such evidence of his title being produced, as may, from time to time be required by the Directors, or such person, instead of being registered himself may, subject to the regulations as to transfer herein before contained transfer such shares. The board shall, in either case have the same right to decline or suspend registration as it would have had if the deceased or insolvent member had transferred the share before his death or insolvency.
Notice of election on trans-mission	**64**	i) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share. ii) If the person so becoming entitled shall elect to be registered as holder of the share himself he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. iii) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of the transfers of share shall be applicable to any such notice or transfer as aforesaid, as if the death or insolvency of the member has not occurred, and the notice of transfer were a transfer signed by that member.
Transmi ssion Clause	**65**	A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would, be entitled if he were the registered holder of the share. Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of ail dividends, bonuses due the other money payable in respect of the share, until the requirements of the notice have been complied with.

BORROWING POWERS

Particulars	**Article No.**	**Description**
Power to borrow	**66**	(a) Subject to the provisions of the Act, and without prejudice to the powers conferred by any other article or articles, the Directors may, from time to time, at their discretion, borrow or secure the payment of any sum or sums of money for the purpose of the Company either from any Director or elsewhere on security or otherwise and may secure the repayment or payment of any sum or sums in such manner, and upon such terms and conditions in all respects as they think fit and in particular by the creation of any mortgage or charge on the undertaking or the whole or any part ,of the property, present or future, or the uncalled capital of the Company perpetual or redeemable, charged upon the undertaking or all or any part of the property of the Company both present and future, including its uncalled capital for the time being and the Directors or any of them may . guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon, and shall be entitled to receive such payments as consideration for the giving of any such guarantee as may be determined by the Directors with power to them to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or charge on the undertaking of the Company of upon any of its property or assets or otherwise. Provided that the Debentures/Bonds, Debenture stock Bonds or other securities conferring right to allotment or conversion into shares or the option to right to call or allotment of shares shall not be given except with sanction of the Company in general meeting.

		(b) The Directors may at any time by a Resolution passed at a Board meeting delegate to any category of managerial personnel or any committee of Directors or any other principal officer or the branch officer of the Company the powers specified in sub-clause (a) above provided the resolution delegating powers to such managerial personnel or committee to borrow moneys shall specify, the total amount up to which the moneys may be borrowed by him or them.
Restricting on borrowing powers	**67**	The Directors may, subject to the provisions of Section 293 of the Act, borrow any sum of money and where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) exceeds the aggregate of the paid up capital of the Company and its .free reserves, that is to say, reserves not set apart for any specific purpose, the sanction of the General Meeting should be obtained and every resolution passed by the Company in relation to the exercise of the power referred to in the Article shall specify the total amount which moneys may be borrowed by the Board of Directors.
Directors on Loans and Guarantees	**68**	The Directors shall be entitled to receive interest on loans made by them to the Company as may be agreed between the Company and the Directors: The Directors, including the Managing Director may guarantee any loan made to the Company and shall be entitled to receive such payment on account of his having given any such guarantee as may be determined by the Board, and such payment shall not be remuneration in respect of his services as Directors.
Mortgage of Uncalled Capital	**69**	If any uncalled capital of the Company be included in or charged by any mortgage or other security, the Directors-may by instrument under the Company's seal, authorize the person in whose favour such mortgage or security is executed, or any other person in trust for him, to make calls on the members in respect of such uncalled, and the provisions herein before contained in regard to calls shall mutatis mutandis apply to calls made under such authority and such authority may be made exercisable either conditionally or unconditionally and either to the exclusion of the Directors power or otherwise and shall be assignable if expressed so to be.

GENERAL MEETING

Particulars	**Article No.**	**Description**
Annual General Meeting	**70**	a) The Board of Directors shall hold Annual General Meeting of the Company in accordance with the provisions of Section 166 of the Companies Act. b) The Board of Directors may suo moto call any other General Meeting, besides the Annual General Meeting.
Distinction between Annual & other General Meetings	**71**	The Meetings referred to in Article 70 (a) shall be called Annual General Meeting and all other meetings of shareholders shall be called Extraordinary General Meetings.
Extraordinary General Meeting	**72**	The Board of Directors of the Company shall on the requisition of such number of members of the Company as is specified in Sub-section (4) of section 169 of the Act, forthwith proceed duly to call an Extraordinary General Meeting of the Company and the provisions of Section 169 of the Act shall apply thereto.
Quorum	**73**	Five members personally present shall be the quorum for a General Meeting. No business shall be transacted at any General Meeting unless the quorum requisite shall be present at the commencement of the meeting.
Chairman of General Meeting	**74**	The Chairman of the Board of Directors shall be entitled to take the chair at every General meeting and if there be no such Chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act, the members present shall choose another Director as Chairman and if no Director be present or if all the Directors present decline to take the Chair, then members present shall choose one of their number being a member entitled to vote to be the Chairman.
Quorum not Present	**75**	If within half an hour from the time appointed for the meeting a quorum be not present the meeting if convened upon such requisition as aforesaid, shall be dissolved but in any other case, it shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and such a-time and place, as the Board may by notice appoint and if at such adjourned meeting a quorum be not present, those members who are present shall be a quorum and may transact the business for which the meeting was called.
Business to be	**76**	The Chairman with the consent of the Meeting may adjourn any General Meeting from time to time and place to place, but no business shall be transacted at any adjourned

transacted at Adjourned Meeting		General Meeting other than the business left unfinished at the General Meeting from which the adjournment took place, and which, might have been transacted at that meeting. It shall not be necessary to give any notice of any adjournment or of the business to be transacted at an adjourned meeting.
Question to be decided at meetings	**77**	Except where otherwise provided by the Companies Act, 1956 or by these presents every question to be decided by any General Meeting shall, the first instance, be decided by a show of hand. In case of an equality of votes, the Chairman shall both on a show of hands arid at a poll have a casting Vote,' in addition to the vote or votes to which he may be entitled as a Member.
Demand of Poll	**78**	Poll may be demanded and taken in accordance with and subject to the provisions of Section 179, 184 & 185 of the Companies Act, 1956.
Passing of a resolution when poll not demanded	**79**	Unless a poll is demanded in accordance with section 179 of the Companies Act, 1956, before or on the declaration of the result by the show of hands, a declaration of the Chairman, that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority and an entry to that effect in the minutes of the proceedings of the meeting shall be sufficient evidence of the fact so declared, without proof of the number of proportion of the votes given for or against the resolution.
Poll	**80**	If a poll is demanded as aforesaid, it shall be taken subject to section 180 to 185 of the Companies Act, 1956 in such manner and at such time and place, as the Chairman of the meeting directs, and either at one or after an interval or adjournment or otherwise, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll maybe withdrawn.
Minutes	**81**	The Company shall cause minutes of all proceedings of every General Meeting and of its Board of Directors of every Committee of the Board, to be kept by making within thirty days of the conclusion of every meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered. Each page of every such book shall be initialed or signed and the last page of the Record of proceedings of each meeting in such books shall be dated and signed. (a) In the case of minutes of proceedings of a meeting of the Board or of a Committee thereof, by the Chairman of the said meeting of the Chairman of the next succeeding meeting. (b)In the case of minutes of proceedings of .a General Meeting by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorized by the Board for the purpose. In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise
Vote of members	**82**	On a show of hands, every member present in person or by proxy, or attorney, and being a holder of Equity (ordinary) shares, and entitled to vote shall have one vote. Oft a poll the voting rights of members shall be as laid down in the Act. Preference shareholders shall have right in accordance with provisions of Section 87 of the Act.
Joint Holders	**83**	If two or more persons are jointly registered as holders of any one share, any of such persons may vote at any meeting, either personally, or by proxy or attorney as if they were entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy or attorney one of such persons so present whose name stands first in the register in respect of such share, shall alone be entitled to vote in respect of same. Several executors, or administrators, or deceased member in whose names any share stands for the purpose of the clause be deemed joint holders.
Right of vote under transmission clause	**84**	Any guardian, or other person entitled under the transmission clause (Article 53 hereof) to transfer any share, may vote at any General Meeting in respect thereof, as if he was the registered holder of such shares provided that at least 24 hours before the holding of the meeting he shall satisfy the Directors of his right to act in that capacity, unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.
No member entitled to vote while call due to Company	**85**	No member shall be entitled to be present or to vote at any General Meeting either personally, or by proxy, or attorney while so any call or other sum is due and presently payable to the Company or in regard to the Company has and has exercised, any right of lien.
Right to vote to a member of unsound mind	**86**	A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.
Objection to a voter	**87**	i) No objection shall be raised to the qualification of any voter except at the meeting or adjourned

		meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. s ii) Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.
Proxy	**88**	Subject to Section 176 of the Companies Act, 1956 votes may be given either personally or by proxy or by agent acting under a duly executed power of attorney.
Time for deposit of instrument or proxy	**89**	The instrument appointing a proxy, and every power of attorney or other authority (if any) under which it is signed, or notarially certified copy of that power of authority; shall be deposited at the registered office of the Company, not less than 48 hours before the time for holding the meeting, at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
Form of proxy	**90**	An instrument appointing a proxy shall be in either of the forms in Schedule IX to the Act or of a form as near there to as circumstances admit.
Proxy need not be a member	**91**	Any member of the Company entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself, but a proxy so appointed shall not have any right to speak at the meeting.
Validity to vote given by proxy	**92**	A vote given in accordance with the terms of an instrument, of proxy or a power of attorney shall be valid notwithstanding the previous death of the principal or revocation of the proxy or power of attorney, or transfer of the share in respect of which the vote is given, unless an intimation in writing of the death, revocation, or transfer shall have been received at the office of the Company before the meeting.

MANAGEMENT

Particulars	Article No.	Description
Directors	**93**	The business of the Company shall be managed by the Directors who may exercise all such powers of the Company as are not, by the Companies Act, 1956 or any statutory modifications thereof for the time being in force, or by these articles, required to be exercised by the Company in General Meeting subject nevertheless to such regulations, not inconsistent with the aforesaid provisions, as may be prescribed by the Company in General Meeting but no such regulations shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.
Number of Directors	**94**	Unless otherwise determined by the Company in General Meeting the number of Directors shall be not less than 3 but not more than 12, including Technical, nominated, Special Director and Debenture Directors, if any.
First Directors	**95**	The following persons shall be the First Directors of the Company: 1. Dr. D.R.Rao 2. Sri G.V.K. Rama Rao
Appointment of Directors	**96**	The Directors shall have power from time to time, and at any time, to appoint any other persons to be Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed as above. But any Director so appointed shall hold office only until the next following Annual General Meeting of the Company shall then be eligible for re-election.
Qualification shares	**97**	A Director shall not be required to hold qualification shares.
Directors fee & other remunerations	**98**	Until otherwise determined by General Meeting, each Director shall receive out of the funds of the Company by way of remuneration not exceeding such sums as may be prescribed by the Central Government from time to time pursuant to Section 310 of the Companies Act, 1956 for each meeting of the Board or Committee or any general meeting thereof attended by him. The Board of Directors may allow and pay to any Director who having his residence at a place outside the place at which any meeting of the Directors may be held and who shall come to the place for the purpose of attending such meeting such as the Directors may consider fair and reasonable for his expenses in connection with his attending at the meeting in addition to his remuneration as above specified.
Directors commission	**99**	The Directors may subject to the provisions of section 198 and 309 of the Companies Act, 1956 also receive remuneration or commission, or participation of profits or partly in one way or partly in another and such remuneration shall be divided among the Directors equally or in such other proportion as they may determine from time to time.
Extra service performed by Directors	**100**	If any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going or residing away from the place of the registered office of the Company for any of the purpose of the Company, or giving attendance to the business of the Company, the Company may pay to the Directors so doing either by a fixed sum, or by a percentage on profits or otherwise as may be determined by the Directors, subject to obtaining the sanction of the Central

		Government.
Debenture Directors	**101**	Any 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 debentures or debenture - stock of some person to be a Director of the Company and may empower such trustee or holders of debenture stock from time to time remove any Director so appointed. A Director appointed under this Article is herein referred to as "Debenture Director" and the Debenture Director means a Director for the time being in office under this Article. A Debenture Director shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed by the Company. The Trust deed may contain such ancillary provisions as may be arranged between the Company and the trustees and all such provisions shall have effect notwithstanding any of the other provisions herein, contained.
Nominee Directors	**102**	So long as any moneys remain owing by the Company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), The Industrial Credit and Investment Corporation of India Limited (ICICI), The Industrial Reconstruction Corporation of India Limited (RCI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), General Insurance Company Limited (GIC), National Insurance Company Limited (NICL), The Oriental Insurance Company Limited (OICI), The New India Assurance Company Limited (NIA), United India Insurance Company Limited (UI) or a State Financial Corporation or any financial institution, or any financial institution owned or controlled by the Central Government or a State Government or the Reserve Bank of India or by two or more of them or by Central Government or State Government by themselves (each of the above is hereinafter in this Article referred to as "the Corporation") out of any loans/debentures assistance granted by them to the Company or so long as the Corporation holds or continues to hold Debentures/shares in the Company as a result of underwriting or by direct subscription or private placement, or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, whole-time or non-whole time, (which Director or Director/s is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such officer any person or persons so appointed and to appoint any person or persons in his or their place/s. The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director/ s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/ s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company. The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds or continues to hold Debentures/shares in the Company as a result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the guarantee is outstanding and the Nominee Directors so appointed in exercise of the said power shall so fact/vacate such office immediately the moneys owing by the Company to the Corporation are paid of or on the Corporation ceasing to hold Debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished by the Corporation. The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings. Board Meetings and of the Meeting 6f the Committee of which the Nominee Directors/s is/are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes. The Company shall pay the Nominee Director/s sitting fees and expenses which the other Directors ' of the Company are entitled, but if any other fees, commission, monies or

		remuneration in any form is payable to the Directors of the Company, the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may toe incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or, as the case may be to such Nominee Director/s. Provided that if any such Nominee Director/s is an officer of the Corporation the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly and the Corporation. Provided also that the event of the Nominee Director/s being appointed as whole time Director/s, such Nominee Director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Director/s shall be entitled to receive such remuneration, fees, commission, and monies as may be approved by the Corporation.
Alternate Director	**103**	(i) The Board of Directors may appoint an Alternate Director to act for a Director (hereinafter called the Original Director) during his absence for a period of not less than three months from the state in which the meetings of the Board are ordinarily held. (ii) An Alternate Director appointed-under sub-clause (i) above shall vacate office if and when the Original Director returns to the State in which the meetings of the Board are ordinarily held. (iii) if the term of office of the Original Director is determined before he so returns to the State aforesaid any provision for the automatic re-appointment shall apply to the Original and not the Alternate Director.
Additional Director	**104**	Subject to the provisions of Section 260 of Companies Act, 1956, the Directors may appoint Additional Director.
Removal of Director	**105**	The Company may by ordinary resolution, remove an ordinary Director other than a Director appointed by the Central Government in pursuance of section 408 before the expiry of his period of office and fill up the vacancy thus created, in the manner and subject to the provisions of Section 284.of the Companies Act, 1956.
Casual vacancy filled by Directors	**106**	Any casual vacancy occurring among the directors may be filled up by the Directors, but any person so chosen shall retain his office so long only as the vacating Director would have retained the same if no vacancy had occurred, provided that the Directors may not fill a casual vacancy by appointing any person who has been removed from the Office of "Director" of the Company under the preceding Article.
Failure to fill casual vacancy	**107**	The continuing Directors may act, notwithstanding any vacancy in their body; but so that if the number fails below the maximum fixed, the Directors shall not except for the purpose of filling vacancies, act so long as the number is below the minimum.
Rotation & Retirement of Directors	**108**	At the Annual General Meeting of the Company to be held in every year, one third of such of the Directors as are liable to retire by rotation for the time being or, if their number is not three or a multiple of three, then the number nearest to one third shall retire from office, and they will be eligible for re-election. Provided nevertheless that the Managing Director or a Director appointed under Article119 or the Directors appointed as a Debenture Director, Special Director or ex-officio Director or an additional Director under Articles 101,101 A and 103 hereof shall not retire by rotation under this Article nor shall they be included in calculating the total number of Directors of whom one-third shall retire from office under this Article.
Directors may contract with Company	**109**	Subject to the provisions of Section 297, 299, 300 & 302 of the Act, the Directors shall not be disqualified by reason of his or their office as such from contracting with the Company either as vendor, purchaser, lender, agent; broker, lessor or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company or partnership in which he shall be member or otherwise interested be avoided nor shall any director so, contracting or being such member or so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that Office or of financial relation thereby established, but the nature of the interest must be disclosed by him or them at the meeting of directors at which the contract or arrangement is determined if the interest then exists or in any other cases at the first meeting of the Directors after the acquisition of the interest.
Director of		A Director of this Company may become a Director of any Company promoted by this Company or in

this Company appointed as director of a subsidiary Company	**110**	which it may be interested as a Vendor, shareholder or otherwise and no such Director shall be accountable for any benefits received as a Director or member of such Company.
Meetings of Directors	**111**	The Directors shall meet together at least once in every three months and at least four such meetings shall be held in every year. Two Directors or one third of the total strength of Directors, whichever is higher as provided in Section 287 of the Companies Act, 1956 shall be a quorum. Where at any time, the number of interested Directors exceed or is equal to two third of total strength the number of remaining Directors not so interested present at the meeting being not less than two shall be the quorum during such time. Any Director or Managing Director shall upon, the request of any Director at any time convene a meeting of Directors. Quotation arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote.
Meeting by video or telec-onferen-cing	**111A**	The company shall have the power to hold Board or Committee meetings through the means of video or teleconferencing, and also allow Directors to participate in the Board or Committee meetings through the means of video or teleconferencing, subject to the applicable provisions, if any, of the Act and other regulatory provisions, if any, and all relevant articles dealing with Board or Committee meetings shall be read mutatis mutandis.
Chairman of Directors	**112**	(a) The Board of Directors may elect a Director as Chairman of the Board. (b) If no such Chairman is elected, or if at any meeting the Chairman is not present within 15 minutes after the time appointed for holding the meeting, the Directors present may choose one of their Members to be Chairman of meeting.
Delegation of powers by Board	**113**	Subject to the provisions of Section 292 of the Act, the Directors may delegate any of their powers to a Committee consisting of such member or members of their body as they think fit, or to any category of managerial personnel or to any principal officer to the Company or to principal officer to the Branch Office of the Company. Any such committee or delegates shall in exercise of the powers so delegated conform to any regulations that may from time to time be imposed on them by the Directors.
Meetings of Committee	**114**	The Meetings and proceedings of any such committee consisting of two or more members shall be governed by the provisions herein before contained for regulating the meeting and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last proceedings clause.
Minutes	**115**	All minutes shall be signed by the Chairman of the meeting at which the same-are recorded or by the person who shall preside as Chairman at the ensuing meeting, and all minutes purporting to be so signed shall for all purposes whatever be prima facie evidence of the actual passing of the-resolutions recorded, and actual and regular transaction or occurrence of the proceedings to be so recorded, and of the regularity of the meeting at which the same shall appear to have taken place.
Resolution without Board meeting	**116**	Save in those cases where a resolution is required by sections 262,292,297,316,372 (4) and 386 of the Act, to be passed at a meeting of the Board, a resolution shall be as valid and effectual as if it had been passed at a meeting of the Board or Committee of the Board, as the case may be duly called and constituted if a draft thereof in writing is circulated together with the necessary papers, if any, to all the Directors, or to all the members of the Committee of the Board, as the case may be then in India (not being less in number than the quorum fixed, for a meeting of the Board or Committee, as the case may be) and to all other Directors or the members of the Committee, at their usual address and had been approved by such of them as are them in India, or by a majority of such of them are entitle to vote on the resolution.
Managing Director	**117**	The Board may, from time to time and at any time appoint one or more of their body to be whole time or Managing Director or Directors to manage and conduct the business of the Company subject to their control, direction and superintendence, and subject to the provisions of the Act and the Articles. The whole time or Managing Director or Directors will not be liable to retire by rotation.

THE SEAL

Particulars	**Article No.**	**Description**
Custody of the Seal	**118**	The Directors shall provide a common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof. The Director shall provide for Seal and shall never be used, except by the authority of the Directors or a Committee of the Directors previously given, and one Director at least shall sign every instrument to which the seal is affixed, provided nevertheless, that any instrument bearing the

		seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority of the Directors to issue the same.
Seal for use in Foreign Territory	**119**	The Company may have for use in any territory, district or place not situated in India an official Seal which shall be a facsimile of its common Seal with territory, district or place.

FOREIGN REGISTER

Particulars	**Article No.**	**Description**
Foreign Register	**120**	The Company may keep in any state or country outside India, a branch register of members or debenture-holders resident in that state or country (hereinafter called as "Foreign Register") and shall, within one month from the date of the opening of any foreign register, file with the Register, notice of the situation of the office where such register is kept and in the event of any change of situation of such office or hold its discontinuance shall within one month from the date of such change or discontinuance as the case may be file notice with the Registrar of such change or discontinuance. As regards the provisions relating to Foreign Register, the Company shall have regard to Section 158 of the Act.

ACCOUNTS, AUDIT AND DIVIDENDS

Particulars	**Article No.**	**Description**
Books where kept	**121**	Books of accounts shall be kept at the registered office of the Company or at such other place in India as the Directors may think fit.
Inspection by members	**122**	The Directors shall, from time to time to time whether and to what extent and at what times and place under what condition or regulation, the accounts and books of the Company or any of them shall be open to inspection of members riot being Directors. No member (not being a Director) shall have any right to inspect the same except as conferred by the Companies Act, or authorized by the Board of Directors, or by any resolution of the Company in General Meeting.

AUDIT

Particulars	**Article No.**	**Description**
Auditors	**123**	Once at least in every year the accounts of the Company shall be examined, and the correctness thereof and of the Balance Sheet and Profit and Loss Account ascertained by one or more Auditor or Auditors.
Appointments of Auditors	**124**	As regard to the appointment and remunerations qualification and disqualifications, removal powers, rights and duties-of Auditors, shall have regard to Section 224 to 231 of the Companies Act, 1956.
Error in Audit	**125**	Every account of the Company when audited and approved by a General Meeting shall be conclusive except so far as regards any error discovered there in before or at the audit of the then next account, and whenever such error is discovered within that period of Account shall be forthwith connected and thenceforth shall be conclusive.
Capitalis-ation of Profits	**126**	1. The Company in General Meeting may upon the recommendation of the' Board of Directors resolve: (a) that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution; and that such sum be accordingly set free for distribution in the manner, specified in clause 2 amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions. 2. The sum aforesaid shall not be paid in cash but shall be applied, subjects to the provision contained in clause 3 either in or towards. a) paying up any amounts for the time being unpaid of any shares held by such member respectively. b) paying up in full, un-issued shares or debentures of the Company to be allotted and distributed, credited as fully paid-up to and distributed, credited amongst such members in the proportions aforesaid or c) partly in the way specified in sub-clause (I) and partly in that specified in sub-clause (ii). 3. A share premium account and a capital redemption reserve fund may, for the purpose of this article, only be applied in the paying up of un-issued shares to be issued to members of the Company as fully paid up bonus shares. The Board of Directors shall give effect to the resolution passed by the Company in pursuance of this Article

Application of profits	**127**	Whenever such a resolution as aforesaid shall have been passed, the Board of Directors shall: 1. a) Make all appropriations and applications of the undivided profits resolved to be capitalized thereby, and all allotments and issue of fully paid-up shares if any; and; b) generally do all acts and things required to give effect thereto. 2. The Board of Directors shall have full power: a) to make such provisions by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, in the case of shares becoming distributable infractions and also b) to authorize any person to enter on behalf of all the members entitled thereto into an agreement with the Company provided for allotment to them respectively, credited as fully paid-up, of any further shares to which they may be entitled upon such capitalization or (as the case may require) for the payment by the application thereto of their respective proportions of the profits resolved to be capitalized of the amounts or any part of the amounts remaining unpaid on their existing shares. 3. Any agreement made under such authority shall be effective and binding on all such Members.

RESERVE AND DEPRICIATION FUNDS

Particulars	Article No.	Description
Reserve Fund	**128**	The Directors may from time to time set apart any and such portion of the profits of the Company as they think fit, as reserve fund applicable at their discretion for the liquidation of any debentures, debts or other liabilities of the Company, for equalization of dividends or for any other purposes of the Company with full power to employ the assets constituting the Reserve fund in the business of the Company, and that without being bound to keep the same separate from the other assets.
Carry forward of profits	**129**	The Directors may also carry forward any profit which they may think prudent not to divide, without setting them aside as a reserve.
Depreciation Fund	**130**	The Directors may from time to time set apart any and such portion of the profits of the Company as they think fit as a Depreciation fund applicable at the discretion of the Directors, for rebuilding, restoring, replacing, or altering any part of the building, works, plant, machinery or other property of the Company destroyed or damaged by fire, flood, storms, tempest, accident, riot, wear and tear, or other means, or for repairing, altering and keeping in good condition the property of the Company or for extending and enlarging the buildings, machinery and property of the Company with full power to employ the assets constituting such depreciation fund in the business of the Company, and that without being bound to keep the same separate from the other assets
Investment of the Funds	**131**	All moneys carried to the Reserve Fund and Depreciation Fund respectively shall nevertheless remain and be profits to the Company applicable, subject to due provision being made for actual loss or depreciation, for the payment of dividends and such moneys and all the other moneys of the Company, not immediately required for the purposes of the Company may be invested by the Board of Directors in or upon such investments or securities, as they may select or maybe used as working capital or may be kept at any bank on deposit of otherwise as they may, from time to time think proper.

DIVIDENDS

Particulars	Article No.	Description
Dividends	**132**	The Company in Annual General Meeting may declare a dividend to be paid to the members according to their rights and Interests in the profits, and for the purpose of equalization of dividends any sums from time to time in accordance with these presents carried to the reserve, depreciation, or other special funds may be applied in payment thereof. The dividends so declared by the general body shall not exceed the amount so recommended by the Directors.
Dividend in proportion to the amount paid up on shares	**133**	Subject to the rights of persons, if any, entitled to share with special rights as to dividends, all dividends shall be declared and paid according to the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to amounts of the shares.
Bonus	**134**	If and whenever any bonus shares declared out of the profits and whether alone or in addition to any dividend thereon, the bonus shall for all purposes whatsoever be deemed to be a dividend on the shares.
Debts may be	**135**	The Board may deduct from any dividend payable to any member all sums of money if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the

deducted		Company.
Dividend out of profits only	**136**	No dividends shall be payable except out of the profits of the year or any other undistributed profits, and no larger dividend shall be declared than is recommended by the Directors, but the Company in General Meeting may declare-a smaller dividend. Before declaring any dividends, the Company shall have regard to the provisions of Section 205 of the Act.
Interest out of capital	**137**	Subject to the provisions of Section 208 of the Act, the Company may pay interest on so much of the share capital as is for the time being paid up, for the period and subject to the conditions and restrictions mentioned in Section 208 and charge the sum so paid by way of interest, to capital as part of the cost of construction of the work of building or the provision of the plant.
Dividend in specie	**138**	No dividend shall be payable except in cash provided that nothing shall be deemed to prohibit the capitalization of profits or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any share held by the members of the Company.
Joint holders receipts	**139**	In case two or more persons are registered as the joint holders of any share, any of such persons may give effectual receipts for all dividends and payment on account of dividends in respect of such shares.
Dividends and call together	**140**	Any General Meeting declaring dividend, may make a call on the members of such amount as the meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time so as the dividend and the dividend may, if so arranged between the Company and the members, be set off against call. The making of a call under this Article shall be deemed ordinary business of an ordinary meeting which declares a dividend.
Right to dividend on transfer of shares	**141**	A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer. However, the Company shall comply with the requirement of Section 206 A of the Companies Act, 1956 where any instrument of transfer for shares has been delivered for registration and the transfer of such shares has not been registered by the Company.
Dividend how paid	**142**	Unless otherwise directed by the Company in General Meeting, any dividend may be paid in cash or cheque or warrant or money order sent through the post within forty two days of the date of such declaration to the registered address of the member entitled, or in the case of joint holders, to the registered address of that one whose name stand first on the register in respect of the joint-holding and every cheque so sent shall be made payable to the order of the person to whom it is sent.
Unclaimed Dividend	**143**	a) Unpaid dividends shall not bear interest as against the Company. b) No unclaimed or unpaid dividend shall be forfeited by the Board unless the claim thereto becomes barred by law and the Company shall comply with all the provisions of Section 205A of the Companies Act in respect of unclaimed or unpaid dividend.

SERVICE OF DOCUMENTS AND NOTICES

Particulars	**Article No.**	**Description**
Service of Notice and Documents on members	**144**	A document may be served by the Company on any member either personally or by sending it by post to him to his registered address or if he has no registered address in India to the address, if any, within India supplied by him to the Company for the giving of notices to him.
Service by post	**145**	Where a document is sent by post, service of the notice shall be deemed to be affected by properly addressing, prepaying and posting a letter containing the documents, provided that where a member has intimated to the Company in advance that .the document should be sent to him under Certificate of Posting or by Registered Post with or without acknowledgment due and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document shall not be deemed to be effected unless it is sent in the manner intimated by the member; and such service shall be deemed to have been effected:- a) In the case of notice of a meeting at the expiration of forty-eight hours after the letter containing the same is posted, and b) In any other case at the time at which the letter would be delivered in the ordinary course of post.
Notice to members resident abroad	**146**	If a member has no registered address in India and has not supplied to the Company an as address within India for the giving of notice to him, a document or notice of meeting advertised in Newspaper circulating shall be deemed to be duly given to him on the day on which the advertisement appears.
Notice to person entitled by	**147**	A document may be given by the Company to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased or assign of the insolvent or by any like description at the address (if any) in. India supplied

transmission		for the purpose by the persons, claiming to be so entitled or until such an address has been so supplied by giving notice in any manner in which the same might have been given, if the death or insolvency had not occurred.
Notice to Joint holders	**148**	A document may be served by the Company on the Joint-holders of a share by serving it on the Joint-holder named first in the Register in respect of the share.
Notice of General Meeting	**149**	Notice of every meeting shall be given to every member of the Company in any manner authorized by Article 148 to 150 hereof and also to every person entitled to a share in consequence of the death, or insolvency of a member who but for his death or insolvency-would be entitled to receive notice of the meeting.
When notice may be given by advertise-ment	**150**	Any notice required to be given by the Company to the members or any of them and not expressly provided for by the Act or by these presents shall be sufficiently given, if given by advertisement.
Transferees bound by prior notice	**151**	Every person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered in the register shall be duly given to the person from whom he derives his title to such share.
Notice valid through member deceased	**152**	Any notice or document delivered or sent by post or left at the registered address of any member in pursuance of those presents shall, notwithstanding such member be then deceased and whether or not the Company have notice of his decease be deemed to have been duly served in respect of any. registered shares whether held .solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint-holder, thereof and such service shall, for the purpose of these presents, be deemed a sufficient service, of such notice or document on his or her heirs, executors or administrators and all persons, if any jointly interested with him or her in any such shares.
Notice to be signed	**153**	The accidental omission to give notice to or non-receipt of notice by any member or other person to whom it should be given shall not invalidate the proceedings at the meeting.
Signature on notice	**154**	The signature in any notice to be given by the Company may be written or printed.

WINDING UP NOTICE

Particulars	**Article No.**	**Description**
Winding Up	**155**	If the Company shall be wound-up and the surplus assets shall be more than sufficient to repay the whole of the paid-up capital, the excess shall be distributed among the members in proportion to the capital paid-up or which ought to have been paid-up on Equity shares held by them respectively at the commencement of the winding up, but the clause is to be without prejudice to the rights of the holders of shares issued upon special conditions.
Sale by Liquidator	**156**	In a winding up the Liquidator may, irrespective of the powers conferred on him by the Companies Act, and as an additional power, with the authority of special resolution, sell the undertaking of theCompany or the whole or any of its assets, for shares fully or partly paid up or the obligations of orother interests in any other Company and may be the contract of sale agree for the allotment to themembers direct, of the proceeds of sale in proportion to their respective interests in the Company.Any such sale or arrangement or the Special Resolution confirming the same way, subject to the provisions of Article 12 hereof, provide for the distribution or appropriation of the shares or other benefits to be received In compensation otherwise than in accordance with the legal rights of the contributories of the Company, and in particular, any class may be given preferential or special rights, or may be excluded altogether at the expiration of which shares, obligations or other interest not accepted or required to be sold shall be deemed to have been refused, and be at the disposal of the Liquidator of the purchasing Company.
Division of Assets	**157**	1. If the Company shall be wound up, the Liquidator may, with the sanction of a Special Resolution and any other sanction required by the Companies Act, 1956 divide amongst the members in specie or in kind the whole or any part of the assets of the Company whether they shall consist of property of the same kind. 2. For the purpose aforesaid the Liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes members. 3. The Liquidator may, with the like sanction invest the whole or any part of such assets in trustees

		upon such trusts for the benefit of the contributories as the Liquidator, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

SECRECY

Particulars	Article No.	Description
Secrecy Clause	**158**	Every Director, Manager, Trustee, Member of Committee, Officer, Servant, Agent, Accountant or other persons employed in the business of the Company, shall if so required by the Directors sign a declaration by pledging himself to observe strict secrecy respecting all transactions of the Company with its customers and the state of accounts with individuals and in matters relating thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required to do so by the Directors or by any court of Law and except so far as may be necessary in order to comply with any of the provisions in these presents contained.
Restriction on share-holders, members and other people	**159**	No shareholder to enter the premises of the Company without permission. No member or other person (not being a Director) shall be entitled to enter the premises of the Company or to inspect or examine the Company's premises or properties of the Company without the permission of the Directors of the Company for the time being or subject to these Articles to require discovery of any information respecting any details of the Company's trading of any matter which is or may be in the nature of a trade, mystery of trader or secret process or of any matter whatsoever which may relate to the conduct of the business of the Companies and which in the opinion of the Directors it will be in expedient of the Company to communicate to the Public.

INDEMNITY

Particulars	Article No.	Description
	160	Every Director, Auditor, Officer or Servant of the Company shall subject to the Section 201 of the Companies Act, 1956, be indemnified out of its funds for all costs, charges, travelling or other expenses losses and-liabilities incurred by them or him in the conduct of the Company's business or in the discharge of their duties, and neither any Director nor Officer or Servant of the Company shall be held liable for joining in any receipt or other act for conformity’s sake, or for any loss or expenses happening to the Company by insufficiency or deficiency of any security on if or upon which any of the moneys of the Company shall be invested, or for any loss or damages arising from the bankruptcy, insolvency or tortuous act of any person with whom any moneys, securities or effect, shall be deposited, or for any other loss, or damage or misfortune whatsoever which shall happen in the execution of their pr his office or in relation thereto, unless the same shall happen through their or his own dishonesty
Indemnif ication	**161**	Every Director, Auditor, Secretary, Agent and Officer of the Company shall also been indemnified out of the assets of the Company 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 Companies Act, 1956, in which relief is granted to him by the Court.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered in to in the ordinary course of business carried on by the Company or entered into more than two years before the date of the Letter of Offer) which are or may be deemed material have been entered or are to be entered in to by our Company. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company, from 10 a.m. to 4 p.m. on any Business Day, from the date of this Letter of Offer until the Issue Closing Date.

Material Contracts

a) Issue Agreement between our Company and the Lead Manager to the Issue, dated, September 26, 2011.

b) Memorandum of Understanding between our Company and the Registrar to the Issue dated September 21, 2011.

c) Tripartite Agreement between our Company, NSDL and Registrar to our Company dated October 13, 2011 for offering depository option to the applicants.

d) Tripartite Agreement between our Company, CDSL and Registrar to our Company dated October 4, 2011 for offering depository option to the applicants.

e) Banker to the Issue Agreement dated March 20, 2012 between our Company, Banker to the Issue, Registrar and the Lead Manager.

Material Documents

a) Memorandum and Articles of Association of our Company.

b) Certificate of incorporation of our Company dated January 7, 1984 and fresh certificate of incorporation dated October 12, 1993.

c) Copy of the Board Resolutions under section 81(1) of Companies Act dated July 7, 2011, September 26, 2011 and March 13, 2012, approving this Issue and other related matters thereto.

d) Annual Report of our Companyfor five years for Fiscal 2007, 2008, 2009, 2010 and 2011.

e) Sale deed dated August 24, 1984 between our Company and Unicorn Machinery Manufacturers for land situated at Bonthapally Village, Narsapur Taluka, Medak District.

f) Sale deeds dated December 23, 1988 and May 10, 1989 and between our Company and Mrs. Davuluri Vijaya Rao and Dr. G.S. Murthy for land situated at Bonthapally Village, Narsapur Taluka, Medak District. (Related Party Transaction)

g) Sale deeds dated June 9, 2006 and August 21, 2006 and between our Company and Mr. C Sudhakar Shetty for land situated at Bonthapally Village, Narsapur Taluka, Medak District.

h) Sale deed dated September 20, 1994 between our Company and Andhra Pradesh Industrial Infrastructure Corporation Limited for land situated at IDA Pashamylaram, Pashamylaram Village, Sangareddy Taluk, Medak District.

i) Sale deed dated October 18, 2007 between our Company and Abhisetti Saraswathi, Abhisetti Veeresham and Abhisetti Anjaneyulu. for land situated at Domadugu Village, Gram Panchayat Bonthapally, Narsapur Taluka, Medak District.

j) Sale deed dated February 9, 2009 between our Company and Andhra Pradesh Industrial Infrastructure Corporation Limited for land situated Nanakramguda Village, Serilingampally Mandal, Ranga Reddy District.

k) Sale deed dated January 2, 1995 between our Company and Andhra Pradesh Industrial Infrastructure Corporation Limited for land situated at Phase II at IDA Pashamylaram, Pashamylaram Village, Sangareddy Taluk, Medak District.

l) Sanction Letter dated September 21, 2011 issued by EXIM Bank and the loan agreement dated September 28, 2011 entered into between our Company and EXIM Bank.

m) Auditors' certificates dated September 26, 2011 that our Company had received ₹52.5 million from Sucheth and Saharsh Holding Private Limited as on August 31, 2011.

n) Auditors' certificate dated September 26, 2011 that our Company had received ₹75.78 million from SBI as on August 31, 2011 and Auditors' certificate dated March 13, 2012 giving details of funds deployed towards "Objects of the Issue" till March 10, 2012, respectively.

o) The Report of the Auditors dated March 13, 2012 as set out herein in relation to the restated consolidated financial statements and standalone financials of our Company for the half year ended September 30, 2011 and the financial years ended 2011, 2010 and 2009 , as applicable.

p) The Report of the Auditors dated March 13, 2012 as set out herein in relation to the restated standalone financial statements and standalone financials of our Company for half year ended September 30, 2011 and the financial years ended 2011, 2010, 2009, 2008 and 2007, as applicable.

q) Report dated March 13, 2012 from the Auditors of our Company confirming Statement of Tax Benefits as mentioned in this Letter of Offer.

r) Deployment Certificate dated March 13, 2012 from the Auditors of our Company confirming the funds deployed on the Objects of the Issue.

s) Consents of the Directors, Company Secretary and Compliance Officer, Auditors, Lead Manager to the Issue, Banker to the Issue, legal advisor, Registrars to the Issue, Registrar and Transfer Agent to our Company to include their names in the Letter of Offer to act in their respective capacities.

t) Board Resolution dated February 10, 2012 appointing the Company Secretary of our Company as the Compliance Officer.

u) Due Diligence Certificate dated September 30, 2011 from Lead Manager to the Issue.

v) In-principle listing approvals dated October 17, 2011 and October 21, 2011 from the BSE and the NSE, respectively.

w) Observation Letter No(s). SEBI/SRO/DIL/2011 dated October 24, 2011, SEBI/SRO/DIL/2011 dated November 18, 2011, SEBI/SRO/ ISSUES/2012 dated February 14, 2012 and SRO/ DIL/2012 dated March 12, 2012 issued by SEBI for the Issue.

x) Share Subscription and Shareholders Agreement dated September 25, 2007 entered into between the Company, CRNIPL, Cato Research Limited and Cato Research Israel Ltd

Any of the contracts or documents mentioned in this Letter of Offer 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 Equity Shareholders, subject to compliance with applicable law.

DECLARATION

We hereby declare that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 1956 and the rules made thereunder. All the legal requirements connected with the said Issue as also the regulations, guidelines, instructions, etc. issued by SEBI, the GoI and any other competent authority in this behalf have been duly complied with. We further confirm that all the statements in this Letter of Offer are true and correct.

SIGNED BY ALL THE DIRECTORS OF THE COMPANY

Sr. No.	NAME	SIGNATURE
1.	Dr. Davuluri Rama Mohan Rao	
2.	Mr. Davuluri Sucheth Rao	
3.	Mr. Davuluri Saharsh Rao	
4.	Mr. GVK Rama Rao	
5.	Mr. Nadeem Panjetan	
6.	Mr. Humayun Dhanrajgir	
7.	Mr. Parampally Vasudeva Maiya	
8.	Mr. Shashi Bhushan Budhiraja	
9.	Dr. Christopher M. Cimarusti	
10.	Dr. William Gordon Mitchell	

SIGNED BY THE VICE PRESIDENT FINANCE

Mr. N.S. Viswanathan
Place: Hyderabad
Date: March 20, 2012

THIS PAGE IS INTENTIONALLY LEFT BLANK

THIS PAGE IS INTENTIONALLY LEFT BLANK